

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT (THURMAN)
FEBRUARY 2003**

CON Review FSF-NIS-1202-078
Vicksburg Diagnostics Imaging Center, Inc., Vicksburg
Establishment of Magnetic Resonance Imaging Services
Capital Expenditure: \$20,000

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Vicksburg Diagnostics Imaging Center, Inc., is a for-profit Mississippi corporation authorized to do business in the State of Mississippi. The present officer of Vicksburg Diagnostics Imaging Center, Inc.,(VDI), is to be contacted at 1901 Mission 66, Vicksburg, Mississippi, and is currently listed as the only member on its governing board.

B. Project Description

Vicksburg Diagnostics Imaging Center, Inc., requests Certificate of Need (CON) authority for offering of mobile MRI services. VDI will provide a full range of diagnostic imaging, including routine digital diagnostic radiography, flourosopic exams, computed tomography, ultrasound, mammography, carotid Doppler and echo cardiogram. VDI is proposed to be an outpatient imaging center. According to the applicant, the MRI unit will be leased from Alliance Imaging, Inc. The MRI unit will be a General Electric 1.5 Tesla Signa High Speed unit mounted in a Calumet coach. This mobile unit will serve VDI one day a week. This unit also serves Baptist Memorial Hospital East five days a week.

VDI will build a pad for the MRI unit as a part of its overall development. The "route" will be operated by Alliance Imaging, Inc., as an addition to an existing CON approved or CON exempt mobile MRI route. The monthly rent will be equal to \$375.00 times the number of scans performed at the Center.

VDI anticipates an increase in the use of ancillary or support services to support the Imaging Center, but no material change in overall costs or charges at the Imaging Center or any other health care facility is expected as a result of this project. The costs and charges of the Imaging Center will be in line with the costs and charges of other imaging facilities in the Vicksburg area.

The capital expenditure will be fully obligated after the CON is approved and full VDI Board approvals are obtained. The project is expected to be completed within fourteen (14) months after CON approval.

II. TYPE OF REVIEW REQUIRED

Projects which propose the provision of mobile magnetic resonance imaging services are reviewed in accordance with Section 41-7-191, subparagraphs (1) (d)(xii), and (f) of the Mississippi Code of 1972, Annotated, as amended, and duly adopted rules, procedures, plans, criteria and standards of the Mississippi State Department of Health.

In accordance with Section 41-7-197(2), of the Mississippi Code 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on March 6, 2003.

III. CONFORMANCE WITH THE STATE HEALTH PLAN AND OTHER ADOPTED CRITERIA AND STANDARDS

A. State Health Plan (SHP)*

The FY 2003 State Health Plan addresses policy statements and specific criteria and standards which an applicant is required to meet before receiving CON authority to provide MRI services. This application is in substantial compliance with applicable criteria and standards. This proposal is for the Provision of Mobile Magnetic Resonance Imaging Services.

SHP Criterion 1 - Need

This CON Application is submitted in response to a recognized interest by Warren County patients and by area doctors to obtain and provide MRI and other imaging services locally in the Warren County community.

Currently there is one MRI unit in the Vicksburg area. This unit performed 2,279 and 2,883 procedures in 2000 and 2001, respectively. The increased availability of MRI services in Warren County, with a projected population for the year 2005 of 52,243, is certainly needed. Warren County is expected to grow at a rate of 3.4 percent between 2005 and 2010 and another 3.29 percent between 2010 and 2015.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

The Imaging Center will provide a full range of diagnostic imaging modalities for verification and complementary studies including routine digital diagnostic radiography, flourosopic exam, computed tomography, ultrasound, carotid doppler, echocardiography and mammography.

SHP Criterion 3 - Accessibility

Within the scope of its available services, VDI hereby assures that neither VDI nor the Imaging Center nor its participating medical personnel shall have any policies or procedures which would exclude patients because of race, color, age, sex, ethnicity or ability to pay.

SHP Criterion 4 - Staffing

The applicant states that Alliance Imaging will provide qualified technologists that are full-time MRI Radiographers or persons who have had equivalent education, training and experience, at least one of whom shall be on site at all times during operating hours and who is experienced in computed tomography or other cross-sectional imaging methods or has equivalent training in MRI spectroscopy. The Imaging Center will have full-time medical direction, as needed, of its MRI unit in the person of the medical staff of Lakeland Radiologists, P.A.

SHP Criterion 6 - Data Requirement

The applicant affirms that it will record and maintain the requested information and make it available to the Mississippi State Department of Health.

SHP Criterion 7 - CON Approval

Alliance Imaging, Inc. is a current MRI vendor in Mississippi and is Certificate of Need approved for mobile MRI services in the State.

B. General Review (GR) Criteria

Chapter 8 of the Mississippi Certificate of Need Review Manual, revised May 13, 2000, addresses general criteria by which all CON applications are reviewed.

GR Criterion 2 - Long Range Plan

This project is consistent with the long range strategic plans developed by its management staff and approved by the Board of Directors for the provision of state-of-the-art, accessible, cost effective, outpatient diagnostic imaging services to the communities and areas served by VDI.

GR Criterion 3 - Availability of Alternatives

According to the applicant, the alternative considered was continuation of referral to diagnostic imaging services to Jackson. Such referral is a burden on the referred patients and their families. Increased local convenient access for patients in Warren County to diagnostic imaging services is essential to the accomplishment of the access goal and purpose of the State Health Plan.

GR Criterion 4 - Economic Viability

The proposed project has been determined to be financially feasible by VDI's management staff, and the proposal should have no significant effect on the cost of providing health services by the Imaging Center or local hospitals. Based on the applicant's financial projections, the economic viability of this project appears to be good. Based on the applicant's three year projections, this project will be economically viable. The first three years projected net income will be \$49,200, \$59,920 and \$65,040, respectively.

The proposed charges of the Imaging Center for MRI services are comparable to those charges established by other facilities within the service area and state.

GR Criterion 5 - Need for Services

Warren County is within the primary service area of the Imaging Center. The projected population growth in Warren County is 3.4 percent between the years of 2000 and 2005. The need for convenient, accessible outpatient diagnostic imaging services in that area is obvious by the increase in population. The Imaging Center serves all patients regardless of their ability to pay, including low income persons, racial and ethnic minorities, women, handicapped persons, the elderly and other under served groups. Also, this project will have no adverse impact on existing facilities or services providing similar services to those proposed by this application. The application includes a letter of comments from Laurence E. Leyens, Mayor of Vicksburg; Representative Chester Masterson of Vicksburg; and Sidney H. Beauman, Jr., South Ward Alderman of Vicksburg, Mississippi. As stated, this project will have no adverse impact on existing facilities or services providing similar services to those proposed by this application.

GR Criterion 6 - Access to the Facility or Service

According to the applicant's admission policy, etc., the imaging center will not deny treatment to any patient due to their inability to pay for the treatment should it be deemed a medical emergency. No patient will be denied service at the imaging center solely because of an inability to satisfy the deposit requirement at the time of service, and patients will be treated regardless of their race, color, national origin or religious belief. The applicant projects that the Imaging Center will perform MRI services to 1.4 percent medically indigent patients.

The applicant indicates the following number of procedures for the next three years of operation:

Year	Year 1	Year 2	Year 3
# of procedures	240	288	316

GR Criterion 7 - Information Requirement

The applicant affirms that it will record and maintain the requested information and make it available to the Mississippi State Department of Health within 15 days of request.

GR Criterion 8 - Relationship to Existing Health Care System

This project will serve as a complement to the existing health care system of the area. The offering of additional outpatient diagnostic imaging services in Warren County will be an asset to the patients VDI's affiliate currently serves, as well as others in the community. This proposal will enhance the existing health care system for patients by providing them with local access to outpatient diagnostic imaging services.

GR Criterion 9 - Availability of Resources

The applicant states that all physicians utilizing the Imaging Center will be private practitioners. MRI technician personnel will be employed by or provided by Alliance Imaging, Inc., pursuant to contract. This project is supported by area physicians and surgeons who have expressed their interest in letters of commitment and affidavits included in the application.

GR Criterion 10 - Relationship to Ancillary or Support Services

VDI anticipates having transfer agreements with the following area hospitals:

Mississippi Baptist Medical Center
River Region Medical Center
University Medical Center
Central Mississippi Medical Center

VDI anticipates an increase in the use of ancillary or support services to support the Imaging Center, but no material change in overall costs or charges at the Imaging Center or any other health care facility is expected as a result of this project. The costs and charges of the Imaging Center will be in line with the costs and charges of other imaging facilities in the Vicksburg area.

GR Criterion 16 - Quality of Care

The Imaging Center currently provides and will continue to provide quality healthcare. The Imaging Center's purpose is to ensure the delivery of the highest quality of care to its patients in the most efficient and effective manner with the resources available. The proposed project is to supplement and enhance the delivery of quality care readily accessible to the residents of Warren County.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

VDI submitted the following capital expenditure summary:

New Construction	\$ 15,000.00
Contingency Reserve	\$ 5,000.00
Other Cost	\$ 0.00
Total Expenditure	\$ 20,000.00

The proposed capital expenditure is for VDI to build a pad for the MRI unit as a part of its overall development for offering of mobile MRI services.

B. Method of Financing

The applicant proposes to finance this project with cash reserves. No additional debt is projected.

C. Effect on Operating Cost

The applicant projects the following expenses, utilization, and results from operation for the first three years following completion of the project:

EXPENSES	YEAR 1		YEAR 2		YEAR 3	
Salaries & Wages	\$	0.00	\$	0.00	\$	0.00
Supplies	\$	6,000.00	\$	7,200.00	\$	7,900.00
Other Direct Expenses	\$	90,000.00	\$	108,000.00	\$	119,000.00
Other Indirect Expenses	\$	2,400.00	\$	2,400.00	\$	2,400.00
Depreciation	\$	0.00	\$	0.00	\$	0.00
Total Expenses	\$	<u>98,400.00</u>	\$	<u>117,600.00</u>	\$	<u>129,300.00</u>

Gross Pat. Revenue	\$	327,600.00	\$	393,120.00	\$	431,340.00
Charity/indigent	\$	-4,592.00	\$	-5,502.00	\$	-6,048.00
Contractual Adj.	\$	-162,288.00	\$	-194,378.00	\$	-213,672.00
Bad Debt	\$	-13,120.00	\$	-15,720.00	\$	-17,280.00
Total Deductions	\$	-180,000.00	\$	-215,600.00	\$	-237,000.00
Net Pat. Svc. Rev.	\$	147,600.00	\$	177,520.00	\$	194,340.00
Net Income (Loss)	\$	49,200.00	\$	59,920.00	\$	65,040.00
Number of Scans		240		288		316
Treatments per Patients		1		1		1
No. Of Treatments		1		1		1
Cost per Procedure	\$	400.00	\$	400.00	\$	400.00
Charge per Procedure	\$	1,365.00	\$	1,365.00	\$	1,365.00
Cost per Procedure (Staff)	\$	410.00	\$	408.33	\$	409.18
Charge per Procedure (Staff)	\$	1,365.00	\$	1,365.00	\$	1,365.00

* Applicant projects approximately 5.7 percent of gross revenue for bad debt patients, medically indigent patients and charity care patients.

D. Cost to Medicaid/Medicare

Patient Mix by Type Payer	Utilization Percentage	First Year Expenses
Medicaid	0.0%	\$ 0.00
Medicare	20.0%	\$ 19,680.00
Blue Cross	35.0%	\$ 34,440.00
Workers Compensation	5.0%	\$ 4,920.00

Other 3 rd party payers	33.3%	\$	32,767.20
Self Pay	5.0%	\$	<u>4,920.00</u>
Indigent	<u>1.7%</u>	\$	<u>1,672.80</u>
TOTAL	<u>98.3%</u>	\$	<u>98,400.00</u>

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review. No comments from DOM were received.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with criteria and standards contained in the 2003 State Health Plan; the Certificate of Need Review Manual, revised 2000; and duly adopted rules, procedures and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Vicksburg Diagnostics Imaging Center, Inc., Vicksburg, for offering mobile magnetic resonance imaging services.