

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

CON Review MU-NIS-1202-079
Southaven Diagnostic Imaging, LLC d.b.a. Carvel Imaging Center, Southaven, MS
Establishment of Mobile MRI Services
Capital Expenditure \$ -0-

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Southaven Diagnostic Imaging, LLC, d.b.a. Carvel Imaging Center is a for-profit, Mississippi Limited Liability Company authorized to do business in the State of Mississippi. Southaven Diagnostic Imaging, LLC (SDI) is a closely held member-managed company having two members at the time of this application. Therefore, members of the community do not serve as managers or members of the governing board, other boards or committees, advisory boards or groups, or other representative forums. Southaven Diagnostics Imaging, LLC, is an affiliate of DeSoto Diagnostic Imaging, LLC, located in Olive Branch.

B. Project Description

Southaven Diagnostic Imaging, requests Certificate of Need (CON) authority for offering of Mobile MRI services at its facility. SDI proposes to establish mobile MRI services through the use of mobile MRI equipment, and to become part of an already established route. The applicant proposes to provide mobile MRI services through a contractual agreement with Alliance Imaging, Inc. The MRI unit will be located at SDI, a freestanding facility, one day per week. No construction, renovation, or capital expenditure will be needed to institute the mobile MRI services. The proposed mobile MRI unit is a .35 Tesla open profile unit which currently serves a route in Tennessee and Alabama. This equipment is scheduled by Alliance to replace another unit that is already CON approved and serving an existing route in Mississippi which includes Kings Daughters Hospital in Brookhaven, University Hospitals and Clinics in Lexington, and Veterans Medical Center in Alexandria, Louisiana. Alliance has confirmed the equipment's exemption from the CON process in a letter from the Mississippi State Department of Health dated December 16, 2002.

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

The route SDI will join has been served by equipment that has performed more than 1700 scans annually. This equipment will replace that existing unit once the Department gives its approval, and will take over the existing route. The 1700 scans per year minimum need requirements is already met by the existing route. SDI proposes to generate more than 364 additional scans in the first year, increasing this utilization in future years.

Hospital	Days	2001	2002
King's Daughters Hospital, Brookhaven, MS	2	681	738
Veterans Hospital, Alexandria, LA	2	826	894
University Hospital, Lexington, MS	1	234	286
Total	5	1741	1918

The need in this area is further documented by the support of physicians who plan to refer patients to the SDI facility and the recent trends in MRI utilization.

There is a strong need for additional MRI services in the growing Southaven, Mississippi, area as evidenced by the growing utilization by both existing service providers in DeSoto County. The objective of this proposal is to provide the citizens of DeSoto County and neighboring communities with timely and convenient MRI services. The application included four (4) Affidavits of Support from physicians indicating that they will refer a total of 572 patients annually.

Baptist Memorial Hospital-DeSoto and DeSoto Diagnostic Imaging, LLC, an affiliate of SDI, are the only existing MRI service providers in DeSoto County and are operating within optimum levels. SDI does not anticipate any adverse impact on Baptist Memorial Hospital-DeSoto as the result of this one-day-per-week service.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

SDI certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available at the time the mobile MRI services begin. Among these modalities are computed tomography, ultrasound, angiography, nuclear medicine, and conventional radiology.

SHP Criterion 3 - Accessibility

SDI certifies that no facility under its scope of ownership or affiliation and personnel with which it participates has policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

SHP Criterion 4 - Staffing

SDI certifies that it will employ a Director who will be a full-time, board eligible radiologist or nuclear medicine imaging physician, or other board eligible licensed physician whose primary responsibility during the prior three years has been in the acquisition and interpretation of clinical images. The Director shall have a knowledge of MRI through training, experience, or documented postgraduate education. This application has a physician's Curriculum Vitae included that meets these requirements.

SDI expects to contract with Alliance for mobile MRI services for the facility. Under the terms, Alliance will provide a full-time MRI technologist-radiographer or a person who has had equivalent education, training, and experience, who shall be on-site at all times during operating hours. This person is required to have experience in computer tomography or other cross-sectional imaging methods, or to have equivalent training in MRI spectroscopy. Also, SDI does not anticipate using the mobile MRI or facility for experimental procedures.

SHP Criterion 6 - Data Requirement

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

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

The applicant submits that Southaven Diagnostic Imaging has a long range plan to provide state-of-the-art equipment and treatment modalities to the patients in its service area. The proposed project is consistent with this plan as it will provide increased access to patients in need of quality care and treatment services.

GR Criterion 3 - Availability of Alternatives

SDI considered seeking approval for and purchasing a fixed MRI unit. This alternative would be cost prohibitive at this time and a mobile unit offers the most efficient and effective means by which to serve the patients in the community.

GR Criterion 4 - Economic Viability

The proposed charges for MRI scans at the Southaven Diagnostic Imaging facility will be comparable to those charges established by other facilities for similar services within the service area and state. Based on the applicant's financial projections, the economic viability of this project appears to be good. The first three years projected net income will be \$249,115, \$274,697 and \$310,375, respectively.

GR Criterion 5 - Need for Services

SDI will provide service to and will not discriminate against those patients having low incomes, racial and ethnic minorities, women, handicapped persons and other under served groups, and the elderly.

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Baptist Memorial Hospital-DeSoto and DeSoto Diagnostic Imaging, LLC, an affiliate of SDI, are the only existing MRI service providers in DeSoto County and are operating within optimum levels. SDI does not anticipate any adverse impact on Baptist Memorial Hospital-DeSoto as the result of this one-day-per-week service.

GR Criterion 6 - Access to the Facility or Service

According to the applicant, Southaven Diagnostic Imaging will be accessible by Medicare, Medicaid and medically indigent patients. However, due to the Division of Medicaid's current policy not to reimburse independent diagnostic facilities for procedures performed on Medicaid-primary patients, SDI will not participate in the Medicaid Program. SDI does not discriminate against and will provide access to the poor, physical handicapped, women, elderly, or members of racial and ethnic minorities.

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

Year	Year 1	Year 2	Year 3
# of procedures	364	400	450

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

As stated, Baptist Memorial Hospital-DeSoto and DeSoto Diagnostic Imaging, LLC, an affiliate of SDI, are the only existing MRI service providers in DeSoto County and are operating within optimum levels. Baptist Memorial Hospital-DeSoto operates one (1) fixed MRI unit and one (1) mobile MRI unit and DeSoto Diagnostic Imaging operates one (1) fixed MRI unit. SDI does not anticipate any adverse impact on Baptist Memorial Hospital-DeSoto.

Year	1999	2000	2001
DeSoto Diagnostic Imaging	0	180	1,662
BMH-DeSoto	2,767	2,757	3,255
Total	2,767	2,937	4,917
Percentage of growth previous year		6.14%	67.41%

Comments were received from an attorney representing Baptist Memorial Hospital-DeSoto indicating that: (1) there is no need for additional MRI services in GHSA 2, DeSoto County, or the Southaven/Horn Lake area; (2) The proposed MRI services will adversely impact existing facilities by diluting commercial payors; (3) The facility will not improve access for medically under served populations; and (4) The approval of SDI's proposal creates an inappropriate "loophole" to review for future expansion.

GR Criterion 9 - Availability of Resources

The applicant states that the proposed mobile MRI services will be provided by existing physicians and support staff. All necessary radiology technicians will be provided under contract from Alliance Imaging, Inc. The managing member of SDI will insure that the MRI services are properly implemented. The managing member also acts as the sole member of DeSoto Diagnostic Imaging currently providing services in Olive Branch, Mississippi. DeSoto Diagnostic Imaging has a full staffed radiology clinic and has a satisfactory staffing history.

GR Criterion 10 - Relationship to Ancillary or Support Services

SDI will not have any adverse effect on ancillary or support services.

GR Criterion 16 - Quality of Care

DeSoto Diagnostic Imaging, LLC, an affiliate, currently provides MRI services in Olive Branch, Mississippi.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

There is no capital expenditure as a result of this project.

B. Method of Financing

No financing is required for this project.

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	\$	12,500.00	\$	12,875.00	\$	13,261.00
Utilities	\$	1,200.00	\$	1,236.00	\$	1,273.00
Supplies	\$	11,466.00	\$	12,600.00	\$	14,175.00
Mobile MRI Rental	\$	127,400.00	\$	140,000.00	\$	157,500.00
	\$	0.00	\$	0.00	\$	0.00
TOTAL EXPENSES	\$	<u>152,566.00</u>	\$	<u>166,711.00</u>	\$	<u>186,209.00</u>
Gross Pat. Revenue	\$	760,760.00	\$	836,000.00	\$	940,500.00
Blue Cross	\$	-102,703.00	\$	-112,860.00	\$	-126,968.00
Medicare	\$	-84,444.00	\$	-92,796.00	\$	-104,396.00
Other Commercial	\$	-149,109.00	\$	-163,856.00	\$	-184,338.00
Bad Debt Charity	\$	-22,823.00	\$	-25,080.00	\$	-28,215.00
Total Deductions	\$	-359,079.00	\$	-394,592.00	\$	-443,917.00
Net Pat. Svc. Rev.	\$	401,681.00	\$	441,408.00	\$	496,583.00
Net Income (Loss)	\$	249,115.00	\$	274,697.00	\$	310,374.00
Number of Scans		364		400		450
Treatments/ Patients		1		1		1
No. Of Treatment		1		1		1
Cost per Procedure	\$	419.00	\$	417.00	\$	414.00
Charge/procedure						
Cost per Procedure (Staff)	\$	419.14	\$	416.78	\$	413.80
Charge /Procedure (Staff)	\$	2,090.00	\$	2,090.00	\$	2,090.00

* Applicant projects approximately 6.0 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	15.0%	\$ 22,884.90
Blue Cross	30.0%	\$ 45,769.80
Other 3 rd party payers	49.0%	\$ 74,757.34
Self Pay	<u>6.0%</u>	<u>\$ 9,153.96</u>
TOTAL	<u>100.0%</u>	<u>\$ 152,566.00</u>

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review. However, 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 Southaven Diagnostic Imaging, LLC d.b.a. Carvel Imaging Center for offering mobile magnetic resonance imaging services.