

**Division of Health Planning
And Resource Development
May 2003**

**CON Review FS-NIS-0303-004
Orthopaedic Imaging Associates, LLC
Offering of Mobile MRI Services
Capital Expenditure: -0-
Location: Meridian, Mississippi**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Orthopaedic Imaging Associates, LLC is a closely held, manager-managed Mississippi limited liability company having seven members at the time of application. The entity, formed on February 27, 2003, has no governing board. However, the facility has two managing members, who are Gustavus A. Rush, III, M.D. and James R. Green, M.D.

B. Project Description

Orthopaedic Imaging Associates, LLC proposes to provide mobile MRI services through a contractual agreement with Alliance Imaging, Inc. The agreement is contingent upon the granting of the CON. The unit will be located at Orthopaedic Imaging Associates, LLC, a freestanding facility, two days per week. No construction, renovation, or capital expenditures will be needed to institute the mobile MRI services. Orthopaedic Imaging Associates, LLC will provide mobile MRI services in the Meridian area to physicians referring patients to the facility.

The proposed mobile MRI unit is a .35 Tesla open profile unit which currently serves a route in Tennessee and Alabama. Alliance Imaging, however, has scheduled to move the unit to Mississippi to replace another unit that is already CON approved and serving an existing route in Mississippi. Alliance Imaging has obtained confirmation from the Department of Health that the equipment is exempt from the CON review process.

Alliance Imaging will provide the mobile MRI services at the facility, which will include the radiology technicians needed to staff the facility. The facility, however, will require two support staff, clerical/business office personnel, and one physician director, for a total annual personnel expense of \$36,640.

The application contains a letter from the Division of Health Facilities Licensure and Certification approving the site for MRI services. The applicant expects to initiate MRI services upon CON approval.

II. TYPE OF REVIEW REQUIRED

Projects which propose the provision of magnetic resonance imaging services are reviewed in accordance with Section 41-7-191, subparagraphs (1) (d)(xii) Mississippi Code 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 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 June 4, 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* contains criteria and standards which an applicant is required to meet before receiving CON authority to provide MRI services.

SHP Criterion 1 - Need

An entity desiring to offer MRI services, must document that the equipment shall perform a minimum of 1,700 procedures per year and the procedures estimation methodology shall be used to project the annual patient service volume for the applicant facility. If the MRI unit in question is presently utilized by other providers of MRI services, the actual number of procedures performed by them during the most recent 12-month period may be used instead of the formula projections.

Orthopaedic Imaging Associates, LLC submits that the unit expected to be utilized under this proposed application is currently being used in Tennessee and Alabama. However, the unit is expected to replace a unit currently serving patients in Mississippi. The route the unit is expected to take over has experienced in excess of the minimum 1,700 scans per year need requirement as documented below:

Utilization of Alliance MRI Mobile Unit

| Hospital/Location | Days/Week | 2001 | 2002 |
|--------------------------------|-----------|--------------|--------------|
| Kings' Daughters, Brookhaven | 2 | 886 | 714 |
| Veterans' Adm., Alexandria, LA | 2 | 826 | 894 |
| University Hospital, Lexington | 1 | 7 | 304 |
| Totals | | 1,719 | 1,912 |

Sources: *FY 2003 State Health Plan*, Application, and *Preliminary Report on Hospitals, 2003*.

The applicant expects to generate 1,176 additional scans in the first year, increasing this utilization in future years. The application contained affidavits from seven doctors attesting to the 1,176 scans the first year. The physicians also expect to refer 1,488 patients the second year and 1,812 the third year of operation.

General Hospital Service Area 4 has a total of 5 fixed and mobile MRI units, and performed a total of 10,798 MRI procedures during FY 2001, for an average of 2,160 procedures per unit.

The following table shows the location and number of MRI procedures performed in the service area for fiscal years 2000 and 2001.

**LOCATION AND NUMBER OF MRI PROCEDURES
 General Hospital Service Area 4**

| Facility | Location | Type of Equipment | No. of Proc. 2000 | No. of Proc. 2001 |
|---------------------------|--------------|-------------------|-------------------|-------------------|
| Regional Medical Support* | Meridian | Fixed(3) | 5,685 | 8,386 |
| Rush Medical Group P.A. | Meridian | Fixed | 843 | 1,768 |
| Neshoba General Hospital | Philadelphia | Mobile | 622 | 644 |
| TOTAL | | | 7,150 | 10,798 |

Source: *FY 2003 State Health Plan*, Applications for Renewal of Hospital License for Calendar Years 2000 and 2001, and Fiscal Years 2001 and 2002 Annual Hospital Reports.

Updated information indicates that in fiscal year 2002 the facilities in General Hospital Services Area 4 performed a total of 10,011 procedures utilizing five (5) units, for an average of 2,002 procedures per unit.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

Orthopaedic Imaging Associates, LLC certified 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. Applicant states that the services provided, however, will be dependent upon the specific type of referrals to the unit. And as the majority of the referrals will be generated by orthopaedic surgeons, many modalities will not be required of the unit.

SHP Criterion 3 - Accessibility

Applicant certified that no facility under its scope of ownership or affiliation and no 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

Orthopaedic Imaging Associates, LLC submits that it will employ a Director who is 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 post-graduate education. Orthopaedic Imaging Associates, LLC expects to employ Dr. Joseph Hajjar in this capacity at its facility.

SHP Criterion 5 - Research Staffing

The applicant states that no experimental procedures are anticipated to be performed on the MRI unit.

SHP Criterion 6 - Data Requirement

Applicant states that it shall keep or cause the Imaging Center to keep the required data in the form indicated and will make it available to the Mississippi State Department of Health upon request.

SHP Criterion 7 - CON Approval

The applicant will contract with Alliance Imaging, an approved vendor, for the equipment.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, revised 2000, addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

GR Criterion 2 - Long Range Plan

Applicant states that Orthopaedic Imaging Associates, LLC has a long range plan to provide state of the art equipment and treatment modalities to the patients in its service area. The proposed mobile MRI unit is consistent with this plan as it will provide increased access to patients in need of quality care and treatment.

GR Criterion 3 - Availability of Alternatives

Applicant submits that it considered seeking approval for and purchasing a fixed MRI unit; however, this alternative would be cost prohibitive at this time. 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 applicant projects a net profit of \$449,222 the first year, \$581,149 the second year, and \$728,337 the third year for the proposed project. Therefore, the project appears to be economically viable.

GR Criterion 5 - Need for Service

Orthopaedic Imaging Associates submits that it will provide MRI services at reduced fees or at no charge for persons who are unable to pay. Furthermore, while Orthopaedic Imaging Associates admits that it will not participate in the Medicaid or Medicare programs, it states that in the event that such a patient presents in a situation in which the service should be provided, these patients will receive services at no cost to Medicare or Medicaid.

Applicant expects that the project will have no adverse impact on existing facilities or services providing similar services to those proposed by this application.

The application contained seven (7) affidavits and eleven (11) letters of support for the project.

GR Criterion 6 - Accessibility

The applicant states that Orthopaedic Imaging Associates, LLC does not discriminate against and will provide access to the poor, physically handicapped, women, elderly, or members of racial and ethnic minorities.

GR Criterion 7 - Information Requirement

Orthopaedic Imaging Associates, LLC affirms that it will record and maintain, or cause to be recorded and maintained, at a minimum, the required information regarding charity care, care to the medically indigent and Medicaid populations and make it available to the Department within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

The applicant submits that it intends to provide the citizens of Meridian and neighboring communities MRI services. The applicant does not anticipate any adverse impact on the existing facilities, but instead expects to compliment their services by proposing to offer needed MRI services in a more efficient and expedient manner. Applicant expects that the proposed services will help meet patient needs and will facilitate the overall well-being of patients in the area.

GR Criterion 9 - Availability of Resources

The applicant states that the proposed MRI services will be supervised and directed by a board certified radiologist, Dr. Joseph Hajjar. All necessary radiology technicians will be provided under contract from Alliance Imaging, Inc., which will also provide the mobile MRI equipment.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

No capital expenditure is projected for this project.

B. Method of Financing

The proposed project does not require any capital expenditure; therefore, no financing is required.

C. Effect on Operating Cost

The applicant projects the following revenues and expenses for the first three years of operation:

| | First Year | Second Year | Third Year |
|-------------------------|----------------------|-----------------------|------------------------|
| Salaries & Benefits | \$ 32,000.00 | \$ 33,600.00 | \$ 35,280.00 |
| Utilities | 12,600.00 | 12,600.00 | 12,600.00 |
| Supplies | 18,228.00 | 23,064 | 28,458.00 |
| Laundry | 1,500.00 | 1,800 | 2,200.00 |
| Housekeeping | 805.00 | 805.00 | 805.00 |
| Building Lease | 7,800.00 | 7,800.00 | 7,800.00 |
| Insurance | 500.00 | 500.00 | 500.00 |
| Mobile MRI Rental | 435,120.00 | 550,560.00 | 679,320.00 |
| Total Expenses | \$ 508,553.00 | \$ 630,729.00 | \$ 766,963.00 |
| Gross Pt. Revenue | \$1,411,200.00 | \$1,785,600.00 | \$ 2,203,200.00 |
| Deductions (-) | (453,425.00) | (573,722.00) | (707,900.00) |
| Net Patient Rev. | \$ 957,775.00 | \$1,211,878.00 | \$ 1,495,300.00 |
| Net Income | \$ 449,222.00 | \$ 581,149.00 | \$ 728,337.00 |
| Number of Scans | 1,176 | 1,488 | 1,836 |
| Cost/Scan | \$ 432.00 | \$ 423.88 | \$ 417.74 |
| Charge/Scan | \$ 1,200.00 | \$ 1,200.00 | \$ 1,200.00 |

D. Cost to Medicare/Medicaid

The cost of the project to third party payers is as follows:

| Patient Mix | Utilization Percentage | First Year Cost |
|--------------|------------------------|----------------------|
| Medicaid | 0 | \$ 0 |
| Medicare | 0 | 0 |
| Other Payors | 100.0 | 508,553.00 |
| Total | 100.0 | \$ 508,553.00 |

The applicant projects that approximately 2.68 percent of its patients will be medically indigent.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided an opportunity to review and comment on this project; however, no written comments were received.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the offering of MRI services, as contained in the *FY 2003 State Health Plan*, the *Mississippi Certificate of Need Review Manual*, 2000 revisions, and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by Orthopaedic Imaging Associates, LLC.