

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
MAY 2008**

**CON REVIEW # FS-NIS-0308-006  
BMH NORTH MISSISSIPPI IMAGING SERVICES, LLC  
d/b/a BAPTIST NORTH MISSISSIPPI IMAGING SERVICES  
TRANSFER OF DIAGNOSTIC IMAGING SERVICES AND EQUIPMENT  
LOCATION: OXFORD, MISSISSIPPI (LAFAYETTE COUNTY)  
CAPITAL EXPENDITURE: \$2,797,343**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Baptist Memorial Hospital-North Mississippi, Incorporated (BMH-NMS) is a 204-bed acute care, non-profit hospital located in Oxford, Lafayette County, Mississippi, and is owned by one sole member, Baptist Memorial Health Care Corporation. The hospital is presently governed by three officers and participates in the Medicaid and Medicare programs, and insurance programs.

Baptist Memorial Hospital-North Mississippi, Incorporated currently owns and operates the diagnostic center on its campus. On April 1, 2008, the Secretary of State's Office certified that BMH-NMS of Lafayette County received a non-profit Charter of Incorporation/Certificate of Authority on May 5, 1989, and indicated that the facility is in good standing with the State of Mississippi.

In addition, the office certified that BMH North Mississippi Imaging Services, LLC d/b/a Baptist North Mississippi Imaging Services obtained a Certificate of Formation on January 28, 2008, and the company is also in good standing with the State of Mississippi. Baptist North Mississippi Imaging Services (BNMSIS) will be managed and majority owned by Baptist Memorial Hospital-North Mississippi, Incorporated.

**B. Project Description**

BMH North Mississippi Imaging Services, LLC d/b/a Baptist North Mississippi Imaging Services requests CON authority to acquire MRI equipment from Baptist Memorial Hospital-North Mississippi, Incorporated and provide MRI services. Also, Baptist North Mississippi Imaging Services will acquire a diagnostic center from BMH-NMS, inclusive of a

MRI unit through a transfer. Through a contractual agreement, BMH-NM will relinquish sole ownership of the diagnostic center/service to become a managing entity. Under BNMSIS, physicians from the community will be allowed to own a percentage of the business; however, BMH-NM will hold majority ownership of the company. The center is located in General Hospital Service Area (GHSA) 1 on the campus of BMH-NMS and will continue to exist at the same site.

The established BMH-NM diagnostic center owns the following equipment: diagnostic x-ray, CT scan, ultrasound, doplar, mammography, magnetic resonance imaging unit (MRI), nuclear medicine, basic clinical laboratory analysis, etc. Baptist North Mississippi Imaging Services will lease the outpatient diagnostic center and purchase the above referenced equipment; however, the company will operate separately from BMH-NM.

During Fiscal Year 2006, Baptist Memorial Hospital-North Mississippi, Incorporated owned two MRI units. The 1.5 and 0.75 Tesla MRI units were located in the hospital and diagnostic center, respectively. During November 2007, the 1.5 Tesla MRI unit was upgraded to a 3.0 Tesla MRI unit. Baptist Memorial Hospital-North Mississippi, Incorporated will continue to own/operate the 3.0 Tesla fixed MRI unit; however, BNMSIS will purchase and operate the fixed Hitachi ALTAIRE™ 0.75 Tesla MRI unit (Product Code: 90 LNH). Since BNMSIS is proposing to acquire or control the above referenced MRI equipment and offer MRI services, the Mississippi State Department of Health is required to review any project involving such equipment and service.

Baptist North Mississippi Imaging Services will purchase pre-owned fixed and non-fixed radiology equipment at an estimated cost of \$2,357,343 and \$245,000, respectively. No new personnel will be hired for this project; however, BNMSIS will continue to utilize BMH-NMS full-time personnel to operate the established diagnostic center.

The proposed project does not involve the establishment of new services, relocation of services, construction or renovation; however, BNMSIS will be a new provider of MR services in GHSA 1. The Mississippi State Department of Health, Division of Licensure and Certification, has approved the site for MRI services. Upon CON approval, the expected completion date for this project is July 31, 2008.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the establishment of MRI services in accordance with Section 41-7-191, subparagraphs 1(d)(xii), (f), (i), and (j) 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 of 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 June 5, 2008.

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

**A. State Health Plan (SHP)**

The *FY 2007 Mississippi State Health Plan (MSHP)* contains criteria and standards which an applicant is required to meet before receiving CON authority to acquire or otherwise control MRI equipment and to offer MRI services.

**ACQUISITION OR OTHERWISE CONTROL OF MRI EQUIPMENT**

**SHP Criterion 1- Need**

An entity desiring to acquire or otherwise control MRI equipment must document that the equipment shall perform a minimum of 1,700 procedures per year by the second year of operation, utilizing the procedures estimation methodology contained in the *MSHP*.

Because the procedures estimation methodology was intended for use by hospitals and not clinics, the MSDH allows freestanding applicants to use an alternative method to project the annual patient service volume for the facility. Contained in BNMSIS' supplemental information, the applicant provided affidavits from 26 physicians stating their willingness to refer 1,849 patients for MRI scans to BNMSIS annually.

According to the *FY 2007 Mississippi State Health Plan* and updated MRI data, BMH-NMS performed the following procedures with two fixed MRI units:

<b><i>Baptist Memorial Hospital-North Mississippi, Incorporated</i></b>		
<b>MRI Procedures</b>		
FY 2005	FY 2006	FY 2007
3,888	4,266	4,403

The applicant projects that BNMSIS will perform the following MRI procedures during the first three years of operation:

<b>Baptist North Mississippi Imaging Services Projected MRI Procedures</b>		
2009-Year 1	2010-Year 2	2011-Year 3
1,830	1,830	1,830

In FY 2004 and 2005, 29 units performed a total of 46,335 procedures and 28 units performed 59,332 procedures, respectively. Thus, the total units for FY 2004 and FY 2005 averaged 1,598 and 1798 procedures per unit. Updated data for FY 2006 indicate that the total number of operational/CON approved MRI sites in GHSA 1 during FY 2006 was 31; operating 20 fixed units, (including one CON approved unit at Medical Imaging at Barnes Crossing) and 5.8 full-time equivalents (FTEs) mobile units, for a total of 25.8 FTE units (see the following tables).

### Location MRI Facilities and the Number of Procedures in GHSA 1

	General Hospital Service Area 1	County	City	Type of Equip.	Total Procedures FY 2006	Hours of Operation	F.T.E. Units
1	Baptist Memorial Hospital- Boonville	Prentiss CNTY	Booneville	F	812	M-F, 35 Hrs.	1.0
2	Baptist Memorial Hospital - Gldn Triangle	Lowndes CNTY	Columbus	F(2)	3,790	M-F, 120 Hrs.	2.0
3	Baptist Memorial Hospital - North MS	Lafayette CNTY	Oxford	F(2)	4,266	M-F, 40,50 Hrs. (ea. unit)	2.0
4	Baptist Memorial Hospital - Union	Union CNTY	New Albany	F	1,739	M-F, 80 Hrs.	1.0
5	Calhoun Health Services	Calhoun	Calhoun City	M	0	1 Day /Week	0.2
6	Gilmore Memorial Hospital	Monroe CNTY	Amory	M	1,374	M-W,F- 40 Hrs.	0.6
7	Grenada Lake Regional Medical Center	Grenada CNTY	Grenada	F	2,998	M-F, 40 Hrs.	1.0
8	Imaging Center of Columbus	Lowndes CNTY	Columbus	F(2)	4,144	M-F, 120 Hrs.	2.0
9	Imaging Center for Excellence/INST-MSU	Oktibbeha CNTY	Starkville	F	19	M-F, 40 Hrs.	1.0
10	Imaging Center of Gloster Creek Village	Lee CNTY	Tupelo	F	3,718	M-F, 50 Hrs.	1.0
11	Magnolia Regional Health Center	Alcorn CNTY	Corinth	F(2)	4,859	M-Su, M-F, 168, 45 Hrs./Wk	2.0
12	Medical Imaging at Barnes Crossing	Lee CNTY	Tupelo	M	CON Apprvd.	M-Thurs.	0.8
13	Medical Imaging on Crossover Road	Lee CNTY	Tupelo	F	2,852	M-F, 45 Hrs.	1.0
14	North MS Medical Center-Eupora	Webster CNTY	Eupora	M	255	M, W, & F - 24 Hrs.	0.6
15	North Mississippi Medical Center	Lee CNTY	Tupelo	F(4)	14,769	M-S, M-F, 90 & 150 Hrs.	4.0
16	North MS Medical Center-Iuka	Tishomingo CNTY	Tishomingo	M	858	M-F, 40 Hrs.	1.0
17	North MS Medical Center- West Point	Clay CNTY	West Point	M	906	M-F, 40 Hrs.	1.0
18	North MS Sports Med.& Ortho Clinic	Lee CNTY	Tupelo	F	607	M-F, 40 Hrs.	1.0
19	Oktibbeha County Hospital	Oktibbeha CNTY	Starkville	F	2,260	M-F, 40 Hrs.	1.0
20	Pioneer Community Hospital	Monroe CNTY	Aberdeen	M	173	M, 8 Hrs.	0.2
21	P&L Contracting, Inc.	Panola CNTY	Batesville	M	823	M, Tu., Thrs., 16 Hrs.	0.6
22	Trace Regional Hospital	Chickasaw CNTY	Houston	M	273	Thurs., 8 Hrs.	0.2
23	Tri Lakes Medical Center	Panola CNTY	Batesville	M	375	W., F. 16 Hrs.	0.4
24	Yaloubusha G. H. & N. Hm.	Yalobusha CNTY	Water Valley	M	403	W, 4 Hrs.	0.2
<b>TOTAL for GHSA 1</b>					<b>52,273</b>		<b>25.8</b>

Source: Applications for Renewal of Hospital License for Calendar Years 2006 and 2007, and Fiscal Years 2005 and 2006 Annual Hospital Reports and FY 2007 (09/30/05-10/01/06) MRI Utilization Surveys

F – Fixed Unit, M – Mobile Unit  
 SMI-Scott Medical Imaging

**No longer provides MRI service:**

- \* SMI-North Oak Hospital
- \* SMI-Winston MC

**Pending CON Approval:**

- SMI-Noxubee County Hospital- Macon, Noxubee CNTY, MS- 1 Mobile Unit
- Starkville Orthopaedic Clinic- Starkville, Oktibbeha CNTY, MS-1 Fixed Unit

**Withdrawal of CON Application in 03/2008:**

- Golden Triangle Diagnostic Center, LLC-Columbus, Lowndes CNTY, MS-1 Fixed Unit

<b>MRI Units and Procedures for GHSA 1</b>				
<b># of Units</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006 (Updated)</b>	<b>FY 2007 Estimate) Includes approved CON</b>
Fixed	18	17	20	
Mobile	11	11	10	
<b>Total Operational</b>	<b>29</b>	<b>28</b>	<b>30</b>	
CON Approved*	2	3	1	1,700
Total Operational & CON Approved	31	31	25.8 FTE	25.8 FTE
Total Procedures	46,335	59,332	52,273	53,973
<b>Average # of Procedures</b>	<b>1,598</b>	<b>1,798</b>	<b>2,026</b>	<b>2,096</b>

The applicant provided affidavits from physicians who currently refer patients to BMH-NMS through their commitment to the hospital and/or diagnostic center. The applicant submits that for FY 2005, FY 2006, and FY 2007, the fixed MRI units at the diagnostic center performed 3,419, 3,707, to 3,743 outpatient procedures, respectively. Based on FY 2007 MRI data and the affidavits provided, BNMSIS projects the center to perform 1,830 outpatient MRI procedures per year for three succeeding years. Staff determined that the unit performed 36 to 388 new MRI procedures from FY 2005 to FY 2007. Since business changes will not affect the type of MRI unit, the location of the diagnostic center, and the name of the physicians who are referring patients, the applicant asserts that current diagnostic trends indicate that the number of MRI scans will continue to increase.

As stated earlier, updated data indicate that there were 20 fixed and 5.8 FTE mobile operational/CON approved MRI units in GHSA 1 during FY 2007. In addition, on December 21, 2006, the Department issued a CON for an additional mobile unit in the service area. Should the number of procedures remain the same for FY 2007, the 25.8 FTE operating units and one CON approved unit, operating at 1,700 procedures, could be expected to perform an average of 2,096 procedures.

Affidavits contained in this application indicate that physicians will refer between 20 and 375 patients per physician per year, a total of 1,849 projected referrals. In addition, additional data provided by the applicant indicate that the same physicians referred a total of 2,070 patients from September 30, 2006, through October 30, 2007. Staff examined the affidavits submitted by the applicant and determined that the 1,849 projected referrals appear to be within the reasonable range of what the physicians referred in FY 2007.

Thus, staff contends that BNMSIS is in compliance with the need criterion.

### **SHP Criterion 2 - Assurances**

The application includes specification and descriptive information on the fixed Hitachi ALTAIRE™ 0.75 Tesla MRI Device (Product Code: 90 LNH). Baptist North Mississippi Imaging Services will own the MRI unit and the diagnostic center will be in operation Monday through Friday, 9 hours per day. To adhere to this criterion, the applicant provided documentation showing the MRI equipment is FDA approved and affirms that only qualified personnel will operate the equipment.

### **SHP Criterion 3 - Information Recording/Maintenance**

The applicant asserts that BNMSIS will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

### **SHP Criterion 4 - Authorized Entity**

BMH North Mississippi Imaging Services, LLC d/b/a Baptist North Mississippi Imaging Services filed a Certificate of Formation with the Office of the Secretary of State on January 28, 2008.

### **SHP Criterion 5 - Authorization to Provide MRI**

Baptist North Mississippi Imaging Services seeks CON approval from the Mississippi State Department of Health, Division of Health Planning and Resource Development, for the acquisition of MRI equipment and offering of MRI services in General Hospital Service Area 1.

## **CRITERIA FOR OFFERING OF MRI SERVICES**

### **State Health Plan (SHP)**

The *FY 2007 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving Certificate of Need (CON) authority for offering MRI services. This application is in substantial compliance with applicable criteria and standards.

#### **SHP Criterion 1- Need**

The applicant believes that BNMSIS can continue to enhance its existing diagnostic service by giving physicians in the community the opportunity to become owners of the diagnostic center. The new business venture will allow doctors to share resource obligations with BMH-NMS and receive direction from other owners of the center. The applicant believes the new arrangement will allow the center to obtain optimal utilization. In turn, the applicant believes the new change will provide quality service to the residents of Lafayette County while making it convenient for residents to continue to receive diagnostic testing and MRI services at a familiar hospital site.

The CON criteria and standards for offering MRI services outlined in the *FY 2007 Mississippi State Health Plan* state that an entity desiring to offer MRI services must document that the specific equipment shall perform a minimum of 1,700 procedures per year by the end of the second year of operation. If the MRI unit in question is presently utilized by other providers of MRI services, the actual number of procedures performed during the most recent 12-month period may be used instead of the formula projections.

Baptist North Mississippi Imaging Services of Oxford reports no utilization levels for the past three years; however, BMH-NM has an existing MRI service that services surrounding cities and GHSA 1. Staff determined that these other MRI locations are located approximately 25 to 140 miles from Oxford and it takes an estimated 27 to 140 minutes to drive from Oxford to one of the facilities listed on page 5.



According to the *FY 2007 Plan*, the Annual Survey of Hospitals for FY 2006, and updated surveys, Baptist Memorial Hospital-North Mississippi, Incorporated reported it performed 3,888, 4,266, and 4,403 MRI scans during FY 2005, FY 2006, and FY 2007, respectively. The applicant provided 26 affidavits from physicians verifying that they will refer 1,849 patients for MRI scans to BNMSIS.

Based on the CON criteria and standards contained in the *FY 2007 Mississippi State Health Plan*, the applicant used their projections and the affidavits to determine the number of MRI scans BNMSIS will perform. The applicant expects to perform 1,830 MRI procedures per year during FY 2009, FY 2010, and FY 2011, respectively.

In GHSA 1, Baptist Memorial Hospital-North Mississippi, Incorporated is currently providing MRI services at their facility and performed well over 1,700 MRI procedures on two fixed MRI units. In addition, the average procedures for FY 2006 are estimated at 1,742. Staff determined that in both cases, utilization of the MRI equipment for FY 2006 exceeds the 1,700 minimum. Thus, staff contends that BNMSIS is in compliance with the need criterion.

### **SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities**

The applicant certifies that a full range of diagnostic imaging modalities for verification will be available at the time MRI services begin, including, but not limited to, conventional radiology studies, nuclear medicine, and ultrasound.

### **SHP Criterion 3 - Accessibility**

Baptist North Mississippi Imaging Services affirms in the CON application that the facility will not have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

### **SHP Criterion 4 - Staffing**

The applicant affirms that a board-certified radiologist will be on site during the hours of operation to provide interpretation of clinical images. Also, a trained MRI technologist will be available during the hours of operation to provide experience in computed tomography or other cross sectional imaging methods.

### **SHP Criterion 5 - Research Staffing**

Baptist North Mississippi Imaging Services affirms that the facility will document the use of MRI equipment for experimental procedures with formal/approved protocols.

### **SHP Criterion 6- Data Requirement**

The applicant affirms that BNMSIS will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health regarding the operation of the MRI equipment.

### **SHP Criterion 7- CON Approval**

The applicant provided documentation to verify that BMH-NMS is an approved MRI equipment owner and provider of MRI service in Mississippi; however, BNMSIS is requesting CON authority to comply with this criterion.

## **B. General Review (GR) Criteria**

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2007 revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

### **GR Criterion 1 – Consistency with the State Health Plan**

According to BNMSIS, the offering of MRI services is a service directly addressed by the *Plan* to ensure appropriate distribution of service, quality, and cost. The proposed project is in compliance with all criteria and standards for the acquisition/offering of MRI services as contained in the *Plan*.

### **GR Criterion 2 - Long Range Plan**

Baptist Memorial Hospital-North Mississippi, Incorporated believes that transfer of the diagnostic services to BNMSIS is consistent with the hospital's expansion plan to provide effective, quality healthcare to residents of Lafayette County.

### **GR Criterion 3- Availability of Alternatives**

The applicant states that BNMSIS considered keeping the diagnostic service the same or developing a new diagnostic center with a new organizational structure. Both alternatives were rejected because the first option would not allow area physicians to become part owners of the center and the second option would add more costs, duplicate the same service, and cause underutilization of the service. The applicant contends that it would be beneficial to patients if BNMSIS could provide patients

access to the same location rather than develop another diagnostic center. In order to deliver efficient service to the residents of Oxford, the applicant submits that the only effective alternative would be to transfer the diagnostic center and continue to provide diagnostic service at the same location.

#### **GR Criterion 4 - Economic Viability**

The applicant provided a three-year projected operating statement and projected that net patient revenue over a three-year period will be \$197,936, \$196,244, and \$192,910. In addition, the statement shows that the net income will be \$30,998, \$29,779, and \$27,270 in each of the three years (See Attachment 1).

Although the operating statement indicates that net income will slightly decrease the second and third year of operation based on increases in salaries, benefits, supplies, services, etc., BNMSIS' Chief Financial Officer asserts that BNMSIS has the resources to undertake the proposed project.

Since the capital expenditure for this project is \$2,797,343 and does exceed \$2,000,000, the applicant provided a feasibility study indicating the proposed project will be financially viable. Based on the study, the project appears to be economically viable.

#### **GR Criterion 5 - Need for the Project**

The applicant contends that BMH-NMS currently provides MRI service to residents of Oxford. Also, other entities offering MRI services are 25 to 140 miles from Oxford; thus, the applicant feels that diagnostic and MRI services will continue to be needed at the same location.

There are two operational MRI units in Oxford (Lafayette County), and these units performed 4,266 procedures in FY 2006. Therefore, the staff contends that BNMSIS can meet the needs of MRI patients in GHSA 1 without causing an adverse impact on existing providers in the area.

Baptist North Mississippi Imaging Services states that the north Mississippi community as well as area healthcare professionals presently support the diagnostic services offered at the BMH-NMS location. If the proposed project is CON approved, the applicant believes the same community will support the diagnostic center under the new organizational structure.

According to the applicant, BNMSIS complies with all federal regulations regarding community service and will serve all patients in GHSA 1, regardless of race, creed, sex, or ability to pay.

#### **GR Criterion 6- Access to the Facility**

The applicant affirms that the diagnostic center will provide services to all residents of Lafayette County on Monday through Friday from 7:30 AM to 4:30 PM. Upon CON approval of the change of ownership, BMH-NMS will continue to accept Medicaid patients; however, the Division of Medicaid will not reimburse BNMSIS for MRI scans. The applicant indicates the expected payor mix by type of payor will be as follows: Medicaid 0%; Medicare 48%; private pay, commercial pay, and self pay, 52%.

#### **GR Criterion 7- Information Requirement**

Baptist North Mississippi Imaging Services affirms that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

#### **GR Criterion 8 - Relationship to Existing Health Care System**

As reported for FY 2006, BMH-NMS is located in GHSA 1 where there are currently 20 fixed MRI units and 5.8 FTE mobile units including one CON approved mobile unit. Since Baptist North Mississippi Imaging Services will be located in the same location under new business arrangements, the applicant does not anticipate that this project will have an adverse impact on any of the providers in the service area. Given that the average utilization of existing units in GHSA 1 exceeds the minimum utilization range of 1,700 procedures, staff concludes that the project can be viable without causing an adverse impact on existing providers in the area.

#### **GR Criterion 9 - Availability of Resources**

The applicant affirms that a director, board certified radiologist or nuclear medicine imaging physician, or other board eligible licensed physician, and an MRI technologist/radiographer will be employed at the facility. The applicant indicates no new personnel will be hired as a result of the proposed project; however, existing staff at BMH-NMS will be utilized to operate the diagnostic center.

### **GR Criterion 10- Relationship to Ancillary or Support Services**

Baptist North Mississippi Imaging Services affirms that the company will not require additional ancillary services; however, maintenance agreements will be continued through established resources for the existing MRI unit. Thus, the applicant asserts that the proposed project will not have an impact on ancillary and support services.

### **GR Criterion 11- Health Professional Training Programs**

Under BMH-NM, health professional training programs were offered and the applicant states that BNMSIS will continue to offer the same programs under its administration.

### **GR Criterion 12- Access by Health Professional Schools**

The applicant affirms that BNMSIS will continue to allow local health professional schools access to the proposed service for training purposes provided that students are under the supervision of registered and/or licensed personnel.

### **GR Criterion 16 - Quality of Care**

The applicant asserts that the BMH-NMS outpatient diagnostic center is presently accredited by the Joint Commission on Accreditation of Healthcare Organizations. Upon approval of the change of ownership through the proposed project, BNMSIS will ensure that residents and patients of GHSA 1 continue to receive quality diagnostic services.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

<b>Cost Item</b>	<b>Estimate Cost</b>	<b>%of the Total</b>
<b>SITE</b>		
1. Land cost		0.0%
2. Site preparation and/or improvement		0.0%
3. Other (specify)		0.0%
<b>BUILDING</b>		
1. New construction		0.0%
2. Renovation		0.0%
3. Capital improvements		0.0%
4. Fees (architectural, consultant, etc.)		0.0%
5. Contingency reserve		0.0%
6. Capitalized interest*		0.0%
7. Other (specify)		0.0%
<b>EQUIPMENT</b>		
1. Fixed equipment	\$ 2,357,343	84.27%
2. Non-fixed equipment	245,000	8.76%
<b>PROJECT DEVELOPMENT</b>		
1. Legal and accounting fees	20,000	.71%
2. Other (contingency)	175,000	6.26
<b>TOTAL PROPOSED CAPITAL EXP. COSTS</b>	<b>\$ 2,797,343</b>	<b>100%</b>

**B. Method of Financing**

Baptist North Mississippi Imaging Services will use company related sources to finance the proposed project.

**C. Effect on Operating Costs**

For the first, second, and third year of operation, the applicant projects gross revenues of \$197,936, \$196,244 \$192,910; expenses of \$166,938, \$166,465, \$165,640; and net income of \$30,998, \$29,779, \$27,270, respectively. Utilization, cost, and charges are included in the applicant-s Three-Year Projected Operating Statement (see Attachment 1).

**D. Cost to Medicaid/Medicare**

Payor	Utilization Percentage	First Year Expense
Medicaid	0.0%	\$0.0
Medicare	48.0%	\$80,130.24
Other	52.0%	\$86,807.76
<b>Total</b>	100.0%	<u>\$166,938.00</u>
BNMSIS projects 7% percent bad debt. Medically indigent and charity care are approximately 2.8% and 3% of gross patient revenues.		

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, outpatient services will be paid as outlined in the *Medicaid State Plan*. The Division does not oppose the application.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the acquisition or otherwise control of MRI equipment and the offering of MRI services as contained in the *2007 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, February 23, 2008 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by BMH North Mississippi Imaging Services, LLC d/b/a Baptist North Mississippi Imaging Services (BNMSIS).

**ATTACHMENT 1**

**BMH North Mississippi Imaging Services, LLC  
 d/b/a Baptist North Mississippi Imaging Services**

**THREE-YEAR PROJECTED OPERATING STATEMENT**

	Proposed Year 1	Proposed Year 2	Proposed Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$ -	\$ -	\$ -
Outpatient Care Revenue	598,032	625,502	654,345
<b>Gross Patient Care Revenue</b>	<b>\$ 598,032</b>	<b>\$ 625,502</b>	<b>\$ 654,345</b>
Charity Care	\$ 17,726	\$ 18,596	\$ 19,510
Deductions from Revenue	382,370	410,662	441,925
<b>Net Patient Care Revenue</b>	<b>\$ 197,936</b>	<b>\$ 196,244</b>	<b>\$ 192,910</b>
Other Operating Revenue			
<b>Total Operating Revenue</b>	<b>\$ 197,936</b>	<b>\$ 196,244</b>	<b>\$ 192,910</b>
<b>Operating Expense</b>			
Salaries			
Benefits			
Supplies			
Services			
Lease			
Depreciation			
Interest			
Other	166,938	166,465	165,640
<b>Total Operating Expense</b>	<b>\$ 166,938</b>	<b>\$ 166,465</b>	<b>\$ 165,640</b>
<b>Net Operating Income (Loss)</b>	<b>\$ 30,998</b>	<b>\$ 29,779</b>	<b>\$ 27,270</b>
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Procedures	1,782	1,816	1,850
Charge per procedure	\$ 336	\$ 344	\$ 354
Cost per procedure	\$ 94	\$ 92	\$ 90