

**Division of Health Planning and Resource Development  
September 2008**

**CON Review HG-NIS-0608-022**

**Prentiss Regional Hospital and ECF, Inc.**

**d/b/a Jefferson Davis Community Hospital**

**Offering of Mobile MRI Services**

**Capital Expenditure: \$0**

**Location: Prentiss, Jefferson Davis County, Mississippi**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

Prentiss Regional Hospital and ECF, Inc. d/b/a Jefferson Davis Community Hospital is a not-for-profit corporation licensed as a 25-bed Critical Access Hospital and is in good standing with the Mississippi Secretary of State. The facility is governed by an eight-member Board of Trustees.

The occupancy rates, average length of stay, and Medicaid utilization for the past three years are stated below:

**Jefferson Davis Community Hospital  
Utilization Data**

Year	Occupancy Rate (%)	ALOS Days	Medicaid Utilization Rate (%)
2005	28.08	6.03	75.08
2006	25.79	6.07	71.32
2007	27.90	5.23	71.52

Source: The Division of Health Facilities Licensure and Certification, MSDH

**B. Project Description**

Jefferson Davis Community Hospital (JDCH) requests Certificate of Need (CON) authority to offer magnetic resonance imaging (MRI) services at its facility by contracting with a mobile MRI company one day per week. The facility proposes to contract with Scott Medical Imaging, a mobile equipment provider, for the provision of MRI services. Scott Medical Imaging currently provides MRI services at JDCH on Thursdays each week and will continue to provide the equipment and the staffing to conduct the procedures. JDCH will conduct the patient registration and provide all billing for services rendered. The applicant will pay Scott Medical Imaging a per procedure fee for each scan performed.

The applicant's final objectives for the proposed project are to provide inpatient and outpatient MRI scans to patients in Jefferson Davis County and to enhance revenue for the hospital.

## II. TYPE OF REVIEW REQUIRED

Projects which propose the establishment of MRI services are reviewed in accordance with Section 41-7-191, subparagraph (1)(d)(xii) 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 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 October 12, 2008.

In addition, this project is reviewed under the FY 2007 State Health Plan in effect on June 15, 2008, when the application was received. The 2009 State Health Plan has an effective date of August 11, 2008.

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

### A. State Health Plan (SHP)

The *FY 2007 State Health Plan* contains criteria and standards which an 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**

An entity desiring to offer MRI services must document that the equipment shall perform a minimum of 1,700 procedures per year using the procedures estimation methodology presented in the Plan. The Plan provides, however, that: "If the MRI unit in question is presently utilized by more than one provider 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". In addition, the Plan requires that if a particular MRI unit is utilized by more than one provider of MRI services, all existing or proposed providers of MRI services must jointly meet the required service volume of 1,700 procedures annually.

The MRI services will be performed on a Philips Intera 1.5 tesla scanner working the south route that includes Prentiss Regional Hospital and ECF, Inc. d/b/a

Jefferson Davis Community Hospital. The applicant submits the following utilization data regarding the Phillips Intera 1.5 tesla scanner operated by Scott Medical during the year 2007.

Facility/Location	County	Days of Week	No of Procedures
Newton Regional Hosp.	Newton	Monday a.m.	202
Wayne General Hosp.	Wayne	Monday p.m.	431
Marion General Hosp.	Marion	Tuesday a.m.	385
Magee General Hosp.	Simpson	Tu/Th	522
Walthall Co. Gen. Hosp.	Walthall	Wed. a.m.	307
Lawrence Co. Hosp.	Lawrence	Wed. p.m.	163
Simpson General Hosp.	Simpson	Thursday a.m.	87
Jefferson Davis Comm, Prentiss	Jefferson Davis	Thursday p.m.	200
Scott Regional, Morton	Scott	Friday a.m.	246
<b>Total</b>			<b>2,543</b>

As shown above, the equipment currently provides mobile MRI services at nine different sites. In 2007, the unit performed 2,543 MRI procedures.

The applicant indicates that it ordered approximately 148 MRI studies from March 2007 to February 2008, and expects a 24.3% increase (to 184) for the first year after approval of this project. The applicant makes the following projections of MRI procedures to be performed during the first three years of operation:

Projected MRI Procedures		
Year 1	Year 2	Year 3
184	188	191

According to the applicant, increased utilization and expansion of the medical staff will result in an increase of MRI referrals in the second and third years.

According to the FY 2007 *State Health Plan*, there were 27 MRI service sites in GHSA 3 in FY 2005. Updated information indicates that there were 29 MRI service sites in FY 2007, operating 29.58 FTE MRI units. These units performed 76,703 MRI procedures in FY 2007 for an average of 2,593 procedures per FTE MRI unit. See Attachment 2 for a list of the MRI sites in GHSA 3, both fixed and mobile, and full time equivalents (FTEs).

Note: FTEs were calculated for mobile units only. If a unit is at one site for 5 days or more or 40 hours or more per week, it is counted as 1 FTE unit. All fixed units are counted as one unit regardless of the number of hours in operation.

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

Jefferson Davis Community Hospital certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available at the time MRI services begin, including, but not limited to, computed tomography (CT), ultrasound, and conventional radiology.

## **SHP Criterion 3 - Accessibility**

Jefferson Davis Community Hospital states that it does not exclude, deny benefits to, or otherwise discriminate against any person on the grounds of race, color, age, sex, ethnicity, or ability to pay, or on the basis of disability or age in admission to, participation in, or receipt of the services and benefits of any of its programs and activities or in employment.

## **SHP Criterion 4 - Staffing**

The applicant affirms that a board-certified radiologist, provided by Hattiesburg Radiology Group, will be on site during the hours of operation to serve as Physician Director. Also, a trained MRI technologist will be available during the hours of operation, provided by Scott Medical Imaging, to perform the exams.

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

Jefferson Davis Community Hospital affirms that the facility will not use MRI equipment for experimental procedures. However, in the event JDCH uses MRI for experimental purposes, the applicant states there will be formal/approved protocols and a full-time medical physicist or MRI scientist with at least one year of experience in diagnostic imaging available in the facility.

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

The applicant affirms that the facility will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health regarding the operation of the MRI equipment. Also, the applicant states they will record source of payment for procedures and the total amounts charged during the fiscal year.

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

Scott Medical Imaging, the proposed mobile MRI equipment vendor is approved to provide mobile MRI equipment and services in Mississippi.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2008 revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

**GR Criterion 1 –State Health Plan**

The application was reviewed for compliance with the FY 2007 State Health Plan as discussed above.

**GR Criterion 2 - Long Range Plan**

According to the applicant, Jefferson Davis Community Hospital's long term strategic plans include increasing customer satisfaction, providing quality outcomes, offering a variety of health care services and treating the residents of the county. This project is consistent with the applicant's long range plan.

**GR Criterion 3- Availability of Alternatives**

According to the applicant, two alternatives to mobile MRI services were considered:

1. Allow Scott Medical Imaging to keep the CON. This alternative was rejected because (1) Scott Medical can only provide MRI services to outpatients and (2) Scott Medical could decide to stop providing MRI services in Jefferson Davis County and the hospital would not have any control over their decision.
2. Seek CON approval for MRI services. This option was chosen because by receiving the CON, the hospital would be committing itself to the county to provide this much needed service. It also allows the hospital to negotiate with another group to provide mobile MRI services, which would eliminate any interruption in MRI services should Scott Medical decide to stop.

**GR Criterion 4 - Economic Viability**

Based on the applicant's three year projected operating statement, this project will be economically viable. The three-year projected operating statement contained in the application indicates net income of \$101,437 the first year, \$103,707 the second year and \$106,082 the third year of operation.

The applicant states that the cost to the hospital for a mobile MRI scan will be \$425 per scan and the charge to patients will be \$1,500 per scan. The applicant's proposed costs and charges are reasonable, compared to similar providers.

The applicant's projected level of utilization is in line with similar facilities in the service area. The applicant's projected volume of utilization for the mobile MRI for the first year is 184 procedures.

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

According to the applicant, the population of Jefferson Davis County does not have access to MRI services in the county except for the mobile unit. The mobile unit will continue to serve JDCH except the hospital will retain the CON to provide the service.

The application contains approximately 15 letters and affidavits from physicians, community leaders and agencies, local businesses, and consumers.

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

The applicant affirms that all residents of the health planning service area, hospital service area and patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly have access to the services of the existing facility and will continue to have access.

The table listed below shows the percentage of estimated gross patient revenue and actual dollar amount of health care provided to charity and medically indigent patients for the past three fiscal years at JDCH:

<b>Fiscal Year</b>	<b>Gross Patient Revenue Percent (%)</b>	<b>Gross Patient Revenue (dollar amount)</b>
2006	3.5%	\$547,546
2007	3.4%	\$610,798
Projected Yr 1	3.5%	\$657,422
Projected Yr 2	3.5%	\$670,570

**GR Criterion 7- Information Requirement**

JDCH states that it will record and maintain the information stated in this criterion regarding charity care, care to the medically indigent and Medicaid populations 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**

JDCH is located in General Hospital Service Area 3 (GHSA 3). According to updated information, GHSA 3 had a total of 29 MRI sites (mobile and fixed) in FY

2007, utilizing approximately 29.58 FTE units. These sites and units performed a total of 76,703 MRI procedures in 2007.

The applicant submits that the mobile unit currently visits JDCH every Thursday and the population currently accesses this service through Scott Medical Imaging. The applicant further states that its network facility is Forrest General Hospital in Hattiesburg, which is 40 miles away, making it difficult for patients to travel to seek treatment. The applicant believes that obtaining the CON for MRI services at the facility and contracting with Scott Medical Imaging is a more cost effective approach to providing treatment.

The project is not expected to have an adverse impact on other providers of MRI services.

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

The applicant affirms that JDCH has available or will obtain adequate resources for MRI services. However, no additional personnel are projected for this project.

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

JDCH will contract with Scott Medical Imaging to provide support personnel to conduct the studies. If any preliminary or post tests are required, JDCH states it has a fully functional Radiology Department to conduct those tests.

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

Jefferson Davis Community Hospital is in compliance with the Minimum Standards for the Operation of Mississippi Hospitals, according to the Division of Health Facilities Licensure and Certification.

### **IV. FINANCIAL FEASIBILITY**

#### **A. Capital Expenditure Summary**

There is no capital expenditure associated with this project. The applicant proposes to contract with Scott Medical Imaging for the provision of mobile MRI services.

#### **B. Method of Financing**

This project does not require financing since there is no capital expenditure.

**C. Effect on Operating Costs**

JDCH three-year projected operating statement is provided in Attachment 1.

**D. Cost to Medicaid/Medicare**

The applicant's projection to third party payors is as follows:

<b>Patient Mix by Payor</b>	<b>Utilization Percentage</b>	<b>First Year Expense</b>
<b>Medicaid</b>	16%	\$ 44,160
<b>Medicare</b>	70%	193,200
<b>Other</b>	<u>14%</u>	<u>38,640</u>
<b>Total</b>	<b>100%</b>	<b>\$276,000</b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment; however, no comments were received.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the offering of mobile MRI services as contained in the *FY 2007 Mississippi State Health Plan*, Chapter 8 of the *Mississippi Certificate of Need Review Manual, 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 the application submitted by Jefferson Davis Community Hospital.



**ATTACHMENT 1**

**Jefferson Davis Community Hospital  
 Three-Year Operating Statement**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$ 55,200	\$ 56,304	\$ 57,430
Outpatient Care Revenue	220,800	225,216	229,720
Gross Patient Care Revenue	\$276,000	\$281,520	\$287,150
Charity	\$ 13,551	\$13,551	\$13,551
Deductions from Revenue	82,812	84,468	86,158
Net Patient Care Revenue	\$179,637	\$183,501	\$187,442
<b>Total Operating Revenue</b>	<b>\$179,637</b>	<b>\$183,501</b>	<b>\$187,442</b>
<b>Operating Expenses</b>			
General & Admin Services			
Lease Expense	78,200	\$79,764	\$81,359
Depreciation			
Bad Debt			
<b>Total Operating Expense</b>	<b>\$ 78,200</b>	<b>\$ 79,764</b>	<b>\$ 81,359</b>
<b>Net Operating Income</b>	<b>\$101,437</b>	<b>\$103,737</b>	<b>\$106,082</b>
<b>Assumptions</b>			
Number of Scans	184	188	191
Charge per Scan	\$ 1,500	\$ 1,500	\$ 1,500
Cost per Scan	\$ 425	\$ 425	\$ 425

**Attachment 2**  
**General Hospital Service Area 3**  
**Location and Number of MRI Procedures**

Facility	Location	Type/No. of Equip.	Number of Procedures FY 2005	Number of Procedures FY 2006	*Number of Procedures 2007	Days Operated 2007	FTE Unit 2007
Central Miss. Diagnostics	Jackson	F	2,437	2,567	2,609	M-F 40 hrs	1.00
Central MS Medical Center	Jackson	F(1), M(1)	4,715	6,712	6,127	M-F, 90 Hrs	2.00
HRG-Jefferson Davis Comm Hosp.	Prentiss	M	33	349	233	Th. 4 Hrs	.10
Hardy Wilson Hospital	Hazelhurst	M	561	698	775	Sat. 12 Hrs	.10
King's Daughters Medical Center	Brookhaven	M	916	1,142	1,445	M-F, 40 Hrs	1.00
Kosciusko Medical Clinic	Kosciusko	F	2,383	2,211	2,495	M-F 40 Hrs	1.00
Madison Medical Imaging, LLC	Madison	F	CON	0	931	M-F 40 Hrs	1.00
Madison Radiological Group, LLC	Madison	F	CON	0	273	M-F 40 Hrs	1.00
Magee General Hospital**	Magee	M	782	937	969	Tu, Th 8 Hrs	.20
MS Baptist Medical Center	Jackson	F(3)M(1)	10,513	9,912	8,269	MFS 144 Hrs	4.00
MS Diagnostic Imaging Center	Flowood	F(2)	7,792	6,421	5,806	M-F 100 Hrs	2.00
MS Sports Medicine & Orthopedic	Jackson	F(2)	3,420	3,444	3,310	M-F 90 Hrs	2.00
Montfort Jones Mem Hosp.*	Kosciusko	*	*	305	347	M-F 10 Hrs	*
Open MRI of Jackson	Flowood	F	1,703	1,637	1,654	M-F 40 Hrs	1.00
Rankin Medical Center	Brandon	M	1,635	1,800	1,551	M-F 40 Hrs	1.00
Ridgeland Diagnostic Center	Ridgeland	M	462	364	367	M & Th 8 Hrs	.20
River Oaks Hospital	Jackson	F	758	4,239	5,195	M-F 40 Hrs	1.00
River Region Health System	Vicksburg	F	3,392	3,419	3,318	M-F 56 Hrs	1.00
Scott Regional Hospital	Morton	M	230	296	204	F a.m./ 4 Hrs	.10
SE Lackey Mem Hospital	Forest	M	236	417	573	W&F 16Hrs	.40
Sharkey/Issaquena Hospital	Rolling Fork	M	161	173	148	Tu,W 7Hrs	.18
Southern Diagnostics Imaging	Flowood	F	4,221	5,142	5,477	M-F 55Hrs	1.00
SMI-Lawrence Co. Hospital	Monticello	M	409	192	196	W 4Hrs	.10
SMI-Leake Mem Hospital	Carthage	M	0	0	204	Tu 4Hrs	.10
SM<I-Madison Specialty Clinic	Canton	M	0	0	378	Tu,Th 8 Hrs	.20
SMI Simpson General Hospital	Mendenhall	M	155	3	87	Th a.m. 4Hrs	.10
St. Dominic Hospital	Jackson	F(2)M(1)	9,607	10,600	11,783	M-F 140Hrs	3.00
University Hospitals & Clinics	Jackson	F(4)	10,247	8,510	11,029	M-F 250Hrs	4.00
Vicksburg Diagnostic Imaging	Vicksburg	M	657	790	950	M,Tu,Th 24Hrs	.60
Totals			<b>67,579</b>	72,280	76,703		29.58

**Source:** *FY 2007 State Health Plan, Applications for Renewal of Hospital License for Calendar Years 2005 and 2006, and Fiscal Years 2005 and 2006 Annual Hospital Reports*  
 MRI survey conducted for calendar years 2006 and 2007.  
 \*Montfort Jones provides services through Kosciusko Medical Clinic