

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
FEBRUARY 2006**

**CON REVIEW# HG-NIS-1205-045  
PIONEER HEALTH SERVICES OF MONROE COUNTY  
D/B/A PIONEER COMMUNITY HOSPITAL OF ABERDEEN  
OFFERING OF MOBILE MRI SERVICES  
LOCATION: ABERDEEN, MISSISSIPPI (MONROE COUNTY)  
CAPITAL EXPENDITURE: \$5,000**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Pioneer Community Hospital (PCH) is located in Aberdeen, Monroe County, Mississippi. Pioneer Community Hospital is a 35-bed acute care, non-profit hospital owned by the City of Aberdeen and Monroe County; however, it is managed by Pioneer Health Services. On May 21, 2001, Pioneer Health Services of Monroe County d/b/a Pioneer Community Hospital received Articles of Incorporation from the Secretary of State's Office and recently received verification indicating that the facility is in good standing with the State of Mississippi. The hospital is presently governed by a two-member Board and participates in the Medicaid and Medicare programs and Blue Cross and Blue Shield.

The occupancy rates, average length of stay (ALOS), and Medicaid utilization for the three most recent years are as follows:

<b>FISCAL YEAR</b>	<b>OCCUPANCY RATE (%)</b>	<b>ALOS (DAYS)</b>	<b>MEDICAID UTILIZATION RATE</b>
<b>2002</b>	12.52	3.44	Not Available
<b>2003</b>	9.62	3.40	Not Available
<b>2004</b>	7.77	3.83	6.19

**Source: Division of Health Facilities, Licensure and Certification, MDH**

**B. Project Description**

Pioneer Health Services of Monroe County d/b/a Pioneer Community Hospital of Aberdeen requests CON authority to establish mobile magnetic resonance imaging services (MRI) by contracting with a mobile MRI equipment vendor, Alliance Imaging, Incorporated (AI). Alliance Imaging, Inc. is currently providing mobile MRI equipment in General Hospital Service Area (GHSA) 1 in the following Mississippi counties: Clay, Chickasaw, Monroe, Tishomingo, and Webster.

Alliance Imaging will utilize a General Electric Signa Horizon Cx MR Sytem 1.5 and 1.0 Telsa unit to perform MRI scans one day per week. A mobile trailer housing the MRI unit will be parked 40 feet from the emergency entrance in the hospital's north parking lot. The applicant provided a list of full-time personnel PCH currently employs; however, a physician from a Tupelo imaging center has agreed to serve as the Medical Director and as a board certified radiologist for PCH. No new personnel are anticipated for this project. The applicant affirms that the physician will be on site during the hours of operation to interpret clinical images. Also, Alliance Imaging will provide a trained MRI technologist to compute MRI imaging methods and the company will be responsible for maintaining the MRI equipment.

No construction or renovation is involved with the proposed project; however, the applicant states that PCH will pay a local paving company to construct a concrete pad for the mobile trailer as well as purchase electrical and communication products for the trailer. The Mississippi Department of Health, Division of Licensure and Certification, has approved the site for MRI services. The expected completion date for this project is immediately upon CON approval.

**II. TYPE OF REVIEW REQUIRED**

The Mississippi Department of Health reviews applications for the establishment of MRI services in accordance with Section 41-7-191, subparagraph 1(d)(xii) Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi 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 March 7, 2006.

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

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

The *FY 2006 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**

Currently, Pioneer Community Hospital offers medical/surgical care, emergency room services, outpatient services, and rehabilitative services. Pioneer Community Hospital does not offer MRI services; however, the applicant believes diagnostic imaging is greatly needed in the Aberdeen area to keep patients from driving 20 to 40 miles to receive MRI scans. Also, PCH states Aberdeen is a medically underserved area; thus, some area residents do not have ample finances or adequate transportation to travel to other facilities that offer MRI services. The applicant states it would be convenient for Monroe County residents and surrounding citizens to receive services on the hospital's campus.

The applicant believes that PCH should continue to enhance its existing healthcare program. By establishing an on-site mobile MRI service, PCH can provide diagnostic testing in order to provide quality healthcare to residents of Aberdeen.

The CON criteria and standards for offering MRI services outlined in the *FY 2006 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.

Pioneer Community Hospital of Aberdeen reports no utilization levels for the past three years; however, the mobile MRI vendor, Alliance Imaging, Incorporated (AI) has an existing mobile route that services the following: Clay County Medical Center, known as North Mississippi Medical Center-West Point (Clay County); luka Hospital known as North Mississippi Medical Center-luka (Tishomingo County); Gilmore Memorial Hospital, Incorporated (Monroe County); and Trace Regional Hospital Imaging (Chickasaw County).

Staff determined that these mobile MRI locations are located approximately 16 to 97 miles from Aberdeen and it takes an estimated 20 to 135 minutes to drive from Aberdeen to one of the facilities listed above.

Alliance Imaging reported that these facilities performed 2,979 MRI scans during FY 2004. According to the *FY 2006 Plan* and the Annual Survey of Hospitals for FY 2004, staff determined that 3,202 procedures were performed at the same hospitals listed above (see Page 6). In both cases, utilization of the MRI equipment for FY 2004 exceeds the 1,700 minimum.

Based on the CON criteria and standards contained in the *FY 2006 Mississippi State Health Plan*, the applicant amended their initial projections and used the formula listed in the Plan. The applicant made the following projections of MRI procedures to be performed during the first three years of operation:

<b>Projected MRI Procedures</b>		
<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
223	245	270

The *FY 2006 State Health Plan* shows there are currently 15 fixed MRI units and nine mobile units operating in General Hospital Service Area 1 (see the following table).

**General Hospital Service Area 1  
 Location and Number of MRI Procedures**

Facility	Location	Equip.	# of Proc. 2,003	# of Proc. 2,004	Update 2005
Baptist Memorial Hospital -Booneville	Booneville	F	566	756	
Baptist Memorial Hospital -Golden Triangle	Columbus	F(2)	4,804	4,507	
Baptist Memorial Hospital -North Miss	Oxford	F(2)	4,400	3,676	
Baptist Memorial Hospital -Union CNTY	New Albany	F	2,069	2,251	
Clay County Medical Center	West Point	M	666	678	
Gilmore Memorial Hospital, Inc.	Amory	M	1,295	1,461	
Grenada Lake Medical Center	Grenada	F	1,828	2,502	
Imaging Center of Columbus	Columbus	F	1,135	1,928	
Iuka Hospital	Iuka	M	653	820	
Magnolia Regional Health Center	Corinth	F(2)	4,238	4,216	
Medical Imaging & Diagnostics, LLC	Tupelo	F	2,633	3,751	
<b>MSU &amp; Premier Radiology, P.A.</b>	<b>Oktib. CNTY</b>	<b>F</b>	<b>-----</b>	<b>-----</b>	<b>CON-10/06/05 On Appeal-Pending a Decision by the Court</b>
North Miss Medical Center	Tupelo	F(4)	16,622	16,136	
Oktibbeha County Hospital	Starkville	M	1,368	1,525	
SMI - North Oak Regional Hospital*	Senatobia	M	0	96	
Preferred Imaging	Batesville	M	680	723	
SMI - North Oak Regional Hospital*	Water Valley	M	276	463	
<b>AI - Webster Health Services</b>	<b>Eupora</b>	<b>M</b>	<b>-----</b>	<b>-----</b>	<b>CON-10/06/05</b>
SMI - Winston Medical Center*	Louisville	M	-----	CON	
Trace Regional Hospital	Houston	M	136	243	
Tri-Lakes Medical Center	Batesville	M	0	650	
<b>Total</b>			<b>43,369</b>	<b>46,382</b>	
<b>Avg # of Procedures (Operational)</b>			<b>1,807</b>	<b>1,933</b>	

Source: FY 2006 Mississippi State Health Plan, Applications for Renewal of Hospital License for Calendar Years 2004 and 2005, and Fiscal Years 2003 and 2004 Annual Hospital Reports.

- F – Fixed Unit, M – Mobile Unit
- Alliance Imaging
- \* Scott Medical Imaging

As shown in the table above, there are 24 operational MRI units in GHSA 1. For FY 2004, these units performed 46,382 procedures, for an average of 1,933 MRI procedures per unit. Pertaining to Monroe County, one operational mobile MRI unit performed 1,461 procedures in FY 2004.

Based on updated information, staff determined that MSU & Premier Radiology, P.A. (Oktibbeha County) received CON approval October 2005; however, the project is on appeal and is pending a decision by the court. Also, Webster Health Services (Webster County) were CON approved in October 2005. Therefore, the total number of operational/CON approved MRI units in GHSA 1 at the end of 2005 was 27; 16 fixed units and 11 mobile units (see the following table).

<b>MRI Units and Procedures for GHSA 1</b>				
<b># of Units</b>	<b>FY 2003 (Reported)</b>	<b>FY 2004 (Reported)</b>	<b>12/31/2005 (Updated)</b>	<b>FY 2005 (Estimate) Includes approved CON</b>
Fixed	15	15	15	
Mobile	9	9	9	
<b>Total Operational</b>	<b>24</b>	<b>24</b>	<b>24</b>	
CON Approved*	0	1	3	5,100
Total Operational & CON Approved	24	25	27	<b>27</b>
Total Procedures	43,369	46,382	46,382	51,482
<b>Average # of Procedures</b>	<b>1,807</b>	<b>1,933</b>	<b>1,933</b>	1,907

In October 2005, the Department issued CONs for one fixed unit and one mobile unit in the service area. If the number of procedures remain the same for FY 2005, the 24 operating units and three CON approved units, operating at 1,700 procedures each, could be expected to perform approximately 1,907 procedures per unit.

Alliance Imaging is providing mobile MRI services to other hospitals in GHSA 1 and performed well over 1,700 MRI procedures on a mobile unit. In addition, the average procedures for FY 2005 in GHSA 1 are estimated at 1,907. Thus, staff contends that PCH 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**

Pioneer Community Hospital states 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**

Pioneer Community Hospital 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**

Pioneer Community Hospital affirms that the facility will not use MRI equipment for experimental procedures.

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

Pioneer Community Hospital 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.

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

The applicant provided documentation to verify Alliance Imaging, Inc. is an approved mobile MRI equipment vendor in Mississippi. The applicant is in compliance with this criterion.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 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 PCH, 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 establishment of MRI services as contained in the *Plan*.

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

Pioneer Community Hospital's Administration and Governing Board feels that the addition of MRI services is consistent with hospital's development plan to provide quality healthcare to Monroe County residents.

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

The applicant states that PCH considered transferring patients to other facilities in order to receive diagnostic testing; however, concluded that this alternative would pose hardship problems for PCH patients to travel to larger facilities that offer MRI services. Furthermore, PCH currently provides quality healthcare to area residents. The applicant contends that would be beneficial to patients if PCH could provide MRI service to patients with diseases and other injuries at the facility rather than referring patients to other hospitals. The applicant submits that the only efficient and effective alternative would be to establish mobile MRI services to meet the needs of the residents of Aberdeen.



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

Staff reviewed 2002-2004 income statements and determined PCH suffered profit losses. The applicant provided information to show PCH has completed 11 construction and/or expansion projects within the past two years. Those costs were paid using PCH's cash flow and through financing. Even though income statements show a profit loss from 2002-2004, the applicant believes these projects will place PCH in a position to yield profits in the near future.

The applicant provided a three-year projected operating statement and projected that net patient revenue over a three-year period will be \$145,266, \$159,749, and \$175,724. In addition, the statement shows that the net income will be \$54,955, \$54,380, and \$59,881 in each of the three years.

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

The applicant contends that PCH currently provides medical/surgical care, emergency room services, outpatient services, and rehabilitative services to residents of Aberdeen. The applicant states that Monroe County is an underserved district and PCH serves 36% of the county's population over 65 years of age, 36% of racial and ethnic minorities, and 58% of women. Also, other entities offering MRI services are 20 to 35 miles from Aberdeen; thus, the applicant feels that a mobile MRI service is needed at PCH.

There is one operational MRI unit in Amory (Monroe County), and the unit performed 1,461 procedures in FY 2004. Therefore, the staff contends that PCH can meet the needs of MRI patients in GHSA 1 without causing an adverse impact on existing providers in the area.

The application includes four endorsement letters from PCH physicians, other medical clinics, and local officials supporting the need for a mobile MRI service at the facility.

According to the applicant, PCH 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 facility will provide services to all residents of Monroe County. The applicant indicates the expected payor mix by type of payor will be as follows: Medicaid 15%; Medicare 60%; Private Pay, Commercial Pay, and Self Pay, 25%.

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

Pioneer Community Hospital affirms that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

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

Pioneer Community Hospital is located in GHSA 1 where there are currently 15 fixed MRI units and ten mobile units including one CON approved mobile unit as reported for FY 2005. 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 physician from a Tupelo imaging center has agreed to serve as the Medical Director and as a board certified radiologist for PCH. The operation of the MRI equipment will be completed by a full-time MRI technician employed by Alliance Imaging, Inc.

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

The applicant affirms that PCH will continue to provide existing ancillary and support services directly to the patients of Monroe County and will contract with AI to provide mobile MRI equipment.

**GR Criterion 16 - Quality of Care**

The applicant states that the Quality Improvement Committee at PCH reviews department and hospital wide indicators to improve the delivery of healthcare at the facility. Also, PCH reviews patient surveys to determine what healthcare issues need to be addressed and resolved. The applicant affirms that PCH will continue to provide quality care to the residents of GSHA 1.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

<b>Cost Item</b>	<b>Estimate Cost</b>	<b>%of the Total</b>
Construction Cost -New	\$0	0.0%
Construction Cost-Renovation	\$0	0.0%
Capital Improvements, i.e. (minor painting and repairs, refurbishing)	\$2,000	40.0%
Total Fixed Equipment Cost	\$0	0.0%
Total Non-Fixed Equipment Cost	\$0	0.0%
Land Cost	\$0	0.0%
Site Preparation Cost	\$2,000	40.0%
Fees (Architectural, Consultant, etc.)	\$0	0.0%
Contingency Reserve	\$0	0.0%
Capitalized Interest	\$0	0.0%
Other Cost (Contract Labor)	\$1,000	20.0%
<b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>	<b>\$5,000</b>	<b>100.0%</b>

**B. Method of Financing**

Pioneer Community Hospital will use its current cashflow 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 \$295,475, \$325,023, \$357,525; expenses of \$90,271, \$105,369, \$115,843; and net income of \$54,955, \$54,380, \$59,881, 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	15.0%	\$13,540.65
Medicare	60.0%	\$54,162.60
Other	25.0%	\$22,567.75
<b>Total</b>	100.0%	<u>\$90,271.00</u>
PCH projects 5% percent bad debt. Medically indigent and charity care are approximately 2.5% 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 construction, renovation, and expansion projects as contained in the *2006 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 Revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted Pioneer Community Hospital (PCH).

ATTACHMENT 1

Three-Year Projected Operating Statement  
Pioneer Health Services of Monroe County  
d/b/a Pioneer Community Hospital Of Aberdeen

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>
<b>Gross Patient Revenue</b>	\$295,475	\$325,023	\$357,525
<b>Deductions from Patient Service Revenue</b>			
Charity/Indigent Care	22,161	24,377	26,814
Contractual Adjustments	120,701	132,772	146,049
Provision for Bad Debt	7,387	8,126	8,938
Other (Specify)	0	0	0
<b>Total Deductions</b>	150,249	165,275	181,801
<b>Net Patient Service Revenue</b>	145,226	159,748	175,724
<b>Other Revenue</b>	0	0	0
<b>Expenses:</b>			
Salaries and Benefits	0	0	0
Supplies	13,826	15,209	16,730
Other Direct Expenses	600	600	600
Administration and General			
Other Indirect Expenses	25	25	25
Depreciation			
Lease	75,820	89,535	98,488
Interest			
<b>Total Expenses</b>	90,271	105,369	115,843
<b>Net Income (Loss)</b>	<b><u>\$54,955</u></b>	<b><u>\$54,379</u></b>	<b><u>\$59,881</u></b>
<b>General Assumptions</b>			
Occupancy Rate	N/A	N/A	N/A
Patient Days	N/A	N/A	N/A
Cost/Patient Day	N/A	N/A	N/A
Charge/Patient Day	N/A	N/A	N/A
<b>Specialized major medical equipment:</b>			
Number of patients	178	196	216
Treatments (Procedures)/Patient	1.25	1.25	1.25
Avg. number of Treatments (Procedures)	223	245	270
Cost/Treatment (Procedure)	405	430	429
Charge/Treatment (Procedure)	\$1,325	\$1,327	\$1,325