

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
FEBRUARY 2005**

CON Review HG-NIS-1204-047
H.C. Watkins Memorial Hospital, Inc.
Establishment of mobile MRI Services in Clarke County
Capital Expenditure: \$29,000
Location: Quitman, Mississippi

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

H.C. Watkins Memorial Hospital, Inc., is a not-for-profit Mississippi corporation authorized to do business in the State of Mississippi. H.C. Watkins Memorial Hospital (WMH) is a twenty-five (25) bed, short-term care facility, critical access hospital in GHSA 4. Watkins Memorial is dually licensed as general acute-care beds and swing beds. The hospital is governed by a seven-member Board of Trustees. All members of the governing board are elected by the board annually from the membership of the corporation. All members of the community served by Watkins Memorial have an equal opportunity to be considered for service on any advisory boards, groups or other representative forums sponsored by Watkins. Watkins Memorial Hospital is not accredited by the Joint Commission on Accreditation of HealthCare Organizations (JCAHO).

The occupancy rates, average lengths of stay (ALOS) and the Medicaid utilization rates for the three most recent fiscal years are as follows (medical/surgical beds only):

H.C. Watkins Memorial Hospital			
Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid* Utilization Rate (%)
2001	42.33	5.02	21.9%
2002	33.93	4.79	15.1%
2003	31.70	4.50	13.9%

Source: Division of Health Facilities Licensure and Certification, MSDH

B. Project Description

H.C. Watkins Memorial Hospital (WMH) requests Certificate of Need (CON) authority for offering of Mobile MRI services at its facility in Quitman, Mississippi. Watkins Memorial will provide a full range of diagnostic imaging modalities for verification and complementary studies including routine x-ray, fluoroscopic exams, computed tomography, ultrasound and bone density. According to the applicant, the MRI "route" will be operated by Shared Imaging, Inc. as an addition to an existing CON exempt mobile MRI route. The MRI unit will be a Siemens 1.0 Tesla Expert MRI unit mounted in a Medicoach trailer. This mobile unit will serve WMH one day a week. Watkins will build a pad for the MRI unit as a part of its overall development at Watkins Memorial. The monthly rent to be paid by Watkins will be equal to \$365 times the number of scans performed on the MRI unit at Watkins Memorial for the first

8 scans performed per day, \$275 times the number of scans performed per day more than 8 or \$325 times the number of Medicare and Medicaid scans performed.

WMH states that there could be a slight immaterial increase in the use of ancillary or support services to support the additional MRI service at Watkins Memorial, but no material change in overall costs or charges at Watkins Memorial or any other health care facility is expected as a result of this project other than per procedure charges for the MRI services themselves. The costs and charges of Watkins Memorial will be in line with the costs and charges of other imaging facilities in the East Central Mississippi area.

The applicant states that the capital expenditure will not be fully obligated until after the CON is approved and full WMH Board approvals are obtained. The project is expected to be completed within twelve (12) months after CON approval.

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 7, 2005.

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

A. State Health Plan (SHP)*

The FY 2005 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

This CON Application is submitted in response to the priority health needs of the state as indicated in the *2005 State Health Plan*. This CON application, filed under the *2005 State Health Plan*, is in compliance with all criteria and standards of the *2005 State Health Plan*, which is documented throughout this Application.

Based on the *2005 State Health Plan* with respect to MRI procedures performed in Mississippi, in calendar year 2003, there were six MRI units operating in General Hospital Service Area 4, five MRI units operating in calendar year 2001 and 2002. Those MRI units reported performing a total of 10,011 procedures in 2002 and 12,529 procedures in 2003. The 2003 MRI units averaged 2,088 procedures per MRI unit. However, the mobile units in GHSA 4 performed 1273 procedures in 2003. The one serving Newton only performed 233. The four fixed units in GHSA 4 performed an average of 2,814.5 procedures per MRI unit in 2003. This figure is well in excess of the minimum capacity of an average of 1700

procedures per MRI unit per year required by the *2005 State Health Plan* to be performed on MRI units in GHSA 4.

This CON application is submitted in response to a recognized interest by Clarke County patients and by area doctors to obtain and provide MRI and other imaging services locally in the Clarke County community. Upon receiving authority from the Department of Health, Watkins Memorial will provide MRI services at Watkins Memorial Hospital in the heart of Clarke County.

At present there are no MRI services being provided in Clarke County. The projected population for the year 2005 is 18,889. According to the demographic information contained in the *Mississippi Population Projections for 2005, 2010, and 2015, published by the Center for Policy Research and Planning, Mississippi Institutions of Higher Learning*, Clarke County is expected to grow at a rate of 4.25% between 2005 and 2010 and another 3.4% between 2010 and 2015. WMH submits that the increased population in this county is evidence that MRI service is needed.

WMH will share a route that currently serves various hospitals in Georgia. According to the applicant, the unit performed 685 scans in six months in 2004. Based on this volume, the applicant expects that the unit will perform approximately 1,945 procedures in calendar year 2005.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

Watkins Memorial Hospital affirms that it will provide a full range of diagnostic imaging modalities for verification and complementary studies including routine x-ray, flourosopic exam, computed tomography, ultrasound, and bone density.

SHP Criterion 3 - Accessibility

Within the scope of its available services, Watkins Memorial assures the Mississippi State Department of Health that neither WMH or its participating medical personnel will have any policies or procedures which would exclude patients because of race, color, age, sex, ethnicity or ability to pay.

SHP Criterion 4 - Staffing

The applicant states that MRI technician personnel will be employed by and provided by Shared Imaging, Inc. pursuant to contract. Shared Imaging will provide qualified technologists that are full-time MRI radiographers or persons who have had equivalent education, training and experience. At least one will be on site at all times during operating hours and have experience in computed tomography or other cross-sectional imaging methods or have equivalent training in MRI spectroscopy. WMH will have full-time medical direction, as needed, of its MRI unit in the person of the medical staff of Meridian Radiology Associates. All physicians utilizing the Watkins Memorial Hospital will be private practitioners.

SHP Criterion 6 - Data Requirement

The applicant affirms that it will keep or cause Watkins Memorial to keep the above recited data in the form indicated and will make it available to the Mississippi State Department of Health upon request.

SHP Criterion 7 - CON Approval

Shared Imaging is a current MRI vendor in Mississippi and received an exemption from Certificate of Need to provide for mobile MRI equipment 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

This project is consistent with Watkins Memorial's long range strategic plans developed by its management staff and approved by the Watkins governing board for the provision of state-of-the-art, accessible, cost effective, efficient outpatient diagnostic imaging services to the communities and areas served by Watkins Memorial.

GR Criterion 3 - Availability of Alternatives

According to the applicant, continuation of referral to diagnostic imaging services in Meridian, Jackson and/or Laurel was an alternative considered. However, such referral is a burden on the referred patients and their families. The applicant contends that increased local convenient access for patients in Clarke County to diagnostic imaging services is essential to the accomplishment of the access goals and purposes of the *State Health Plan*.

Watkins Memorial is centrally located within its primary service area and considers it Watkins Memorial's responsibility to facilitate the provision of the best quality care in the most efficient and effective manner possible in that service area.

There is no less costly or more effective alternative method of providing increased local access to the services this project contemplates.

GR Criterion 4 - Economic Viability

The proposed project has been determined to be financially feasible by WMH's management staff, and the proposal should have no significant effect on the cost of providing health services by Watkins Memorial. Based on the applicant's three year projections, this project will be economically viable. The first three years projected net income will be \$19,698.92, \$21,011.15 and \$25,418.45, respectively.

The applicant states that the proposed charges for MRI services are comparable to those charges established by other facilities within the service area and state.

GR Criterion 5 - Need for Services

Clarke, Newton, Jasper, Lauderdale and Wayne counties are within the primary service area of Watkins Memorial. The projected population growth in Clarke County is 2.47% between 2005 and 2010. The projected population growth for that service area is 2.24% between 2005 and 2010. The applicant asserts that the need for convenient, accessible outpatient diagnostic imaging services in that area is demonstrated by the increase in population. The applicant states that Watkins Memorial serves all patients regardless of their ability to pay, including low income persons, racial and ethnic minorities, women, handicapped persons,

the elderly and other underserved groups. WMH expects that these groups will continue to have access to all of the services of Watkins Memorial.

Also, this project will have no adverse impact on existing facilities or services providing similar services. The application includes 17 letters of support from state and local officials. Also, the application included affidavits from four physicians.

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

GR Criterion 6 - Access to the Facility or Service

Watkins Memorial submits that it serves all of the population, including low income, racial and ethnic minorities, women, handicapped and elderly persons. The proposed new mobile MRI unit will be used in an area which is conveniently located to diverse segments of the general public which are familiar with the services and the location of Watkins Memorial. It is anticipated that availability and access to outpatient diagnostic imaging services for these above mentioned groups will improve because of the proposed location, which will bring outpatient diagnostic imaging services closer to the area's population. Watkins Memorial provides health care services regardless of age, creed, sex, race, religion or ability to pay. This proposed mobile MRI unit is expected to enhance access and delivery of a full range of diagnostic imaging services and may attract additional patients of all demographic groups.

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

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
# of procedures	129	133	137

GR Criterion 7 - Information Requirement

The applicant 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 Mississippi State Department of Health within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

This project will serve as a complement to the existing health care system of the area. Because of the growth the area is experiencing and the increasing need for diagnostic imaging services, the offering of additional outpatient diagnostic imaging services in Clarke County will be an asset to the patients Watkins Memorial currently serves, as well as others in the community.

The approval of this application will enhance the existing health care system for patients in the Eastern regions of GHSA 4 by providing them with local access to outpatient diagnostic imaging services.

GR Criterion 9 - Availability of Resources

This project is supported by area physicians and surgeons who have expressed their interest in letters of commitment and affidavits included in the application. Physicians specializing in several areas of medicine, including but not limited to, family practice and internal medicine, have expressed their intention to refer patients for MRI services to Watkins Memorial.

The applicant states that MRI technician personnel will be employed by and provided by Shared Imaging, Inc. pursuant to contract. Shared Imaging will provide qualified technologists that are full-time MRI radiographers or persons who have had equivalent education, training and experience; at least one will be on site at all times during operating hours and have experience in computed tomography or other cross-sectional imaging methods or have equivalent training in MRI spectroscopy. WMH will have full-time medical direction, as needed, of its MRI unit in the person of the medical staff of Meridian Radiology Associates. All physicians utilizing the Watkins Memorial Hospital will be private practitioners.

GR Criterion 10 - Relationship to Ancillary or Support Services

WMH anticipates having transfer agreements with the following area hospitals:

University Medical Center, Jackson
South Central Regional Medical Center, Laurel
Rush Foundation, Meridian
Delta Regional Medical Center / Mississippi Firefighters' Burn Center, Greenville

WMH states that there could be a slight immaterial increase in the use of ancillary or support services to support the additional MRI service at Watkins Memorial, but no material change in overall costs or charges at Watkins Memorial or any other health care facility is expected as a result of this project other than per procedure charges for the MRI services themselves. The costs and charges of Watkins Memorial will be in line with the costs and charges of other imaging facilities in the East Central Mississippi area.

GR Criterion 16 - Quality of Care

The Watkins Memorial Hospital submits that it currently provides and will continue to provide quality healthcare. The Watkins Memorial Hospital's purpose is to ensure the delivery of the highest quality of care to its patients in the most efficient and effective manner with the resources available. The proposed project is to supplement and enhance the delivery of quality care readily accessible to the residents of Clarke County.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

WMH submitted the following capital expenditure summary:

New Construction	\$	15,000
Fees	\$	9,000
Contingency Reserve	\$	<u>5,000</u>
Total Expenditure	\$	<u>29,000</u>

The proposed capital expenditure is for WMH to build a pad for the MRI unit as a part of its overall development for offering of Mobile MRI services.

B. Method of Financing

The applicant proposes to finance this project with Cash Reserves. No additional debt is projected.

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 & Benefits	\$	0.00	\$	0.00	\$	0.00
Supplies	\$	2,000.00	\$	2,060.00	\$	2,122.00
Other Direct Expenses	\$	800.00	\$	824.00	\$	849.00
Administration & General	\$	0.00	\$	0.00	\$	0.00
Other Indirect Expense	\$	0.00	\$	0.00	\$	0.00
Depreciation		NA		NA		NA
Lease	\$	43,925.00	\$	45,265.00	\$	46,645.00
Interest	\$	<u>0.00</u>	\$	<u>0.00</u>	\$	<u>0.00</u>
TOTAL EXPENSES	\$	<u>46,725.00</u>	\$	<u>48,149.00</u>	\$	<u>49,616.00</u>
GROSS PAT. REVENUE	\$	117,519.00	\$	122,360.00	\$	132,753.00
CHARITY/INDIGENT	\$	-1,727.53	\$	-1,798.69	\$	-1,951.47
CONTRACTUAL ADJ.	\$	-41,623.05	\$	-43,337.64	\$	-47,018.66
BAD DEBT	\$	<u>-7,744.50</u>	\$	<u>-8,063.52</u>	\$	<u>-8,748.42</u>
TOTAL DEDUCTIONS	\$	-51,095.08	\$	-53,199.85	\$	-57,718.55
NET PAT. SVC. REV.	\$	<u>66,423.92</u>	\$	<u>69,160.15</u>	\$	<u>75,034.45</u>
NET INCOME (LOSS)	\$	19,698.92	\$	21,011.15	\$	25,418.45
NUMBER OF SCANS		129		133		137
TREATMENT PATIENTS		1		1		1
NO. OF TREATMENT		1		1		1
COST PER PROCEDURE	\$	340.50	\$	340.34	\$	340.47
CHARGE PROCEDURE	\$	911.00	\$	920.00	\$	969.00
COST PER PROCEDURE (STAFF)	\$	362.21	\$	362.02	\$	362.16

* Applicant projects approximately 8.06 percent of gross revenue for bad debt patients, medically indigent patients and charity care patients.

D. Cost to Medicaid/Medicare

<u>Patient Mix by Type Payor</u>	<u>Utilization Percentage</u>	<u>First Year Expenses</u>
Medicaid	20.70%	\$ 9,672.08
Medicare	40.84%	\$ 19,082.49
Blue Cross	13.15%	\$ 6,144.34
Workers Compensation	2.35%	\$ 1,098.04
Other 3 rd party payers	14.55%	\$ 6,798.49
Self Pay	6.98%	\$ 3,261.41
Indigent	1.47%	\$ 686.86
TOTAL	100%	\$ 46,725.00

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review. The Division of Medicaid takes no position on this project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with criteria and standards contained in the 2005 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 Watkins Memorial Hospital, Inc., for offering Mobile Magnetic Resonance Imaging services.