

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
MAY 2004**

**CON REVIEW HG-NIS-0304-005
LAWRENCE COUNTY HOSPITAL
OFFERING OF MOBILE MRI SERVICES
CAPITAL EXPENDITURE: \$-0-
LOCATION: MONTICELLO, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Lawrence County Hospital (LCH), a division of Southwest Mississippi Regional Medical Center, is a twenty-five (25) bed, general acute care, not-for-profit hospital leased by Southwest Mississippi Regional Medical Center. The hospital system is owned jointly by Pike County, the City of McComb, and Supervisor Districts Four and Five of Amite County, Mississippi. The hospital is governed by a seven-member Board of Trustees. Members are appointed by the Mayor and by the Board of Supervisors from their respective counties.

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

Lawrence County Hospital's Utilization Data

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2001	34.92	5.78	4.92
2002	24.58	3.47	8.00
2003	26.64	3.32	6.04

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

B. Project Description

Lawrence County Hospital requests Certificate of Need (CON) authority to establish mobile magnetic resonance imaging (MRI) services at the hospital. The applicant proposes to establish mobile MRI services through a lease agreement with Scott Medical Imaging, LLC. The mobile unit will be available for use one day a week and will be parked at LCH. A concrete pad will be constructed for the location of the mobile MRI unit. The equipment servicing the hospital will be a Phillips 1.5 Tesla Intera MRI scanner, for which Scott Medical Imaging, LLC received the required approval from the Department on September 23, 2004.

The applicant indicates that to add magnetic resonance imaging to its services complement will provide essential diagnostic imaging capability in its immediate service area. Although the LCH operates as a critical access hospital, it is necessary to offer (if only on a limited basis through a mobile MRI unit) appropriate diagnostic imaging technology on site.

According to Lawrence County Hospital, any increase in the use of ancillary or support services will be appropriately accommodated.

The application contains a copy of the proposed lease agreement between Lawrence County Hospital and Scott Medical Imaging, LLC.

According to the applicant, Scott Medical Imaging will provide the mobile MRI services of a MRI technologist. No new personnel are anticipated for the proposed project.

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), 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, 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 June 3, 2004.

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

A. State Health Plan (SHP)

The **FY 2004 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.

Criteria for Offering of MRI Services

SHP Criterion 1 - Need

Lawrence County Hospital is located in General Hospital Service Area (GHSA)3. There are 28 existing MRI units in GHSA 3. Twenty-five (25) of the existing units are operational and performed an average of 2,012 MRI procedures per unit during FY 2002, according to the **FY 2004 State Health Plan**.

The applicant proposes to offer MRI services through an existing mobile MRI route. On an annual basis, the route will perform in excess of 1,700 MRI procedures per year. According to the vendor, the number of procedures on the route is expected to meet or exceed the annual volume required by this criterion. According to the applicant, Scott Medical Imaging, LLC (**MRI vendor**) has offered mobile MRI services to Lawrence County Hospital since January 2004. The actual number of MRI scans performed at the LCH during February through April 2004 is 84 scans. LCH believes that if annualized, the number of scans for the hospital would be 336 scans. LCH submits that the projection of 240 scans for the first year of operation is a conservative projection of number of scans to be performed at LCH during 2004. Lawrence County Hospital projects to perform 240 procedures the first year of operation, 288 the second year and 288 the third year.

LCH provided documentation, which shows Scott Medical Imaging, LLC, the MRI vendor for the proposed project, provided mobile MRI services to the following hospitals during 2003, with the number of MRI procedures performed:

2003 Utilization Data

Facilities/Location	Number of Procedures
Ridgeland Diagnostic Center, Ridgeland	154
Scott Regional Hospital, Morton	240
Newton General Hospital, Newton	291
Magee General Hospital, Magee	556
Simpson General Hospital, Mendenhall	250*
Lawrence County Hospital, Monticello	240*

*Projected MRI utilization.

The applicant believes that with the addition of Lawrence County Hospital and Simpson General Hospital, on an annual basis, the MRI route operated by Scott Medical Imaging, LLC will perform in excess of 1,700 MRI procedure per year.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

Lawrence County Hospital certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available at the time MRI services begin. These modalities include, without limitation, computed tomography (full body); ultrasound, angiography, nuclear medicine, and conventional radiology.

SHP Criterion 3 - Accessibility

The applicant certifies that within the scope of its available services, it 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

Lawrence County Hospital certifies that the required staff for this criterion will be available at the time MRI services begin.

SHP Criterion 5 - Research Staffing

The applicant indicates that Lawrence County Hospital will comply with this criterion in the event that the MRI unit will be used for experimental study.

SHP Criterion 6 - Data Requirement

The applicant indicates that it will maintain and provide all information required by this criterion to be supplied to the Department upon request.

SHP Criterion 7 - CON Approval

The applicant proposes to contract with Scott Medical Imaging for the services. Scott Medical Imaging's MRI equipment (Phillips 1.5 Tesla Intera) has received the required approval from the

Department on September 23, 2002.

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. This application is in substantial compliance with general review criteria.

GR Criterion 3 - Availability of Alternatives

According to the applicant, other alternatives considered included the following:

1. **Purchase a fixed MRI unit.** The applicant asserts that the purchase of a fixed MRI unit for the hospital could be considered an alternative. However, it was determined that a more reasonable and conservative approach is to contract for mobile MRI services, thus providing the service without the capital expenditure outlay required for a fixed unit.
2. **Refer patients to an existing MRI service.** LCH asserts that even though MRI services are available at Southwest Mississippi Regional Medical Center and other area facilities, this alternative unnecessarily disrupts the continuity of patient care, which could be avoided if the MRI service were available on site at LCH.
3. **Provide MRI services through a mobile vendor.** LCH indicates that this alternative was chosen as the most cost effective means to provide MRI services, if even on a limited basis, to the patients of LCH.

GR Criterion 4 - Economic Viability

The project appears to be economically viable. The applicant projects net incomes of \$74,949, \$89,745, and \$89,745 during the first three years of operation, respectively.

GR Criterion 5 - Need for Services

According to LCH, the proposed project will be accessible to all residents of the area, including all racial and ethnic minorities, women and handicapped.

As previously mentioned, LCH has demonstrated a need adequate to satisfy the criteria of the **FY 2004 State Health Plan**.

According to LCH, the objectives in pursuing the proposed project are to promote quality and continuity of care and to increase patient access. The long term result from the implementation of the project at LCH will be the availability of cost-effective, accessible MRI services.

GR Criterion 6 - Access to the Facility or Service

Applicant asserts that all residents of the service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly, have access to services offered by Lawrence County Hospital.

The applicant projects 4.6 percent of its patients will be charity care patients.

GR Criterion 7 - Information Requirement

Lawrence County Hospital affirms that it will comply with this criterion.

GR Criterion 8 - Relationship to Existing Health Care System

As previously mentioned, there are 28 existing MRI units in General Hospital Service Area 3. Twenty-five of these existing units are operational and performed an average of 2,012 MRI procedures per unit during FY 2002, according to the **FY 2004 State Health Plan**.

Staff believes that this project will not impact other providers of MRI services in the service area.

GR Criterion 9 - Availability of Resources

According to the applicant, there will be no increase in staffing as a direct result of the addition of mobile MRI services at LCH. The hospital will have the appropriate staffing available for the performance of MRI services at its facility.

GR Criterion 16 - Quality of Care

Lawrence County Hospital is in compliance with the **Minimum Standards of Operation of Mississippi Hospitals**, according to the Division of Health Facilities Licensure and Certification.

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 financing.

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
Professional Fees	\$50,400	\$60,480	\$60,480
Purchased Services	\$72,000	\$86,400	\$86,400
Total Expense	\$122,400	\$146,880	\$146,880

Utilization

Projected # of MRI Scans	240	288	288
Cost Per MRI Scan	\$510	\$510	\$510

Charge Per MRI Scan	\$1,074	\$1,074	\$1,074
----------------------------	---------	---------	---------

Revenues

Total Pt. Rev.	\$257,971	\$309,312	\$309,312
Deductions	\$(60,622)	\$(72,687)	\$(72,687)
Net Revenue	\$197,349	\$236,625	\$236,625
Net Income	\$ 74,949	\$ 89,745	\$ 89,745

D. Cost to Medicaid/Medicare

The impact of the project on third party payers is as follows:

Patient Mix by Type Payer	Utilization Percentage	First Year Cost
Medicaid	5	\$ 6,120
Medicare	89	\$108,936
Other Payers*	6	\$ 7,344
Total*	100	\$122,400

*The applicant projects 4.6 percent of gross patient revenues to be provided to charity patients.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid indicates that outpatient services are paid as outlined in the **State Plan**, therefore the Division of Medicaid takes no position on the application.

VI. CONCLUSION AND RECOMMENDATION

The project is in substantial compliance with the criteria and standards for the provision of MRI services, as contained in the **FY 2004 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.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Lawrence County Hospital.