

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
DECEMBER 2009**

**CON REVIEW: C-NIS-0909-024  
THE CONRAD PEARSON CLINIC, P.C.  
THE OFFERING OF THERAPEUTIC RADIATION SERVICES  
CAPITAL EXPENDITURE: \$190,000  
LOCATION: SOUTHAVEN, DESOTO COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

The Conrad Pearson Clinic, P.C. is a Professional Corporation, organized under the Laws of the State of Tennessee, which is qualified to do business in the State of Mississippi. The Conrad Pearson Clinic, P.C. corporate officers are as follows: John R. Adams, Jr., M.D. (President), Holt Benjamin Maddux Jr., M.D. (Secretary), and Robert S. Hollabaugh, Jr., M.D. (Treasurer).

**B. Project Description**

Conrad Pearson Clinic, P.C. requests Certificate of Need (CON) authority to offer therapeutic radiation services to patients with a prostate cancer diagnosis at its Clinic in Southaven.

The Conrad Pearson Clinic, P.C., a physician practice consisting of twelve (12) urologists with offices in Southaven and Memphis, proposes to acquire via lease a linear accelerator from TotalRad Equipment, LLC and initiate radiation therapy services for the benefit of Conrad Pearson's patients, as part of the men's prostate health center.

The proposed project will include the following:

- Site work consisting of grading and excavation with landscaping and on-site storm water detention.
- A new electrical service and new air handling HVAC equipment are anticipated for the addition.
- The existing sprinkler system will be extended to cover the addition.
- The linac vault will be cast-in-place concrete.
- The remainder of the building will be wood framed with an architectural shingled roof and brick exterior to match the existing building.

The proposed project shall consist of approximately 7,500 square feet of new construction.

The Conrad Pearson Clinic, P.C. is anticipated to be a Center of Excellence where prostate cancer patients can receive virtually all available modalities of treatment for their diseases. In addition to the availability of radiation therapy, patients will have other options including cryosurgery, brachytherapy, open surgery procedures, robotic surgery, complimentary and alternative treatment, hormone ablation therapy, IGRT, IMRT and palliative care. Tumor conferencing, patient education and other support programs will be important aspects of the patient care as well.

The applicant submits that the establishment of the men's prostate health center will allow patients to come to a single provider for virtually any treatment necessary involving a patient's prostate health. This focus approach allows for improved efficiency and higher quality treatment as compared with non-specialized facilities.

Conrad Pearson will employ adequate staffing to serve the patients, including a dosimetrist, a radiation physicist, three radiation technologists and appropriate nursing staff. Additionally, the applicant will contract with a radiation oncologist to administer therapy.

This project is unique in that it will provide radiation oncology services dedicated to the treatment of patients who have carcinoma of the prostate as part of a comprehensive prostate cancer treatment program to be offered by the applicant. The proposed center will utilize the latest generation and highest quality equipment, which will be leased from TotalRad Equipment, LLC, to provide guided (IGRT) and intensity modulated (IMRT) radiation treatment to appropriately selected patients.

The applicant expects that the project will require ten FTE's at an annual cost of \$1,627,322 for the first year.

If the proposed project is CON approved, the applicant states that the project shall commence by February 1, 2010, and be completed by December 15, 2010.

## **II. TYPE OF REVIEW REQUIRED**

Projects which propose the provision of radiation therapy services are reviewed in accordance with Section 41-7-191, subparagraphs (1)(d)(vi), and (i) 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 January 7, 2010. In addition, this project is reviewed under the FY 2010 State Health Plan, which became effective on September 1, 2009, when the application was received.

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

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

The *FY 2010 State Health Plan* contains policy statements, criteria, and standards which an applicant is required to meet before receiving CON authority for the acquisition or otherwise control of therapeutic radiation equipment and/or the offering of therapeutic radiation services.

##### **SHP Criterion 1 – Need**

The CON criteria and standards for the acquisition or otherwise control of radiation therapy equipment and services outlined in the *FY 2010 Mississippi State Health Plan* state that an entity desiring to offer radiation therapy services must document a need for radiation equipment by complying with one of the following Need Criterion 1a – 1c:

- a. the need methodology as presented in this section of the *Plan*;
- b. demonstrating that all existing machines in the service area in question have averaged 8,000 procedures per year or all machines have treated an average of 320 patients per year for the two most recent consecutive years; or
- c. demonstrating that the applicant's existing therapeutic equipment has exceeded the expected level of patient service, i.e. 320 patients per year/unit, or 8,000 treatments per year/unit for the most recent 24-month period.

Policy Statement 2 (Equipment to Population Ratio) states that the need for therapeutic radiation units (as defined) is determined to be one unit per 149,538 population. The MSDH will consider out-of-state population in determining need only when the applicant submits adequate documentation acceptable to the Mississippi State Department of Health, such as valid patient origin studies. The applicant submitted a zip code listing of prostate cancer patients to verify that 450 patients from Tennessee and 29 patients from Arkansas were treated at Conrad Pearson's Clinic in 2008. However, no population projections were provided for the Tennessee and Arkansas zip codes.

The Conrad Pearson Clinic, P.C. is located in DeSoto County, General Hospital Service Area (GHSA) 1, which is made up of the following counties: DeSoto, Marshall, Tate, Tunica, and Panola. The population of GHSA 1 has been determined to be 260,626, which generates a need for 1.74 therapeutic radiation units as determined by the methodology stated in the Plan. See Attachment 2.

The Plan calculations demonstrate the need for 0.74 additional Linear Accelerator units in GHSA 1. The applicant avows that the precedent in Mississippi is that need is triggered once the Service Area has a demand

for greater than +.5 units which is the current case. The applicant further submits that health care planning states universally “round up” need when demand increases to greater than, 50% of stated demand. The applicant proposes to serve mostly out-of-state residents. In addition, the application contains three affidavits from physicians indicating that they will refer 587 patients to the facility.

With regard to Need Criterion 1b, Policy Statement 3 (Limitation of New Services) states that when the therapeutic radiation unit-to-population ratio reaches one to 149,538 in a given hospital service area, no new therapeutic radiation services may be approved unless the utilization of all the existing machines in the given hospital service area averaged 8,000 treatments or 320 patients per year for the two most recent consecutive years as reported on the “Renewal of Hospital License and Annual Hospital Report.”

There is currently one therapeutic radiation unit located in GHSA 1 wherein the applicant is located. Baptist Memorial Hospital-DeSoto performed a total of 6,227 procedures in 2007 and 7,413 procedures in 2008. Therefore, the applicant is not in compliance with Need Criterion 1b.

The applicant suggests that this criterion 1b is not applicable since the Plan requires that the applicant comply with only one item of Need (1a – 1c). Policy statements in the Plan, however, outline the Department’s policies for approval of additional radiation therapy equipment. Policy Statement Number 3, specifically states that “No new therapeutic radiation services may be approved unless the utilization of all the existing machines in a given hospital service area averaged 8,000 treatments.” Although the applicant is required to show compliance with only one item of need, the Plan does not waive the need for the applicant to comply with Policy Statement Number 3. A new radiation therapy unit may be approved if: (1) the need methodology clearly indicates a need for one (1) or more units in the service area, or (2) the formula shows a need for less than one (1) unit in the service area where existing providers are performing in excess of 8,000 treatments. Staff concurs with the applicant that it is a precedent that the Department rounds up when a .5 or greater need is shown; however, the requisite to rounding up in the case of radiation therapy services remains that all existing units in the service area must be performing an average of 8,000 treatments per year. Unfortunately, this is not the case in GHSA 1.

Furthermore, according to the 2010 State Health Plan, utilization for megavoltage therapeutic radiation services in the state as a whole declined from 169,440 treatments or 5,690 treatments per unit in 2007, to 158,377 or 5,109 treatments per unit in 2008. In addition, utilization in the state was 5,690/100,000 population in 2007 and 5,320/100,000 population in 2008. The highest utilization in the state was in GHSA 4, where utilization fell from 37,884 in 2007 to 21,110 in 2008.

The applicant submits that the proposed project is needed to serve the DeSoto County and the out-of-state patients from Conrad Pearson's Germantown Tennessee Clinic that will come to Southaven for their treatment.

### **SHP Criterion 2 – Access to Diagnostic Services**

The Conrad Pearson Clinic, P.C., Southaven affirms that diagnostic x-ray, CT scan, and ultrasound services will be readily available in the clinic adjacent to the proposed facility.

### **SHP Criterion 3 – Staffing of Services**

The applicant asserts that it will have, at a minimum, the following full-time dedicated staff: one board-certified radiation oncologist-in-chief, one dosimetrist, one certified radiation therapy technologist certified by the American Registry of Radiation Technologists, and one registered nurse. Also, the service will have, at a minimum, access to a radiation physicist certified or eligible for certification by the American Board of Radiology.

### **SHP Criterion 4 – Access to Brachytherapy Staff**

The applicant affirms that access will be available as needed to brachytherapy staff, treatment aides, social workers, dietitians, and physical therapists.

### **SHP Criterion 5 – Medical Staff's Residence Within 60 Minutes of the Facility**

Conrad Pearson Clinic, P.C. states that all physicians, including the radiation oncologist-in-chief, who are responsible for therapeutic radiation services will reside within 60 minutes normal driving time of the facility.

### **SHP Criterion 6–Simulator Capabilities**

The applicant affirms that a modern simulator will be available on site capable of producing high quality diagnostic radiographs. The applicant asserts that the facility will adhere to the remaining conditions associated with this criterion.

### **SHP Criterion 7 – Access to a Computerized Treatment Planning System**

The applicant asserts that it will have access to a computerized treatment planning system with the capability of simulation of multiple external beams, display isodose distributions in more than one plane, and will perform dose calculations for brachytherapy implants.

### **SHP Criterion 8 – Staffing of a Board Certified/Board Eligible Radiation Oncologist**

The applicant affirms that all treatments will be under the control of a board certified or board eligible radiation oncologist.

### **SHP Criterion 9 –Division of Radiological Health Approvals**

The applicant affirms that plans for the proposed site and equipment have been submitted to the Mississippi State Department of Health, Division of Radiological Health, by TotalRad Equipment, LLC, the building and equipment provider. The Clinic shall not commence provision of service prior to receipt of their approval from the Division of Radiological Health.

### **SHP Criterion 10 – Quality Assurance Programs**

Within 12 months of initiation of the proposed project, the applicant states that it will establish a quality assurance program for the therapeutic radiation program and service. Also, the applicant asserts that the facility will comply with the minimum guidelines and standards set forth by the American College of Radiology (ACR).

### **SHP Criterion 11 – Compliance with Criterion 10a and b**

The applicant affirms its understanding that failure to comply with criterion #10 (a) and (b) may result in revocation of the CON (after due process) and subsequent termination of authority to provide therapeutic radiation services.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, revised September 1, 2009*, 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 2010 State Health Plan indicates that the need for therapeutic radiation units (as defined) is determined to be one unit per 149,538 population. It further states that when the therapeutic radiation unit-to-population ratio reaches one to 149,538 in a given general hospital service area, no new therapeutic radiation services may be approved unless the utilization of all the existing machines in a given hospital service area averaged 8,000 treatments or 320 patients per year for the two most recent consecutive years as reported on the “Renewal of Hospital License and Annual Hospital Report.” Conrad Pearson proposes to provide therapeutic radiation services in GHSA 1, wherein there is one existing unit. The methodology contained in the Plan indicates a need for 1.74 units in the service area. However, the existing unit has performed

less than the required 8,000 treatments or 320 patients per year for the two most recent consecutive years. Although the applicant points out that it has been the precedent of the Department to round up when the need is greater than .5, the position of the Department remains that before another unit can be approved, all existing units in the service area must be performing 8,000 treatments or more. Therefore, the proposal is not in substantial compliance with the 2010 State Health Plan.

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

The applicant states that the provision of radiation therapy for the management of prostate cancer will complete the spectrum of treatment options available from The Conrad Pearson Clinic. As all other prostate cancer treatment options are currently being provided, including Robotic Prostatectomy, Brachytherapy, Cryotherapy, and Hormone Deprivation Therapy. The applicant asserts that the proposed project will aid in the continuation to provide cutting edge 21<sup>st</sup> century urological care to Mid-Southerners.

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

The Conrad Pearson Clinic, P.C., Southaven states that the proposed project is to provide Radiation Therapy treatment for prostate cancer at the Center of Excellence dedicated to the treatment of prostate cancer. Mississippi currently has no facility dedicated to the treatment of prostate cancer. There are presently more than 157,908 people per linear accelerator in General Hospital Service Area I.

The applicant affirms that the development of a Prostate Cancer Center of Excellence in Southaven is the most efficient solution for the treatment of prostate cancer in North Mississippi.

### **GR Criterion 4 – Economic Viability**

The Conrad Pearson Clinic, P.C. projects that the facility will perform 9,162 treatments in the first year, 10,372 in the second year, and 10,683 in the third year. The Conrad Pearson Clinic, P.C. further states the proposed charge per procedure is \$1,160 for the first year, \$1,113 for the second year, and \$1,069 for the third year.

The applicant's projections appear to be overstated, given that there is only one unit in GHSA 1 which performed below 8,000 treatments for the past two years. In addition, utilization of radiation therapy machines in the state as a whole only performed an average of 5,109 treatments for the past fiscal year. The applicant's projections are not consistent with utilization of radiation therapy units in the state or the service area. Conrad Pearson's projections, however, are based on 38 treatments per patient rather than the 25 treatments per patient stated in the 2010 State Health Plan. The applicant projects that each prostate cancer patient will receive 38 treatments per year.

The Vice President and Controller of Healthtronics, a related company, submitted a letter attesting to the financial viability of this project.

#### **GR Criterion 5 – Need for Project**

As previously stated, there is currently no facility in General Hospital Service Area I dedicated to the treatment of prostate cancer. The applicant states that essentially all of the projected 265 patients will come from Tennessee clinics. The proposed facility should have a minimal effect on the existing facilities.

The applicant submits that both health care quality and delivery will be enhanced by reducing the need for prostate cancer patients in Mississippi to drive long distances five (5) times per week for eight (8) weeks to receive radiation therapy treatment.

Conrad Pearson believes that health care quality assurance will be improved by offering the service facility dedicated to the treatment of prostate cancer in a cost effective manner.

Prostate cancer is diagnosed in men of all racial and ethnic groups in spite of economic status or age. The applicant states that all men regardless of race, creed, sex, or ability to pay will have access to the services provided at the prostate health center.

The American Cancer Society identifies 1,990 prostate cancer cases in Mississippi for 2008. Applying these cases to the need methodology contained in the Plan generates a need for .2 linear accelerators dedicated to treat prostate cancer patients. (See Attachment 2)

The current and projected utilization of like facilities or services within the proposed service area must be considered in determining the need for additional facilities or services. Although there are currently no facilities in the state dedicated to treat prostate cancer patients as proposed by this project, the need methodology stated in the Plan suggests that there is not a current need for such a unit. Furthermore, the utilization of the radiation therapy unit in GHSA 1 was 6,227 treatments in 2007 and 7,413 in 2008, less than the required 8,000 treatments per unit as stated in Policy Statement Number 3 of the 2010 State Health Plan. Further, utilization of all radiation therapy units in the state declined from 5,466 treatments per unit in 2007 to 5,109 treatments per unit in 2008.

The Department must also consider the probable effect of the proposed facility or service on existing facilities providing similar services to those proposed. As stated above, the utilization of the only existing facility in GHSA 1 has been less than the required 8,000 treatments per unit for the past two years. Although the applicant points out that it is the precedent of the Department to round up when the need is greater than .5, SHP Policy Statement Number 3 states that "...no new therapeutic radiation

services may be approved unless the utilization of all the existing machines in a given hospital service area averaged 8,000 treatments or 320 patients per year for the two most recent consecutive years as reported on the 'Renewal of Hospital License and Annual Hospital Report.' Since Policy Statement Number 3 has not been met, staff is concerned that a new radiation therapy service in the area is an unnecessary duplication of a health service.

Policy Statement Number 3 suggests that a population above 149,538 may generate the need for an additional linear accelerator. The applicant asserts that when the out-of-state population is considered, actual need becomes very apparent. Information submitted indicates that Conrad Pearson, the proposed service provider, treated 450 prostate patients from Memphis and only 79 Mississippi patients in 2008. The applicant believes that approval of the proposed project will have minimal effect on any existing linear accelerator, since the existing devices' utilization is based on the presently served population, while the applicant's proposed utilization is based on the actual patients (mostly an out-of-state population) cared for by the Clinic.

The application received eleven letters of support for the project from physicians. In addition, Baptist Memorial-DeSoto submitted a letter in opposition to the project.

#### **GR Criterion 6 – Access to the Facility or Service**

The applicant affirms that services will be available to patients Monday through Friday from 7:00 AM to 5:00 PM. The location of the facility in Southaven will reduce the travel time for Mississippi residents which may use public transportation to reach the facility.

The applicant states that the proposed facility has no existing obligations under any federal regulation requiring the provision of uncompensated care or access by minority and handicapped persons. The Conrad Pearson's men's prostate health center will treat the medically underserved including Medicare, Medicaid, and the indigent.

#### **GR Criterion 7 – Information Requirement**

The Conrad Pearson Clinic, P.C., affirms that they will record and maintain, at a minimum, the information requested 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**

As reported in the *2010 Mississippi State Health Plan*, currently only one (1) linear accelerator provider exists in General Hospital Service Area 1. The applicant suggests that a vast majority of prostate cancer patients in the proposed service area typically travel outside of the state to receive

treatment, mainly because there is no facility specifically dedicated to serve prostate cancer patients located in Mississippi. The proposed project will offer a unique service of radiation therapy for prostate cancer in a dedicated facility.

The applicant proposes that the project will serve the medically underserved minority populations residing in North Mississippi. The applicant does not anticipate that the proposed project will have an adverse impact on any provider in the service area.

Given that there is only one unit in the GHSA 1 that does not currently perform to the required capacity of 8,000 treatments per unit, and given that only one unit in the state reported in excess of 8,000 treatments, staff contends that the approval of an additional unit in GHSA 1 will have an adverse impact on the existing unit in the service area.

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

The Conrad Pearson Clinic, P.C., indicates that currently twelve (12) physicians are on staff. The applicant shall work with local colleges and universities that have training facilities to recruit the necessary personnel required to staff the facility.

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

The applicant affirms that all necessary support and ancillary services for the proposed radiation therapy services are available.

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

The applicant states that there are no health professional training programs associated with the proposed project.

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

As previously mentioned, the applicant stated that there are no health professional training programs or schools in the service area associated with the proposed project.

#### **GR Criterion 13– Service to Population Out-of-State Service Area**

The applicant proposes to serve mostly out-of-state residents. Conrad Pearson affirms that 265 patients from its Tennessee Clinics would seek treatment at the Southaven facility.

As previously stated, a zip code listing of prostate cancer patients was submitted verifying patients from Tennessee, and Arkansas were treated at Conrad Pearson's Clinic in 2008.

**GR Criterion 16– Quality of Care**

The applicant asserts that the proposed project will improve the quality of care by improving access to radiation therapy services for prostate cancer patients in a dedicated facility. The applicant states that it will apply for accreditation following commencement of operation.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

|    | <b>Item</b>                               | <b>Cost</b>      | <b>Percentage of Total</b> |
|----|---|------------------|----------------------------|
| a. | Construction Cost – New                   | \$ 0             | 0%                         |
| b. | Construction Cost – Renovation            | \$ 0             | 0%                         |
| c. | Capital Improvements                      | \$190,000        | 100 %                      |
| d. | Total Fixed Equipment Cost                | \$ 0             | 0%                         |
| e. | Total Non-Fixed Equipment Cost            | \$ 0             | 0%                         |
| f. | Land Cost                                 | \$ 0             | 0%                         |
| g. | Site Preparation Cost                     | \$ 0             | 0%                         |
| h. | Fees (Legal, consulting, etc.)            | \$ 0             | 0%                         |
| i. | Contingency Reserve                       | \$ 0             | 0%                         |
| j. | Capitalized Interest                      | \$ 0             | 0%                         |
| k. | Other (Personal Financing)                | \$ 0             | 0%                         |
|    | <b>Total Proposed Capital Expenditure</b> | <b>\$190,000</b> | <b>100%</b>                |

**B. Method of Financing**

The applicant intends to finance the proposed project from accumulated cash reserves of Healthtronics, a related company.

**C. Effect on Operating Cost**

The applicants' three-year projections of revenues and expenses for the first three years of operation are attached as Attachment 1.

**D. Cost to Medicaid/Medicare**

The applicant projects the following:

| <b>Patient Mix by Payor</b> | <b>Utilization Percentage</b> | <b>First Year Revenue</b> |
|-----------------------------|-------------------------------|---------------------------|
| <b>Medicaid</b>             | 0%                            | \$ 0                      |
| <b>Medicare</b>             | 59%                           | 6,267,969                 |
| <b>Other</b>                | 41%                           | 4,355,707                 |
| <b>Total</b>                | <b>100%</b>                   | <b>\$10,623,676</b>       |

## **V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment. No comments have been received.

## **VI. CONCLUSION AND RECOMMENDATION**

This project is not in substantial compliance with the criteria and standards for the acquisition or otherwise control of therapeutic radiation equipment, and/or the offering of therapeutic radiation services as contained in the 2010 State Health Plan; the *Mississippi Certificate of Need Review Manual, Revised September 1, 2009*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Specifically, the application does not comply with Policy Statement Number 3 of the 2010 State Health Plan; need for the project; and the economic viability of the project is questionable. The project appears to be an unnecessary duplication of a health service.

The applicant bases the need for the project on the methodology in the Plan which projects the number of units required by a given population. The methodology, when applied to GHSA 1, wherein the applicant's facility is proposed to be located, yields a need for 1.74 units. The service area currently has one unit, leaving an unmet need of .74 units. The applicant accurately states that it has been the precedent of the state to round up when need is projected to be .5 or above. However, with radiation therapy services, Policy Statement Number 3 must first be met.

SHP Policy Statement Number 3 states that: "When the therapeutic radiation unit-to-population ratio reaches one to 149,538 in a given general hospital service area, no new therapeutic radiation services may be approved unless the utilization of all the existing machines in a given hospital service area averaged 8,000 treatments or 320 patients per year for the two most recent consecutive years as reported on the Renewal of Hospital License and Annual Hospital Report." Neither the existing unit in GHSA 1 nor units in the state as a whole have performed at the average 8,000-treatment level for the past two years. Furthermore, the utilization of therapeutic radiation therapy units has declined in the past two years. Thus, the approval of this project appears to be an unnecessary duplication of health services.

Furthermore, the applicant projects that the unit will perform an excess of 9,000 treatments the first year of operation. Given that the only unit in the service area performed less than 8,000 treatments for the past two years, and the average treatments for the state is only 5,109 per unit, it appears that the applicant's projections are overstated, thus, economic viability is questionable.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of this application submitted by The Conrad Pearson Clinic, P.C. for the offering of therapeutic radiation services.

**ATTACHMENT 1**

**The Conrad Pearson Clinic, P.C.  
 Offering of Therapeutic Radiation Services  
 Three-Year Operating Statement**

|                                 | <b>Year 1</b>       | <b>Year 2</b>       | <b>Year 3</b>       |
|---------------------------------|---------------------|---------------------|---------------------|
| Revenue                         |                     |                     |                     |
| Inpatient Care Revenue          | \$                  | \$                  | \$                  |
| Outpatient Revenue              | 10,623,676          | 11,546,179          | 11,416,862          |
| Gross Patient Revenue           | \$ 10,623,676       | \$ 11,546,179       | \$ 11,416,862       |
| Charity                         | \$ 208,307          | \$ 226,396          | \$ 223,860          |
| Deductions from Revenue         | 3,471,790           | 3,773,261           | 3,731,001           |
| <b>Net Patient Care Revenue</b> | <b>\$ 6,943,579</b> | <b>\$ 7,546,522</b> | <b>\$ 7,462,001</b> |
| <b>Total Operating Revenue</b>  | <b>\$ 6,943,579</b> | <b>\$ 7,546,522</b> | <b>\$ 7,462,001</b> |
| Operating Expenses              |                     |                     |                     |
| Salaries                        | \$ 1,220,492        | \$ 1,291,262        | \$ 1,316,832        |
| Benefits                        | 406,830             | 430,421             | 438,944             |
| Supplies                        | 91,831              | 100,667             | 103,687             |
| Services (Scanner Cost)         | 2,061,375           | 2,333,723           | 2,403,734           |
| Lease Expenses                  | 250,000             | 250,000             | 250,000             |
| Depreciation                    | 7,600               | 7,600               | 7,600               |
| Other                           | 20,004              | 20,604              | 21,222              |
| <b>Total Operating Expenses</b> | <b>\$ 4,058,132</b> | <b>\$ 4,434,277</b> | <b>\$ 4,542,019</b> |
| <b>Net Operating Income</b>     | <b>\$ 2,885,447</b> | <b>\$ 3,112,245</b> | <b>\$ 2,919,982</b> |
|                                 | <b>Proposed</b>     | <b>Proposed</b>     | <b>Proposed</b>     |
|                                 | <b>Year 1</b>       | <b>Year 2</b>       | <b>Year 3</b>       |
| Procedures                      | 9,162               | 10,372              | 10,683              |
| Charge per procedure            | \$ 1,160            | \$ 1,113            | \$ 1,069            |
| Cost per procedure              | \$ 443              | \$ 428              | \$ 425              |

**Attachment 2**

**The Conrad Pearson Clinic, P.C.  
 Offering of Therapeutic Radiation Services  
 Application of the Therapeutic Radiation Equipment Need Determination**

**I. Application of the Therapeutic Radiation Equipment Need Determination is as follows:**

1. 260,626 (Population) X  $\frac{4.76 \text{ (Incidence Rate)}}{1,000}$  = 1,241 (New Cases Annually)
2. 1,241 (New Cases) X 45% = 558 (New Patients Annually)
3. 558 (New Patients) X 25 (Treatments per Patient) = 13,950 (Treatments Annually)
4.  $\frac{13,950 \text{ (Estimated \# of Treatments)}}{8,000 \text{ (Treatments per Unit)}}$  = 1.74 (Projected # of Units Needed)

5. Determination of unmet need:

$$1.74 \text{ (Projected \# of Units Needed)} - 1.00 \text{ (Number of Existing Units in GHSA 1)} = .74^*$$

**II. Application of the Therapeutic Radiation Equipment Need Determination for Prostate Cancer is as follows:**

The American Cancer Society estimates that Mississippi had 1,990 new cases of prostate cancer in 2008. Therefore, based on a population of 2,975,551, the prostate cancer rate of Mississippi is .60 cases per 1,000 population.

1. 260,626 (population) X  $\frac{.60 \text{ (incidence Rate)}}{1,000}$  = 158 (New Cases)
2. 156 (New Cases) X 45% = 70 (New Patients Annually)
3. 70 (New Patients) X 25 (Trtmts/Pat. = 1,759 Trtmts Ann.
4.  $\frac{1,759 \text{ (Est. \# of Treatments)}}{8,000}$  = .22 (Projected # of Units Needed )

5. Determination of unmet need:

Based on the above formula the unmet need in DeSoto County for a unit dedicated to prostate cancer is less than .5 units.

\*Staff's Calculation