

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
SEPTEMBER 16, 2019**

**CON REVIEW: ASC-NIS-0819-010
CAPITAL ORTHOPAEDIC CLINIC, PLLC
OFFERING OF MRI SERVICES & ACQUISITION OF MRI EQUIPMENT
CAPITAL EXPENDITURE: \$1,460,800.00
LOCATION: FLOWOOD, RANKIN COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Capital Orthopaedic Clinic, PLLC, is a Mississippi Limited Liability Company that operates a Single Specialty Ambulatory Surgery Center, providing orthopedic surgery. Capital Orthopaedic Clinic, PLLC, was formed on December 15, 2015. Capital Orthopaedic Clinic's facility was constructed in August 2018, at 104 Burney Drive, Flowood, Mississippi. The entity consists of ten (10) officers and members. On July 23, 2019, the Mississippi Office of the Secretary of State issued a Certificate of Good Standing for the entity certifying that it has continued authority to operate in Mississippi.

B. Project Description

Capital Orthopaedic Clinic, PLLC ("Capital Ortho") requests certificate of need ("CON") authority to acquire a fixed magnetic resonance imaging ("MRI") unit and offer MRI services at its facility located at 104 Burney Drive location ("Flowood location").

The applicant affirms that Capital Ortho has a total of five (5) Mississippi locations, including the Flowood location in General Hospital Service Area (GHSA) 5. Capital Ortho's facility locations are as follows: Flowood, Madison, Kosciusko, Hazlehurst, and Forest. The applicant submits the physicians at Capital Ortho frequently utilize MRI services in the provision of orthopedic care and surgical services. The applicant states these scans will offer the Capital Ortho physicians detailed images of patient's bones and joints, which will aid in the timely diagnosis and treatment of orthopedic issues and determining the need for surgical intervention. Capital Ortho states because MRI services play such a pivotal role in the provision of orthopedic care, the addition of MRI services at their Flowood location will improve quality of care, efficiency in the delivery of care, and improve continuity of care for Capital Ortho's patients. Therefore, Capital Ortho is proposing to add a fixed MRI unit at their Flowood, MS location located in GHSA 5.

Capital Ortho proposes to renovate existing space to accommodate the MRI equipment, consisting of approximately 1,184 square feet. According to the applicant, renovation will include the installation of the appropriate shielding and other minor renovations to accommodate the equipment.

The applicant asserts that the capital expenditure for the proposed project is \$1,460,800.00. The applicant states, Capital Ortho proposes to fund \$10,000.00 of the project from cash reserves, and the remaining \$1,444,800.00 by lease. The application contained a lease proposal from De Lage Landen Partners in Finance (on behalf of Mid-

South Medical Imaging and Samsung) for an Echelon MRI Equipment Based System. The proposal indicated a five (5) year lease term at \$18,043.06, assuming a \$1.00 Out Lease Structure or \$16,414.92, assuming a Fair Market Value Lease Structure. The Capital Expenditure Summary (*Section IV. FINANCIAL FEASIBILITY (A)*), later in this Staff Analysis, gives an itemization of the total capital expenditure for the project. The applicant further included a projected operating statement, which shows the first, second, and third years of operation (see Attachment 1).

The applicant indicates that Capital Ortho will add 3.5 additional full-time equivalent (FTE) personnel the first year of the project at an estimated annual cost of \$157,000.00. On August 1, 2019, the MSDH, Division of Health Facilities Licensure and Certification approved the site for the proposed project at the Flowood location.

Capital Ortho states it currently complies with all local building codes, zoning ordinances, and appropriate regulatory authority and will continue to do so. It further affirms that it will comply with all applicable state statutes and regulations for protection of the environment, including: 1) approved water supplies; 2) sewage and water disposal; 3) hazardous waste disposal; 4) water pollution control; 5) air pollution control; and 6) radiation control.

Capital Ortho proposes to obligate the capital expenditure within six (6) months of CON approval and anticipates that the proposed project will be complete within twelve (12) months of CON approval.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health will review applications for a Certificate of Need (CON) to acquire or otherwise control magnetic resonance imaging (“MRI”) equipment and offer MRI services under the requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code of 1972 Annotated, as amended. MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revision*; all adopted rules, procedures, plans, criteria and standards of the MSDH; and the specific criteria and standards listed below.

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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on September 26, 2019.

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

A. Mississippi State Health Plan (MSHP)

The *FY 2018 Mississippi 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 MRI equipment and the offering of MRI services. This application is in substantial compliance with applicable policy statements, criteria and standards.

Policy Statements Regarding Certificate of Need Applications for the Acquisition or Otherwise Control of Magnetic Resonance Imaging (MRI) Equipment and/or the Offering of MRI Services

SHP Policy Statement 1 - CON Review Requirements

The applicant affirms it recognizes this statement and has therefore filed this CON application for the necessary approvals.

SHP Policy Statement 2 - CON Approval Preference

The applicant affirms it recognizes this statement.

SHP Policy Statement 3 - Mobile MRI

The applicant states that Capital Ortho recognizes MSDH's definition of a mobile MRI unit; however, the applicant notes that it is applying to provide fixed MRI services.

SHP Policy Statement 4 - Conversion to Fixed

This applicant affirms that SHP Policy Statement 4 is not applicable, as the applicant does not propose the conversion to fixed MRI service.

SHP Policy Statement 5 - Utilization of Existing Units

The applicant submits that it recognizes this statement. Capital Ortho further submits that per the most recent SHP, the units (or their FTE equivalents) in GHSA 5 are performing an average of 2,732.06 scans per unit equivalent. Furthermore, the applicant affirms that the average is based on 33.5 equivalent units and GHSA 5 providing 91,524 scans.

SHP Policy Statement 6 - Population-Based Formula

The applicant states it will demonstrate that GHSA 5 has a reasonable population base to justify the provision of 2,700 procedures by its second year of operation. Capital Ortho projects a utilization of 2,766 in the first year, 3,043 in the second year, and 3,347 in the third year of operation.

SHP Policy Statement 7 - Mobile Service Volume Proration

The applicant affirms that SHP Policy Statement 7 is not applicable, as the applicant does not propose mobile service.

SHP Policy Statement 8 - Addition of Health Care Facility

The applicant affirms that SHP Policy Statement 8 is not applicable, as the applicant proposes a fixed unit.

Criteria and Standards for the Acquisition or Otherwise Control of MRI Equipment

SHP Need Criterion 1- Minimum Procedures/Population

The *FY 2018 Mississippi State Health Plan* states: "The entity desiring to acquire or otherwise control MRI equipment shall demonstrate a minimum of 2,700 procedures per

year by the end of the second year of operation; provided, however, that MRI equipment exclusively servicing rural hospitals (those located outside U.S. Census Bureau Metropolitan Statistical Areas with 75 or less beds) shall be required to demonstrate a minimum of 1,700 procedures per year by the end of the second year of operation. This criterion includes both fixed and mobile MRI equipment. The applicant must show the methodology used for the projections.”

The applicant anticipates that Capital Ortho will perform over 2,700 scans by the end of the second year of operation. The applicant states its projections are based on the following: affidavits, the population of GHSA 5 and the surrounding areas, the needs of Capital Ortho’s existing patient population, and Capital Ortho’s historical referral patterns.

In addition, the applicant states Capital Ortho operates three (3) additional clinics in GHSA 5, and there is a demand for MRI services at each of these locations. The applicant states as of June 2019, Capital Ortho has experienced a sixteen percent (16%) average increase in the number of patient visits. The applicant further states it is anticipated that this increase in patient visits will result in an increase in the need for MRI services because MRI services are so frequently utilized in providing orthopedic care and preparing for orthopedic surgery.

a. Non-hospital based MRI facilities. The application contains affidavits from twelve (12) referring physicians in compliance with this criterion.

b. Reasonable population base. The applicant submits that the Mississippi MRI use rate which is based upon the total number of scans in the state divided by the state population, does not adequately depict the need for MRI services in GHSA 5. The applicant states that GHSA 5 performed 35,231 more scans than anticipated by the SHP’s MRI use rate. Capital Ortho states this high utilization is likely the result of individuals coming in to GHSA 5 from other GHSAs to obtain MRI services and other specialty services such as orthopedics and orthopedic surgery. The *FY 2018 State Health Plan* reported 256,199 scans and a population of 3,138,145, which yields a use rate of 81.64 per 1,000 population.

$$256,199 \text{ scans} / 3,138,145 \text{ population} = .0816 \text{ use rate}$$
$$.0816 \text{ use rate} / 1,000 \text{ population} = 81.6 \text{ scans per thousand}$$

The applicant submits that per the Plan, GHSA 5, wherein the project is located, has a population of 812,422 which when compared to the use rate, results in 66,293 scans projected to be generated from GHSA 5.

$$812,422 \text{ population} / 1,000 = 812.42$$
$$812.42 \times 81.6 = 66,293 \text{ scans}$$

However, the 2018 MSHP indicates that 91,524 MRI scans were reported in 2016, which results in 25,231 more scans than anticipated by the Plan’s designated formula for the need in the service area. Thus, the applicant asserts that the high utilization in GHSA 5 supports this project. Furthermore, the applicant suggests that the high utilization numbers likewise indicate that there is a need for an additional access point to serve the residents of GHSA 5. The applicant projects the following MRI procedures for the first three years of operation:

Projected MRI Procedures

Year 1	Year 2	Year 3
2,766	3,043	3,347

c. Utilization of Existing Units. The applicant submits that per the most recent SHP, the units (or their FTE equivalents) in GHSA 5 are performing an average of 2,732.06 scans per unit equivalent. The applicant based its projections on 33.5 equivalent units and the Service Area providing 91,524 scans. The applicant states this average was calculated in a very conservative manner, given that Open MRI of Jackson did not submit procedure numbers for 2015 and 2016, but the applicant included the provider’s equipment in the 33.5 equivalent units available in GHSA 5. The applicant further states with the inclusion of Open MRI of Jackson’s number of procedures, the total procedure count for GHSA 5 will increase, therefore the average scans per unit in GHSA 5 will increase.

The applicant asserts further evidencing the conservative nature of its calculation is the fact that the 2018 SHP identifies St. Dominic Memorial Hospital as having three (3) fixed units and one (1) mobile unit for which the days and hours of operation are Monday-Sunday for 328 hours. Since it is not determinable from the SHP what hours area attributable to the mobile unit only, the applicant states it assumed that the mobile unit operated at full capacity, assigning it a full unit equivalent. The applicant asserts by doing so, the average number of procedures performed by existing units in GHSA 5 will increase if in fact that St. Dominic mobile unit is not utilized on a full time basis.

As stated above, the *FY 2018 Mississippi State Health Plan* reports 91,524 MRI procedures performed in 2016 for GHSA 5 (the most current data). However, staff determined that two of the fixed units reported in the Plan and used in the applicant’s calculation are actually mobile units operating two (2) days a week at eight (8) hours per week each. In addition, Baptist Medical Center – Attala, Inc. shares a unit with Kosciusko Medical Clinic. Therefore, staff determined that there were approximately 31.7 full time equivalent units operating in GHSA 5, which performed an average of 2,887 scans/unit (see Attachment 2).

SHP Need Criterion 2 – Equipment Requirements

- a. FDA approval.
- b. Qualified personnel.
- c. Fixed/minimum volume contracts.

The applicant acknowledges the requirements of this criterion and states Capital Ortho will so comply.

SHP Need Criterion 3 – Data Requirements

Applicants shall provide written assurance that they will record and maintain, at a minimum, the following information and make it available to MSDH:

- a. All facilities which have access to the equipment
- b. Utilization by each facility served by the equipment, e.g., days of operation, number of procedures, and number of repeat procedures;

- c. Financial data, e.g., copy of contracts, fee schedule, cost per scan; and
- d. Demographic and patient origin data for each facility.

The applicant affirms that, at a minimum, it will record and maintain the above information and make it available to the Mississippi State Department of Health within fifteen (15) business days of request.

SHP Need Criterion 4 – Business Registration

The application contains documentation from the Mississippi Secretary of State to support the formation of the limited liability company. Capital Orthopaedic Clinic, PLLC, is listed in good standing with the State of Mississippi.

SHP Need Criterion 5 – CON Approval/Exemption for MRI Equipment

The applicant states it recognizes this requirement and in response submits this application. The applicant also affirms that it will not utilize the MRI equipment until obtaining a CON or written evidence from the Department that the equipment is exempt from CON approval.

Criteria and Standards for the Offering of Fixed or Mobile MRI Services

SHP Need Criterion 1 – Minimum Procedures/Population

As indicated above, the applicant anticipates that it will provide over 2,700 scans by the end of the second year of operation. The applicant proposes to perform 2,766 scans the first year, 3,043 the second and 3,347 the third year of operation. The applicant states that its projections are based on affidavits, the population of GHSA 5 and the surrounding areas, the needs of Capital Ortho's existing patient population, and Capital Ortho's historical referral patterns.

In addition, the applicant affirms Capital Ortho operates three (3) additional clinics in GHSA 5, and there is a demand for MRI services at each of these locations. The applicant states as of June 2019, Capital Ortho has experienced a sixteen percent (16%) average increase in the number of patient visits. The applicant further states it is anticipated that this increase in patient visits will result in an increase in the need for MRI services because MRI services are so frequently utilized in providing orthopedic care and preparing for orthopedic surgery.

- a. **Non-hospital based MRI facilities.** The application contains affidavits from twelve (12) referring physicians in compliance with this criterion.
- b. **Reasonable population base.** The applicant submits that the State's MRI use rate which is based upon the total number of scans in the state divided by the state population does not adequately depict the need for MRI services in GHSA 5 given that GHSA 5 performed 35,231 more scans than anticipated by the Plan's MRI use rate. Capital Ortho states this high utilization is likely the result of individuals coming into GHSA 5 from other GHSA's to obtain MRI services and other specialty services such as orthopedics and orthopedic surgery. The *FY 2018 State Health Plan* reported 256,199 scans and a population of 3,138,145, which yields a use rate of 81.64 per 1,000 population.

$$256,199 \text{ scans} / 3,138,145 \text{ population} = .0816 \text{ use rate}$$

.0816 use rate/1,000 population = 81.6 scans per thousand

The applicant submits that per the Plan, GHSA 5, wherein the project is located, has a population of 812,422 which when compared to the use rate, results in 66,293 scans projected to be generated from GHSA 5.

812,422 population/1,000 = 812.42
812.42 X 81.6 = 66,293 scans

The 2018 SHP indicates the number of scans reported for GHSA 5 is 91,524, which is more than 25,231 more scans than anticipated by the Plan's designated formula. Thus, the applicant asserts the high utilization numbers indicate that there is a clear need for an additional access point to serve the residents of GHSA 5.

- c. Utilization of existing units.** The applicant submits per the most recent SHP, the units (or their FTE equivalents) in GHSA 5 are performing an average of 2,732.06 scans per unit equivalent. The applicant based its projections on 33.5 equivalent units and the service area providing 91,524 scans. The applicant states this average was calculated in a very conservative manner, given that Open MRI of Jackson did not submit procedure numbers for 2015 and 2016, but the applicant included the provider's equipment in the 22.5 equivalent units available in GHSA 5. The applicant further states with the inclusion of Open MRI of Jackson's number of procedures, the total procedure count for GHSA 5 will increase therefore the average scans per unit in GHSA 5 will increase. In addition, given that St. Dominic Jackson Memorial Hospital is listed as having three (3) fixed and one (1) mobile, and operated 328 hours, that facility was assigned four (4) FTE units.

SHP Need Criterion 2 – Availability of Diagnostic Imaging Modalities

The applicant affirms Capital Ortho will provide or make the required services available.

SHP Need Criterion 3 – Non-Discrimination

The applicant submits neither it, nor its medical personnel, will have policies that exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

SHP Need Criterion 4 – Staffing Requirements

- a. Director.** The applicant states its director; Michael G. Dulske, M.D., will meet the required qualifications.
- b. One Full-time MRI technologist-radiographer.** The applicant certifies that upon approval of the CON, it will recruit and hire a MRI technologist-radiographer that meets the required qualifications.

SHP Need Criterion 5 – Experimental Procedures

The applicant affirms that the MRI unit will not be used for experimental procedures.

SHP Need Criterion 6 – Data Requirement

The applicant affirms that the data requirements listed for this criterion shall be kept and made available to the Department of Health upon request. The applicant states it also recognizes that to the extent it is within the scope of its recording system, it will maintain source of payment and total amounts charged for the fiscal year.

SHP Need Criterion 7 – CON Approval/Exemption for MRI Equipment

The applicant affirms that it will not utilize the proposed MRI equipment until obtaining a CON or written evidence from the Department that the equipment is exempt from CON approval.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017 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 2018 Mississippi State Health Plan* as discussed above.

GR Criterion 2 - Long Range Plan

The applicant states MRI services are frequently and routinely utilized by the physicians at Capital Ortho in the provision of orthopedic care and surgical services. Therefore, the applicant believes the addition of this service line at Capital Ortho will promote the applicant's long-range plans of continuing to provide access to quality orthopedic services. The applicant states the addition of MRI services at Capital Ortho's Flowood location will improve quality of care, efficiency in the delivery of care, and improve continuity of care for Capital Ortho's patients.

GR Criterion 3- Availability of Alternatives

- a. Advantages and Disadvantages of Alternatives:** The applicant states it considered maintaining the status quo and continuing to refer patients out for MRI services, but decided that providing the services at its Flowood location would be more efficient for existing Capital Ortho patients and their physicians. The applicant suggests that having MRI services readily available would allow existing patients to receive these services within a one provider system. In addition, the applicant states the ability to obtain MRI services at the Flowood location will allow the applicant to promote continuity of care and improve the provision and efficiency of services.
- b. New Construction Projects:** This criterion is not applicable for this project.
- c. Beneficial Effects to the Health Care System:** The applicant states the proposed location will benefit patients by increasing access to MRI services and improving efficiency.
- d. Effective and Less Costly Alternatives:** The applicant states there is no less costly alternative that will result in effective health planning other than continuing to refer patients to other providers for MRI services.

- i. Unnecessary Duplication of Services:** The applicant states the addition of MRI services at the Flowood location is not an unnecessary duplication of resources, as it is anticipated that the majority of MRI scans performed at the Flowood location will be generated by Capital Ortho physicians. Further, per the 2018 SHP, the anticipated MRI use rate for GHSA 5 is 66,293 scans; however, the current utilization is 91,524. Based upon these numbers, the applicant asserts that there is a need for an additional access point for MRI services in GHSA 5.
 - ii. Efficient Solution:** The applicant submits as of June 2019, Capital Ortho has experienced a sixteen percent (16%) increase in the number of patient visits. Because MRI services are so frequently utilized in providing orthopedic care and preparing for orthopedic surgery, it anticipates that this increase in patient visits will result in an increase in the need for MRI services. The applicant asserts that the availability of MRI services at a Capital Ortho location will help promote continuity of care and allow patients to receive services in a more efficient way.
- e. Improvements and Innovations:** The applicant asserts that the availability of MRI services at a Capital Ortho location will help promote continuity of care and allow patients to receive services in a more efficient way.
- f. Relevancy:** The applicant asserts that the availability of MRI services at a Capital Ortho location will help promote continuity of care and allow patients to receive services in a more efficient way.

GR Criterion 4 - Economic Viability

Based on the applicant's three-year projections, this project will have net income of \$296,846.00 the first year, \$255,277.00 the second year and \$358,891.00 the third year of operation.

- a. Proposed Charge:** The applicant states the charges per procedure are based on current Medicare, Medicaid, and commercial insurance allowable charges.
- b. Projected Levels of Utilization:** The applicant states the projected volume of scans is consistent with other similarly situated providers based upon the data contained in the 2018 SHP.
- c. Financial Feasibility Study:** This criterion is not applicable as the capital expenditure is less than \$2,000,000.00.
- d. Financial Forecasts:** The applicant asserts GR Criterion 4 - Economic Viability (d) is not applicable to the proposed project.
- e. Covered Expenses:** The applicant asserts in the event Capital Ortho cannot cover its expenses for the proposed project, the financial statements of the current operations show available funds to cover any loss.

- f. **Impact of Proposed Project on Health Care Cost:** The applicant asserts the cost of healthcare should not be impacted by the proposed project, as the charges to both Medicare and Medicaid will remain similar to other providers.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The applicant states all residents of the area will have access to the proposed MRI services. The applicant further states Capital Ortho currently treats many of the traditionally underserved groups identified by this criterion and anticipates continuing to provide service to these groups at the proposed location.
- b. **Relocation of Services:** This criterion is not applicable, as the applicant does not propose relocation of services.
 - i. **Replacement Facility:** The applicant affirms that GR Criterion 5 - Need for the Project (b)(i) is not applicable for the proposed project.
 - ii. **Utilization of Existing Space Post Relocation of Services:** The applicant affirms that GR Criterion 5 - Need for the Project (b)(ii) is not applicable for the proposed project.
- c. **Current and Projected Utilization of Comparable Facilities:** The applicant submits that per the 2018 SHP, the number of MRI scans in GHSA 5 increased by approximately 10,000 from 2015 to 2016. The applicant further states this trend is expected to continue given that as of June 2019, Capital Ortho experienced a sixteen percent (16%) average increase in the number of patient visits. The applicant believes the utilization rates currently experienced at facilities in GHSA 5 should remain unaffected by the proposed project.
- d. **Probable Effect on Existing Facilities in the Area:** The applicant believes the utilization rates currently experienced at facilities in GHSA 5 should remain unaffected by the proposed project.
- e. **Community Reaction to Service:** The application contained numerous letters of support for the proposed project.

GR Criterion 6- Access to the Facility or Service

- a. **Access to Services:** The applicant states Capital Ortho currently serves traditionally underserved populations and will continue to do so at the proposed location.

The following table shows the projected estimated gross patient revenues of health care to medically indigent and charity care patients for years one and two of the proposed project:

	Medically Indigent (%)	Medically Indigent (\$)	Charity Care (%)	Charity Care (\$)
Historical Year FY 2017	-	-	N/A	-
Historical Year FY 2018	-	-	N/A	-
Projected Year 1	-	-	2.0%	\$35,958.00
Projected Year 2	-	-	2.0%	\$37,756.00

- b. Existing Obligations:** The applicant indicates that it has no existing obligations under federal regulation requiring provision of uncompensated care, community service, or access by minority or handicapped persons.
- c. Unmet Needs of Medicare, Medicaid, and Medically Indigent Patients:** The applicant submits it currently serves Medicare, Medicaid and medically indigent patients and will continue to do so.
- d. Access to Proposed Facility:** The applicant submits MRI services will be available five (5) days a week, during the hours of 8 a.m. to 5 p.m. In addition, the applicant states it will provide MRI services to patients during those times and will work to schedule services at times desirable to the patient.
- e. Access Issues:**
 - i. Transportation and Travel:** The applicant states the proposed location is conveniently located off Flowood Drive and is easily accessible for patients.
 - ii. Restrictive Admission Policy:** The applicant asserts that the proposed location does not have a standard admission policy. However, a Scheduling Policy was included in the application, and according to the applicant, the Scheduling Policy does not exclude patients based on race, color, age, sex, ethnicity, or ability to pay.
 - iii. Access to Care by Medically Indigent Patients:** The applicant states all patients, including those that are medically indigent, will have access to the services to be offered at the proposed site.
 - iv. Operational Hours of Service:** The applicant states its regular operating hours will be from 8:00 a.m. through 5:00 p.m. Emergency only operation is not applicable for this project.

GR Criterion 7- Information Requirement

The applicant affirms that it will record and maintain, at a minimum, 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 fifteen (15) days of request.

GR Criterion 8 - Relationship to Existing Health Care System

- a. **Comparable Services:** The applicant states there are other MRI services available in GHSA 5; however, many of them are hospital-based. Capital Ortho submits the addition of MRI services at the Flowood location will provide access to patients who desire an outpatient setting as opposed to a hospital setting. Further, the applicant states the MRI services will increase access to existing Capital Ortho patients in need of MRI services.
- b. **Effects on Existing Health Services:**
 - i. **Complement existing services:** The applicant states Capital Ortho offers professional orthopedic services, including orthopedic surgery services to GHSA 5 and surrounding areas. The applicant believes providing MRI services at the Flowood location will improve access for patients seeking services at the facility and will promote continuity of care.
 - ii. **Provide Alternative or Unique Services:** The applicant states the addition of this access point will allow Capital Ortho to provide a more complete service line to its patients to better determine treatment options and evaluate patient outcomes without the need to refer patients out for services.
 - iii. **Provide Services for a Specific Target Population:** The applicant submits the services will be available to all patients requiring MRI services.
 - iv. **Provide Services for Which There is an Unmet Need:** The applicant states the addition of this access point will allow Capital Ortho to provide a more complete service line to its patients to better determine treatment options and evaluate patient outcomes without the need to refer patients out for services.
- c. **Adverse Impact:** The applicant asserts that failure to implement this project will continue to have a negative impact on the provision of care for patients seeking services at Capital Ortho and there will continue to be an unnecessary delay in the delivery of care and a disruption to the patients' continuity of care.
- d. **Transfer/Referral/Affiliation Agreements:** The applicant indicates GR Criterion 8 - Relationship to Existing Health Care System (d) is not applicable for this project.

GR Criterion 9 - Availability of Resources

- a. **New Personnel:** The applicant anticipates it will need three and one-half (3.5) additional personnel to accommodate the MRI service. It states staff recruitment will be done through traditional methods such as advertising and word-of-mouth.
- b. **Contractual Services:** The applicant states GR Criterion 9 - Availability of Resources (b) is not applicable to the proposed project.
- c. **Existing Facilities or Services:** The applicant states, Capital Ortho is currently staffed and will continue to remain sufficiently staffed.

- d. **Alternative Uses of Resources:** The applicant states, Capital Ortho is currently staffed and will continue to remain sufficiently staffed.

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. **Support and Ancillary Services:** The applicant states though none are anticipated to be needed, Capital Ortho will provide or acquire any necessary support and ancillary services for the project.
- b. **Changes in Costs or Charges:** The applicant asserts GR Criterion 10 – Relationship to Ancillary or Support Services (b) is not applicable for this project.
- c. **Accommodation of Changes in Costs or Charges:** The applicant asserts GR Criterion 10 – Relationship to Ancillary or Support Services (c) is not applicable for this project.

GR Criterion 11- Health Professional Training Programs

The applicant states Capital Ortho will continue to work with health professional training programs in the area and the University of Mississippi Medical Center in the training of medical students.

GR Criterion 12 – Access by Health Professional Schools

The applicant states Capital Ortho will continue provide access to Health Professional Schools. As mentioned above, Capital Ortho will continue to work with professional training programs in the area and the University of Mississippi Medical Center in the training of medical students.

GR Criterion 13 – Access to Individuals Outside Service Area

The applicant submits that in 2018, Capital Ortho provided services to individuals residing outside of GHSA 5. The applicant anticipates that Capital Ortho will continue in the future to provide services outside of GHSA 5, given that the facility is located in Rankin County, Mississippi, which is in close proximity to GHSA 6, 7, and 8.

In addition, the applicant states it offers a specialized service-orthopedics and orthopedic surgery-and access to such services in nearby GHSA's may be limited or absent, requiring patients to travel to GHSA 5 to obtain such services.

GR Criterion 14 – Construction Projects

The proposed project is not for construction of a facility.

GR Criterion 15 – Competing Applications

There are no competing applications on file with the Department regarding the acquisition of MRI equipment and offering of MRI services in Flowood.

However, the applicant notes that on July 12, 2019, Mississippi Sports Medicine and Orthopaedic Center (“Mississippi Sports Medicine”) filed a Notice of Intent (NOI) to apply for CON to offer MRI services in Flowood. On August 13, 2019, Mississippi Sports Medicine filed an application requesting a Determination of Reviewability that a CON is

not required for the Offering of MRI Services at Mississippi Sports Medicine & Orthopaedic Center at its Flowood Clinic.

The applicant states that based on the calculations regarding the average number of scans in GHSA 5, even with the addition of the unit proposed by the applicant and the unit proposed by Mississippi Sport Medicine, the average scan per unit would be 2,578 (91,524/35.5), which still remains above the requirement of SHP.

GR Criterion 16 - Quality of Care

- a. **Past Quality of Care:** The applicant states Capital Ortho has five (5) locations, including the Flowood location, in GHSA 5. Capital Ortho’s other facility locations are: Madison, Kosciusko, Hazlehurst, and Forest. Capital Ortho states it is a provider of quality services and anticipates that this will continue with the provision of MRI services.
- b. **Improvement of Quality of Care:** The applicant anticipates that the proposed project will provide patients with more access to services.
- c. **Accreditation and/or Certificates:** The applicant indicates its CMS certified through MSDH and CLIA certified.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Estimated Cost	% of the Total
Construction Cost -New	\$ 0.00	0.00%
Construction Cost-Renovation	275,000.00	18.91%
Capital Improvements	0.00	0%
Total Fixed Equipment Cost	\$969,000.00	66.61%
Total Non-Fixed Equipment Cost	35,000.00	2.41%
Land Cost	0.00	0.00%
Site Preparation Cost	0.00	0.00%
Fees (Architectural and Consultant Fees)	35,500.00	2.42%
Fees (Legal and Accounting)	10,000.00	0.70%
Contingency Reserve	125,958.00	8.66%
Capitalized Interest	0.00	0.00%
Other Cost (Low Voltage)	4,342.00	0.30%
TOTAL PROPOSED CAPITAL EXPENDITURE	\$1,454,800.00	100.00%

B. Method of Financing

Capital Ortho proposes to fund \$10,000.00 of the project from cash reserves, and the remaining \$1,444,800.00 by lease. The application contained a lease proposal from De Lage Landen Partners in Finance, indicating a five-year lease term at \$18,043.06,

assuming a \$1.00 Out Lease Structure or \$16,414.92, assuming a Fair Market Value Lease Structure.

C. Effect on Operating Costs

See Attachment 1 for Capital Ortho's three-year projected operating statement for the proposed project.

D. Cost to Medicaid/Medicare

The applicant's projection of charges to third party payors is as follows (based on gross patient revenue):

Payor	First Year Revenue	Utilization Percentage
Medicare	\$ 671,830.83	37.00%
Medicaid	18,157.59	1.00%
Commercial	980,509.86	54.00%
Self Pay	18,157.59	1.00%
Charity	36,315.18	2.00%
Other	90,787.95	5.00%
Total	\$1,815,759.00	<u>100.00%</u>

Note: Applicant's breakdown of charges to various payers differ from Staff's due to rounding.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. As of the date of this staff analysis, the Division has not provided any comments on the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the acquisition or otherwise control of magnetic resonance imaging (MRI) equipment and offering of mobile MRI services contained in the *FY 2018 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Capital Orthopaedic Clinic, PLLC, for the offering of MRI services and acquisition or otherwise control of MRI equipment at 101 Burney Drive, Flowwod, MS 39232.

**Attachment 1
 Capital Orthopaedic Clinic, PLLC
 Three-Year Operating Statement (Project Only)**

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	0.00	0.00	0.00
Outpatient Revenue	\$ 1,815,759.00	\$ 2,009,289.00	\$ 2,199,046.00
Gross Patient Revenue	\$ 1,815,759.00	\$ 2,009,289.00	\$ 2,199,046.00
Charity	\$ 35,958.00	\$ 37,756.00	\$ 39,644.00
Deductions from Revenue	\$ 742,551.00	\$ 830,407.00	\$ 904,076.00
Net Patient Care Revenue	\$ 1,037,250.00	\$ 1,414,125.00	\$ 1,255,326.00
Other Operating Revenue	0.00	0.00	0.00
Total Operating Revenue	\$ 1,037,250.00	\$ 1,414,125.00	\$ 1,255,326.00
Operating Expenses			
Salaries	\$ 157,000.00	\$ 161,710.00	\$ 166,561
Benefits	39,250.00	40,428.00	41,640.00
Supplies	50,000.00	51,500.00	53,045.00
Services	15,000.00	153,000.00	156,060.00
Lease Expenses	261,621.00	262,509.00	263,424.00
Depreciation	20,989.00	20,989.00	20,989.00
Interest	21,644.00	17,315.00	12,750.00
Other	174,900.00	178,398.00	181,966.00
Total Operating Expenses	\$ 740,404.00	\$ 885,849.00	\$ 896,436.00
Net Operating Income	\$ 296,846.00	\$ 255,277.00	\$ 358,891.00
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Procedures	2,766	3,043	3,347
Charge per Outpatient Day	0	0	0
Charge per Inpatient Day	0	0	0
Charge per Procedure	\$ 656.00	\$ 660.00	\$ 657.00
Cost per Inpatient Day	0	0	0
Cost per Outpatient Day	0	0	0
Cost per Procedure	\$ 268.00	\$ 291.00	\$ 268.00

**Attachment 2
 Number of MRI Procedures in GHSA 5
 FY 2016**

Facility	Type Equipment	FTE Assigned	Scans 2016	Days/Hours of Operation
Baptist Medical Center – Attala, Inc.*	-	0.8	-	M, F 30 Hrs.
Baptist Medical Center – Leake, Inc.	M	0.1	435	Tu. 4 Hrs
Baptist Medical Center-Yazoo, Inc.	M	0.2	614	Tu, Th. 8 Hrs.
Central MS Diagnostics, LLC	F	1.0	1,042	M–F 40 Hrs.
Copiah County Medical Center	M	0.3	391	M, W, F 12 Hrs.
King’s Daughters Medical Center	M	0.2	2,831	T, Th 8 Hrs.
Kosciusko Medical Center*	F	1.0	2,359	M-F 45 Hrs.
Madison Radiological Group, LLC	F	1.0	2,328	M– F 40 Hrs.
Magee General Hospital	F	1.0	656	M– F 40 Hrs.
Merit Health Central	F(2)	2.0	2,182	M-Sun, 90+ Hrs.
SMI-Merit Health Madison	M	0.2	220	M, W 8 Hrs.
Merit Health Rankin	F	1.0	762	M-F 40 Hrs.
Merit Health River Oaks	F	1.0	3,610	M-F 50 Hrs.
Merit Health River Region	F	1.0	2,526	M-F 40 Hrs.
Miss. Baptist Medical Center	F(2)	2.0	8,289	M-Sat, M-F 104 Hrs.
Miss. Diagnostics Imaging Center	F	1.0	2,237	M-F 40 Hrs.
Mission Primary Care Clinic	M	1.0	521	M-Th 40 Hrs.
Miss. Sports Medicine & Orthopedic	F(2)	2.0	6,218	M-F 90 Hrs.
Open MRI of Jackson	F	1.0	DNS	DNS
SE Lackey Memorial Hospital	M	0.6	526	M,W,Th 24 Hrs
Sharkey/Issaquena Com. Hospital	M	0.1	159	W 4 Hrs.
Southern Diagnostic Imaging	F	1.0	5,781	M-F 80 Hrs.
SMI-Hardy Wilson Memorial Hosp.	M	0.3	361	M, Th, F 12 Hrs.
SMI-Holmes Co. Hospital & Clinics	M	0.1	345	Th 4Hrs.
SMI-Leake Memorial Hospital	M	0.1	429	Tu 4 Hrs.
SMI-Madison River Oaks Med. Ctr.	M	0.2	289	Tu, Th 8 Hrs.
SMI-Ridgeland Diagnostic Center	M	0.3	289	F, 4Hrs.
SMI-Scott County Hospital	M	0.1	627	M.W,Th, 12 Hrs.
SMI Simpson General Hospital	M	0.1	145	F, 4 Hrs.
St. Dominic Jackson Memorial Hosp.	F(3)M(1)	4.0	22,807	M-Sun 328 Hrs.
St. Dominic Madison Medical Img.	F	1.0	2,430	M-F 40 Hrs.
University of MS Medical Center	F(6)	6.0	20,206	M-F 504 Hrs.
Totals		31.7	91,524	

Source: FY 2018 MS State Health Plan

FS – Freestanding
 H – Hospital Based
 MP – Mobile Provider
 F –Fixed MRI Unit
 M - Mobile MRI Unit