

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

**CON REVIEW HG-NIS-0905-031
LAIRD HOSPITAL, A DIVISION OF RUSH HEALTH SYSTEMS, INCORPORATED
ESTABLISHMENT OF MOBILE MRI SERVICES
CAPITAL EXPENDITURE: \$0
LOCATION: UNION, NEWTON COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Laird Hospital (LH), a Division of Rush Health Systems, Inc., is located in Union, Newton County, Mississippi. Laird Hospital is a short-term care, 25-bed general/acute care, non-profit, critical access hospital owned by Laird Hospital, Incorporated. On September 27, 2005, Laird Hospital, Incorporated received a Certificate of Existence/Authority from the Secretary of State's Office indicating the facility is in good standing with the State of Mississippi. The hospital is presently governed by a nine-member Board and participates in the Medicaid and Medicare programs and Blue Cross and Blue Shield.

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

FISCAL YEAR	OCCUPANCY RATE (%)	ALOS (DAYS)	MEDICAID UTILIZATION RATE
2002	35.44	4.04	17.63
2003	30.60	3.36	21.0
2004	27.94	3.45	19.5

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

B. Project Description

Laird Hospital requests CON authority to establish mobile magnetic resonance imaging services (MRI) by contracting with a mobile MRI equipment vendor, Alliance Imaging, Incorporated (AI). Alliance Imaging, Inc. is currently providing mobile MRI equipment to facilities in Lauderdale County, Rush Medical Group (Meridian) and Rush Foundation Hospital (Meridian).

The MRI services will be provided one day per week (8 hours per week) and the mobile trailer will be parked on an existing concrete pad located on the campus of LH. No new personnel are anticipated for this project; however, LH affirms that a board certified radiologist will be on site during the hours of operation to provide interpretation of clinical images. Also, a trained MRI technologist will be available during the hours of operation to compute MRI imaging methods. Technicians will be provided by AI and they will be responsible for maintaining the equipment. Laird Hospital will use an existing physician and radiologist to interpret MRI's. No construction or renovation is involved with the proposed project. The Mississippi Department of Health Division of Licensure and Certification has approved the site for MRI services. The expected completion date for this project is immediately upon CON approval.

II. TYPE OF REVIEW REQUESTED

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

In accordance with Section 41-7-197(2) of the Mississippi Code of 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires December 5, 2005.

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

A. State Health Plan (SHP)

The *FY 2006 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving Certificate of Need (CON) authority for offering MRI services. This application is in substantial compliance with applicable criteria and standards.

SHP Criterion 1- Need

Currently, LH provides inpatient care, emergency care, laboratory and x-ray services. Since LH does not offer MRI services, the applicant feels that it would be convenient for the hospital's patients to receive diagnostic testing on the hospital's campus. Staff determined that there are five facilities in General Hospital Service Area (GHSA) 4 offering MRI services. They are located in Meridian, Newton, and Philadelphia, and are approximately 17 to 41 miles from Union, Mississippi. Also, it takes an estimated 26 to 55 minutes to drive from Union to a facility of one's choice. Even though LH is a Critical Access Hospital (CAH), the applicant believes that LH should continue to enhance its existing healthcare program. By establishing an on-site mobile MRI service, LH can provide diagnostic testing in a timely manner while continuing its efforts to provide quality healthcare to area residents of Union.

The CON criteria and standards for offering MRI services outlined in the *FY 2006 Mississippi State Health Plan* state that an entity desiring to offer MRI services must document that the specific equipment shall perform a minimum of 1,700 procedures per year by the end of the second year of operation. If the MRI unit in question is presently utilized by other providers of MRI services, the actual number of procedures performed during the most recent 12-month period may be used instead of the formula projections.

The applicant states Alliance Imaging provided 1,766 MRI scans at Rush Foundation Hospital and Rush Medical Group during 2004.

Based on the CON criteria and standards contained in the *2006 Mississippi State Health Plan*, the applicant made the following projections of MRI procedures to be performed during the first three years of operation:

Projected MRI Procedures		
Year 1	Year 2	Year 3
520	520	520

According to the *FY 2006 State Health Plan*, there are currently four fixed MRI units and four mobile units operating in General Hospital Service Area 4. The *FY 2006 Plan* and the Annual Survey of Hospitals for FY 2004 report that Rush Foundation Hospital completed 7,821 procedures; however, RFH does not own any MRI equipment. Based on new updates received by staff, Rush Foundation Hospital (RFH) owns one-third of Regional Medical Support Center, Incorporated (RMSC) and it owns Rush Medical Group (RMG). Also, Rush Foundation Hospital verified that RFH refers MRI patients to RMSC and RMG. Thus, 7,821 procedures reported in the Plan are procedures performed by RMSC and RMG and should be excluded from the total (see table below).

GENERAL HOSPITAL SERVICE AREA 4 LOCATION AND NUMBER OF MRI PROCEDURES					
Facility	Location	Type /No. of Equipment	# of Proc. 2003	# of Proc. Reported 2004	# of Procedures (Updated)
Neshoba General Hospital	Philadelphia	M	1,038	1,598	1,598
Newton Regional Hospital	Newton	M	233	357	357
Regional Medical Support Center, Inc.	Meridian	F(3)	7,282	7,564	7,564*
Rush Foundation Hospital*	Meridian	----	0	7,821	0
Rush Medical Group	Meridian	F/M	3,976	4,700	4,700*
Total			12,529	22,040	14,219
Average Number of Procedures			1,566	4,408	3,555

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

Note: Procedures provided by Alliance Imaging are included in the total reported by Regional Medical Support Center, Incorporated and Rush Medical Group.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

The applicant certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available at the time MRI services begin, including, but not limited to, conventional radiology studies, nuclear medicine, and ultrasound.

SHP Criterion 3 - Accessibility

Laird Hospital states in the CON application that the facility will not have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

SHP Criterion 4 - Staffing

Laird Hospital affirms that a board-certified radiologist will be on site during the hours of operation to provide interpretation of clinical images. Also, a trained MRI technologist will be available during the hours of operation to provide experience in computed tomography or other cross sectional imaging methods.

SHP Criterion 5 - Research Staffing

Laird Hospital affirms that the facility will not use MRI equipment for experimental procedures; however, if the hospital decides to use the equipment as such, the facility will comply with this criterion.

SHP Criterion 6- Data Requirement

Laird Hospital affirms that the facility will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health regarding the operation of the MRI equipment.

SHP Criterion 7- CON Approval

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

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 – Consistency with the State Health Plan

According to LH, the offering of MRI services is a service directly addressed by the *Plan* to ensure appropriate distribution of service, quality, and cost. The proposed project is in compliance with all criteria and standards for the establishment of MRI services as contained in the *Plan*.

GR Criterion 2 - Long Range Plan

The Governing Board of Laird Hospital, Division of Rush Health Systems, Inc., feels that the addition of MRI services is consistent with hospital's mission to provide quality healthcare will lead to the development of other hospital services.

GR Criterion 3- Availability of Alternatives

The applicant submits that the only efficient and effective alternative would be to establish mobile MRI services to meet the needs of the residents of Union.

GR Criterion 4 - Economic Viability

The applicant provided a three-year projected operating statement and projected that net patient revenue over a three-year period will be \$323,648 annually. In addition, the statement shows that the net income will be \$63,438 per year over each of the three years.

GR Criterion 5 - Need for the Project

The applicant contends that LHI is currently providing inpatient care, emergency care, laboratory and x-ray services. Since LH does not offer MRI services, LH feels it is imperative to complement its services with a diagnostic imaging modality. If the project is CON approved, LH will be able to provide diagnostic testing in a timely manner while continuing its efforts to provide quality healthcare to area residents of Union.

The application includes five endorsement letters from LH physicians and other medical clinics supporting the need for a mobile MRI service at the facility.

According to the applicant, LH complies with all federal regulations regarding community service and will serve all patients in GHSA 4 regardless of race, creed, sex, or ability to pay.

GR Criterion 6- Access to the Facility

The applicant affirms that the facility will provide services to all residents of Newton County. The applicant indicates the expected payor mix by type of payor will be as follows: Medicaid 15%, Medicare 51%, Private Pay 24%, and Self Pay 10%.

GR Criterion 7- Information Requirement

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

GR Criterion 8 - Relationship to Existing Health Care System

Laird Hospital is located in GHSA 4 where there are currently four fixed MRI units and four mobile units. The applicant does not anticipate that this project will have an adverse impact on any of the providers in the service area. Given that the average utilization of existing units in GHSA 4 exceeds the optimum utilization range of 2000 to 2,500 procedures, staff contends that the project can be viable without causing an adverse impact on existing providers in the area.

GR Criterion 9 - Availability of Resources

The applicant affirms that a LH physician will serve as the director of the MRI service, and the operation of the MRI equipment will be completed by a full-time MRI technician employed by Alliance Imaging, Inc.

GR Criterion 10- Relationship to Ancillary or Support Services

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

GR Criterion 11- Health Professional Training Programs

Laird Hospital states it will offer the proposed services for health professional training programs.

GR Criterion 12- Access by Health Professional Schools

The applicant affirms LH will allow local health professional schools to have access to the proposed service for training purposes upon request.

GR Criterion 16 - Quality of Care

Laird Hospital states that it is licensed by the Mississippi Department of Health and certified by Medicare/Medicaid. The applicant affirms that LH provides quality care to the residents of GSHA 4 as a critical access hospital.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

There is no capital expenditure associated with this project.

B. Method of Financing

Laird Hospital affirms the proposed project requires no financing.

C. Effect on Operating Costs

For the first, second, and third year of operation, the applicant projects gross revenues of \$520,000, expenses of \$260,000, and net income of \$63,648, respectively. Utilization, cost, and charges are included in the applicant's Three-Year Projected Operating Statement (See Attachment 1).

D. Cost to Medicaid/Medicare

Payor	Utilization Percentage	First Year Expense
Medicaid	15.0%	\$41,964
Medicare	51.0%	\$142,678
Other	34.0%	\$95,118
Total	100%	\$ 279,760
LH projects 5% percent bad debt. Medically indigent and charity care are approximately 5% of gross patient revenues.		

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, outpatient services will be paid as outlined in the *Medicaid State Plan*. The Division does not oppose the application.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of MRI services as contained in the FY 2006 *Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Laird Hospital (LH), Division of Rush Health Systems, Incorporated.

ATTACHMENT 1

Laird Hospital, Division of Rush Health Systems, Inc. Three-Year Projected Operating Statement

	First Year	Second Year	Third Year
Average Length of Stay	3.8	3.8	3.8
Procedures/Patient	1	1	1
Average # of Procedures	520	520	520
Cost per Procedure	\$ 375	\$ 375	\$ 375
Charge per Procedure	\$ 1,000	\$ 1,000	\$ 1,000
<i>Patient Revenue</i>	\$ 520,000	\$ 520,000	\$ 520,000
Total Patient Revenue	\$ 520,000	\$ 520,000	\$ 520,000
<i>Deductions from Revenue</i>			
Contractual Adjustments	\$ 170,352	\$ 170,352	\$ 170,352
Charity Care	\$ 26,000	\$ 26,000	\$ 26,000
Total Deductions from Revenue	\$ 196,352	\$ 196,352	\$ 196,352
Net Revenue	\$ 323,648	\$ 323,648	\$ 323,648
<i>Operating Expenses</i>			
Personnel	\$ -	\$ -	\$ -
Utilities	\$ -	\$ -	\$ -
Supplies & Misc. Expense	\$ 39,000	\$ 39,000	\$ 39,000
Purchased Services	\$ 195,000	\$ 195,000	\$ 195,000
Bad Debt	\$ 26,000	\$ 26,000	\$ 26,000
Total Operating Expenses	\$ 260,000	\$ 260,000	\$ 260,000
Income (Loss) from Operations	\$ 63,648	\$ 63,648	\$ 63,648