

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2007**

**CON REVIEW: MU-A-1206-041
SCOTT MEDICAL IMAGING, LLC
AMENDMENT TO CON No. R-0616
(ESTABLISHMENT OF MRI SERVICES)
ADDITION OF NOXUBEE COUNTY HOSPITAL
AND MADISON SPECIALTY CLINIC AS MOBILE MRI SITES
LOCATION: MACON (NOXUBEE COUNTY) AND CANTON (MADISON COUNTY)
CAPITAL EXPENDITURE: \$0**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Scott Medical Imaging, LLC (SMI) is a for-profit limited liability corporation, operating in the state of Mississippi as a mobile vendor and provider of magnetic resonance imaging (MRI) services. SMI has been doing business in the state of Mississippi since November 30, 1995, and received a letter of good standing from the Office of the Secretary of State. SMI is governed by a three-member board. SMI provided certification and a resolution from the corporation's CEO, Dr. Mohammad Athar, endorsing the project.

B. Project Background (CON #R-0616)

SMI was granted Certificate of Need No. R-0616 on July 31, 2003, to provide MRI services to various hospitals in Mississippi. Since that time, SMI has been issued approval through several amendments to CON No. R-0616 to add healthcare sites to the corporation's mobile MRI routes.

The applicant was authorized for the control of MRI equipment in the state of Mississippi through two declaratory rulings on October 19, 1999, and September 25, 2002, by the Mississippi Department of Health.

SMI stated in the initial application that the project would not involve new construction, renovation, or the purchase of new equipment. The project did not require a capital expenditure; however, a projected operating statement for the first full year of operation was included in the application. The applicant further stated in the initial application that initial operating capital was provided by individual investments from investors and that revenues collected for services rendered to patients would be used to retire any debt.

C. Project Description

Scott Medical Imaging requests CON authority to add Noxubee County Hospital located in Macon, Noxubee County, Mississippi, and Madison Specialty Clinic located in Canton, Madison County, Mississippi, to SMI's existing mobile route. The Philips Intera 1.5 Telsa mobile MRI unit will be at Noxubee County Hospital one day per week (Monday) and at the Madison Specialty Clinic one day per week (Thursday). The amendment application does not require a capital expenditure summary; however, the applicant included a projected operating statement for the first and second years of operation (See Attachment 1). The applicant will employ the same number of personnel. The proposed project will not require any financing nor will any additional debt financing be required for the amendment project. The project will be implemented immediately upon CON approval.

II. TYPE OF REVIEW REQUIRED

The State Health Officer reviews all projects for amendments in accordance with 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 March 7, 2007.

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

A. State Health Plan (SHP)

As required, the original project was in substantial compliance with the *FY 2003 State Health Plan* in effect at the time the original application was submitted. This project continues to be in substantial compliance with the *State Health Plan*.

B. General Review (GR) Criteria

The original project was in substantial compliance with Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revision*. This application continues to be in substantial compliance with general review criteria contained in the Manual.

IV. FINANCIAL ANALYSIS

A. Capital Expenditure Summary

The original CON required no capital expenditure nor does the proposed amendment project.

B. Method of Financing

The original CON did not require a capital expenditure to implement the proposed project; therefore, no method of financing was required. In regards to this amendment application, the applicant states there will be no additional costs associated with the project and no additional debt will be required.

C. Effect on Operating Costs

With regard to this amendment project, the applicant’s projected Operating Statement for Noxubee County Hospital and Madison Specialty Clinic for the first year of operation is listed as attachment 1.

The applicant projects to perform 208 MRI procedures the first year at Noxubee County Hospital and 430 MRI procedures the first year at Madison Specialty Clinic. The cost and charge per scan will be \$275 and \$1,600 respectively.

D. Cost to Medicaid/Medicare

The cost of the project to third party payors is as follows (based on net patient revenue):

Patient Mix by Payor	Utilization Percentage	First Year Cost*
Medicare	40%	\$76,812
Medicaid	45%	\$86,414.5
Other Payors	15%	\$28,805.5
Total	100%	<u>\$192,030</u>
SMI projects 5% to medically indigent patients care.		

Note: *First Year Cost includes both locations.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for comment; however, no comments were received.

VI. CONCLUSION AND RECOMMENDATION

This project continues to be in substantial compliance with the overall objectives of the *FY 2003 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 in effect at the time of the approval. The project continues to be in substantial compliance with applicable criteria and standards and adopted rules, procedures and plans of the Department.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Scott Medical Imaging to amend CON No. R-0616 to add two locations as authorized mobile MRI service sites (Noxubee County Hospital, Macon, one day per week and Madison Specialty Clinic, Canton, one day per week).

ATTACHMENT 1
SCOTT MEDICAL IMAGING, LLC
REVISED PROJECTED OPERATING STATEMENT

	Noxubee County Hospital Year I	Madison Specialty Clinic Year 1
Revenue		
Gross Patient Care Revenue	\$332,800	\$688,000
Deduction From Revenue		
Charity/Indigent Care	(\$7,800)	(\$16,125)
Contractual Adjustments	(\$244,994)	(\$539,435)
Provision for Bad Debt	(\$6,656)	(\$13,760)
Total Deductions	(\$259,450)	(\$569,320)
Net Patient Care Revenue	\$73,350	\$118,680
Total Operating Revenue	\$73,350	\$118,680
Operating Expenses		
Supplies	3,650	6,700
Lease Expense	6,000	9,000
Other Direct Expense (Power)	900	900
Other Indirect Expense (fuel/truck maint.)	4,900	2,850
Total Operating Expense	\$15,450	\$19,450
Net Operating Income	\$57,900	\$99,230
Assumptions		
Number of Scans	208	430
Charge per Scan	\$ 1,600	\$1,600
Cost per Scan *	\$275	\$275

*Staff calculations indicate a cost per Scan of \$74.28, and \$45.23 during the first year of operation for each site, respectively using the formula: Total Operating Expense/ Projected Number of Scans = Cost per Scan.