

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

**CON REVIEW: FSF-NIS-0605-021
SOUTHERN MEDICAL IMAGING GULFCOAST, LLC
ACQUISITION OF STAND-UP MRI EQUIPMENT & ESTABLISHMENT OF MRI SERVICES
LOCATION: BILOXI, HARRISON COUNTY, MISSISSIPPI
CAPITAL EXPENDITURE: \$1,500,000**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Southern Medical Imaging GulfCoast, LLC (SMIGC) is a proprietary Mississippi limited liability company located in Biloxi, Mississippi. SMIGC members are David C. Lee, M.D., Eric Graham, M.D., Eric Wolfson, M.D., and Victor Bazzone, M.D. SMIGC was formed on March 31, 2005, by the filing of a Certificate of Formation with the Office of the Mississippi Secretary of State. SMIGC has designated Barry L. Monday of 3688 Veterans Memorial Drive, Ste. 318, Hattiesburg, Mississippi 39401 as its manager. SMIGC has a governing board composed of its members listed above. SMIGC has entered into a contract for management, billing and collection services with Southern Neurological and Spine Institute. SMIGC will be certified to participate in the Medicare and Medicaid programs.

B. Project Description

SMIGC requests Certificate of Need authority to acquire a stand-up magnetic resonance imaging (MRI) scanner and establish MRI services at its offices at 1721 Medical Park Drive, Biloxi, Mississippi 39532. The project includes the lease of a new FONAR Stand-Up MRI and rent of approximately 2,000 square feet of space. SMIGC has entered into a lease agreement with CVDD, LLC d/b/a Cedar Lake Professional Building for the space required for the project. The applicant proposes to use a FONAR Stand-Up MRI which is a whole-body Open MRI system operating at a field strength of 0.6 Tesla. The applicant states that the establishment and use of the FONAR Stand-Up MRI scanner will be state of the art open MRI in Biloxi, Mississippi and will provide patients and physicians with additional options currently unavailable, including weight bearing scans and flexion extension scans.

The applicant proposes that the FONAR Stand-Up MRI scanner is the only scanner currently available that will allow for true unrestricted motion for flexion and extension studies. This MRI can scan spines and joints in an actual weight-bearing state which helps provide physicians more accurate diagnostic studies than traditional MRI which scans the subject lying prone and thus not in weight-bearing state. The applicant has provided case studies in support of this assertion.

The applicant enclosed a proposed 10 year monthly lease agreement between SMIGC and CVDD, LLC to lease the necessary space for the annual rent of \$50,000, paid in 12 equal monthly installments of \$4,166.67 each. To acquire the equipment, the applicant provided a 63 month lease agreement (capital lease and security transaction) between the SMIGC and Banc of America Leasing & Capital, LLC. The lease provides for a stair-stepped payment schedule over its term with rental adjustment payments based on treasury yields.

The applicant provided a detailed quotation on the specifications and description of the Stand-Up MRI prepared by FONAR Corporation. The applicant provides a site plan for the proposed lease space and the Mississippi Department of Health, Division of Licensure and Certification, issued site approval to SMIGC on May 27, 2005, for the proposed out-patient MRI provider location of 1721 Medical Park Drive, Biloxi, Harrison County, Mississippi 39532.

SMIGC includes a three year Projected Operating Statement and a letter from Hancock Bank indicating a loan commitment of \$1,500,000 for the project. The applicant indicates that 8.00 FTE personnel will be hired at an estimated annual cost of \$322,000. SMIGC will use a loan from Hancock Bank and the company's cash reserves to fund the project. The applicant expects that the capital expenditure will be obligated on August 1, 2005, and the project will be completed on September 30, 2005, or within ninety days for issuance of the Certificate of Need.

II. TYPE OF REVIEW REQUESTED

The Mississippi Department of Health reviews applications for major medical equipment acquisition and offering of MRI services in accordance with Section 41-7-191, subparagraph (1)(d)(xii),(f), and (i) 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 September 7, 2005.

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

A. State Health Plan (SHP)

The *FY 2005 Mississippi State Health Plan* contains criteria and standards which an applicant is required to meet before receiving CON authority to acquire or otherwise control MRI equipment and to offer MRI services.

Acquisition or Otherwise Control of MRI Equipment

SHP Criterion 1- Need

An entity desiring to acquire or otherwise control MRI equipment must document that the equipment shall perform a minimum of 1,700 procedures per year by the second year of operation, utilizing the procedures estimation methodology contained in the Plan.

Because the procedures estimation methodology was intended for use by hospitals and not clinics, the MDH allows freestanding applicants to use an alternative method to project the annual patient service volume for the facility. The applicant submitted copies of affidavits from 7 physicians indicating that they will refer in between 3,060 and 3,600 procedures the first year of operation. Further, the applicant makes the following projections of MRI procedures to be performed during the first three years of operation:

Projected MRI Procedures		
2005-06-Year 1	2006-07-Year 2	2007-08-Year 3
2,295	2,524	2,524

Staff's examination of the affidavits submitted suggests that the referrals projected by each physician appear to be overstated. Staff has determined that the affidavits submitted by previous applicants for MRI services in GHSA 7 ranged from 60 to 240 referrals per physician per year. Affidavits contained in this application indicate that physicians will refer between 120 and 720 patients per physician per year. The staff's examination of the affidavits submitted in the application suggests that the number of referrals by each physician appear to be overstated in comparison to referral estimates cited in other applications recently considered by MDH.

According to the *FY 2005 State Health Plan*, there were 11 providers of MRI services operating 12 units in General Hospital Service Area 7. Also, there was one non-operational CON approved MRI service at Orange Grove. As reported in the *Plan*, the 12 units performed a total of 28,731 procedures in 2002 for an average of 2,394 procedures per unit. In 2003, the 12 units performed a total of 31,831 procedures, or an average of 2,653 procedures per unit. Updated information reveals that in 2004, there were 14 units performing a total of 22,705 procedures, or an average of 2,408 procedures per unit. (see the following table).

**LOCATION AND NUMBER OF MRI
PROCEDURES IN GENERAL HOSPITAL SERVICE AREA 7**

Facility	Location	Type / No. of Equipment	Number of Procedures 2002	Number of Procedures 2003	Number of Procedures 2004
Biloxi Regional Medical Center	Biloxi	F	4,419	5,578	4,384
Coastal MRI	Gautier	M	1,725	1,628	1,647
Coastal County Imaging Center	Gulfport	F	0	0	CON
Garden Park	Gulfport	F	1,775	1,116	1,520
George County Hospital	Lucedale	M	7	495	598
Gulf Coast Medical Center	Biloxi	F	1,618	1,635	1,578
Hancock Medical Center	Bay St. Louis	F	1,955	1,981	2,159
Hancock Medical Center*	Bay St. Louis	F	0	Declaratory Ruling*	Declaratory Ruling*
L.O. Crosby Memorial Hospital	Pearl River	M	984	988	964
Memorial Hospital at Gulfport	Orange Grove	F	CON	CON	CON
Memorial Hospital at Gulfport	Gulfport	F(1) M(1)	5,706	5,458	5,961
Ocean Springs Hospital	Ocean Springs	F	2,304	2,804	2,975
OMRI, Inc. d/b/a Open MRI**	Gulfport	M	4,993**	6,659**	1,240
Open MRI – Cedar Lake**	Biloxi	F	0	0	2,662
Open MRI – Compass Site**	Gulfport	F	0	0	3,882
Singing River Hospital	Pascagoula	F	3,245	3,489	4,135
Total			28,731	31,831	33,705

Source: *FY 2005 State Health Plan*, Applications for Renewal of Hospital License for Calendar Years 2003 and 2004, and Fiscal Years 20-03, 2004, and 2005 Annual Hospital Reports.

*Hancock Medical Center acquired an additional fixed unit, by an operating lease, pursuant to a declaratory ruling issued July 31, 2003.

**Open MRI converted two mobile sites, in Biloxi and Gulfport, Mississippi, to two fixed sites in the same cities. Updated projections for FY 2004 were provided by MDH. OMRI, Inc. d/b/a Open MRI reported total procedures which included procedures performed at the Open MRI – Cedar Lake, and Open MRI – Compass Sites.

Updated information indicates that Open MRI converted two of its mobile sites (Gulfport and Biloxi, Mississippi) to fixed sites pursuant to declaratory rulings issued August 15, 2002, and December 3, 2002. In addition, Hancock Medical Center acquired an additional fixed unit, by an operating lease, pursuant to a declaratory ruling issued July 31, 2003. Therefore, the total number of operational/CON approved MRI units in GHSA 7 during FY 2003 was 13; 8 fixed units (including one non-operational unit at Orange Grove) and 5 mobile units. In FY 2004, two additional fixed units were added giving a total operational units of 14 and total number of operational/CON approved MRI units in GHSA 7 of 16. (see the following table).

MRI Units and Procedures for GHSA 7				
# of Units	FY 2002	FY 2003 (Reported)	FY 2004 (Updated)	FY 2005 (Estimate) Includes approved CONs
Fixed	7	7	9	
Mobile	5	5	5	
Total Operational	12	12	14	14
CON Approved*	1	1	2	3
Total Operational & CON Approved	13	13	16	17
Total Procedures	28,731	31,831	33,705	33,705
Average # of Procedures	2,394	2,653	2,408	2,408
Average # of Procedures (Operational & Approved)	2,210	2,449	2,107	1,983

*Note: An additional MRI unit authorized.

The applicant submits that there is a need in Harrison County for the proposed Stand-Up MRI scanner, thus additional MRI services based on a statewide average of 60 MRI procedures for every 1,000 population and the assertion that the existing scanners in the area do not have the ability to perform the array of tests that the FONAR Stand-up MRI could perform, such as true weight bearing and flexion extension exams. Based on 2003 population figures, SMIGC believes that the facility will provide between 2,295 and 2,524 MRI procedures in Biloxi for the succeeding three years.

The *FY 2005 State Health Plan* also indicates that the optimum utilization of a single MRI unit is between 2,000 and 2,500 procedures per year, or perhaps even higher when extended hours and additional days of operation are factored into a given MRI service. As stated earlier, updated projections indicate that there were 11 fixed and 5 mobile operational/CON approved MRI units in GHSA 7 during FY 2004 and the average procedures performed was 2,107 per unit. In addition, on December 16, 2004 the Department issued a CON for an additional fixed unit in the service area.

Should the number of procedures remain the same for FY 2005, the 14 operating units and three CON approved units, could be expected to perform approximately 1,983 procedures on average per unit.

SHP Criterion 2 - Assurances

The application includes a certificate from the United States Public Health Service classifying and giving FDA approval of the FONAR Corporation, MRI scanner. The scanner will operate 10 hours per day, Monday through Friday, and 4 hours on Saturday. The applicant states that the MRI technician will be supervised by a radiologist who has experience in MRI. Also, the MRI technician will be trained and experienced in MRI studies and will adhere to State and professional licensure and certification requirements.

SHP Criterion 3 - Information Recording/Maintenance

SMIGC 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.

SHP Criterion 4 - Authorized Entity

SMIGC was formed on March 31, 2005, by the filing of a Certificate of Formation with the Office of the Mississippi Secretary of State. SMIGC has designated Barry L. Monday of 3688 Veterans Memorial Drive, Ste. 318, Hattiesburg, Mississippi 39401 as its manager.

SHP Criterion 5 - Authorization to Provide MRI

GCDI seeks CON approval from the Mississippi Department of Health, Division of Health Planning and Resource Development, for the acquisition/establishment of MRI equipment/services in General Hospital Service Area 7.

Criteria for Offering of MRI Services

SHP Criterion 1- Need

According to the *FY 2005 State Health Plan 2003* reports, there were 11 MRI providers operating 12 units in General Hospital Service Area 7. Also, there was one non-operational CON approved MRI service at Memorial Hospital at Gulfport - Orange Grove. The 12 operational units reportedly performed a total of 28,731 procedures in 2002 for an average of 2,394 procedures per unit. In 2003, the 12 units performed a total of 31,831 procedures, or an average of 2,653 procedures per unit.

Updated information indicates that Open MRI converted two of its mobile sites (Gulfport and Biloxi, Mississippi) to fixed sites pursuant to declaratory rulings issued August 15, 2002, and December 3, 2002. In addition, Hancock Medical Center acquired an additional fixed unit, by an operating lease, pursuant to a declaratory

ruling issued July 31, 2003. Therefore, the total number of operational/CON approved MRI units in GHSA 7 during FY 2003 was 13; 8 fixed units (including one non-operational unit at Orange Grove) and 5 mobile units. In FY 2004, two additional fixed units were added giving a total operational units of 14 and total number of operational/CON approved MRI units in GHSA 7 of 16.

The *FY 2005 State Health Plan* indicates that the optimum utilization of a single MRI unit is between 2,000 and 2,500 procedures per year, or perhaps even higher when extended hours and additional days of operation are factored into a given MRI service. As stated earlier, updated projections indicate that there were 11 fixed and 5 mobile operational/CON approved MRI units in GHSA 7 during FY 2004 and the average procedures performed was 2,107 per unit. In addition, on December 16, 2004 the Department issued a CON for an additional fixed unit in the service area. Should the number of procedures remain the same for FY 2005, the 14 operating units and three CON approved units, could be expected to perform approximately 1,983 procedures on average per unit.

Four endorsement letters, one from a patient and three from area physicians were included in the CON application. Also, seven affidavits from physicians were included in the application to verify future referrals for MRI services.

SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities

SMIGC affirms that a full range of diagnostic imaging modalities for verification and complimentary studies will be available through either itself or other providers with whom its members have staff privileges. Among these modalities are computed tomography, ultrasound, angiography, nuclear medicine and conventional radiology.

SHP Criterion 3- Accessibility

SMIGC states in the CON application that it serves all of the population, including low income, racial and ethnic minorities, women, and handicapped persons. SMIGC provides health care services to patients in need of the service regardless of age, creed, sex, race or ability to pay.

SHP Criterion 4 - Staffing

The applicant affirms that a Director, Board Certified radiologist or a nuclear medicine imaging physician, or other board eligible licensed physician, and an MRI Technologist/Radiographer will be on site during the hours of operation to ensure the center functions properly and provide interpretation of clinical images.

SHP Criterion 5 - Research Staffing

SMIGC affirms that the facility does not anticipate using MRI equipment for experimental procedures if the procedures are performed by a formal/approved MRI staff.

SHP Criterion 6 -Recording of Data

SMIGC 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. Also, the facility states it will record source of payment for procedures and the total amounts charged during the fiscal year.

SHP Criterion 7 - CON Approval

The applicant seeks CON approval to acquire an MRI instrument as determined by the Mississippi Department of Health.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, (May 13, 2000, as amended)* addresses general criteria by which all CON applications are reviewed.

GR Criterion 2 - Long Range Plan

According to the applicant, the long range development plan of SMIGC is to provide state of the art equipment and improved treatment modalities, including weight bearing and flexion extension scans, to the patients in its service area.

GR Criterion 3- Availability of Alternatives

The applicant asserts that the Stand-Up MRI scanner is a technology that is not currently being offered elsewhere in Mississippi. Its medical applications and modalities provide the most effective form of magnetic resonance imaging available, and are in high demand in the health care industry. SMIGC asserts that the operation of the proposed unit would be cost effective and an efficient way to provide such technology and medical services to the patients in General Hospital Service Area 7. According to the applicant, while existing MRI units in GHSA 7 are not specifically the same type and application of the proposed unit, such other units are performing well above the optimum level that is required under the State Health Plan. SMIGC asserts that considering current utilization of current units in GHSA 7 there is a need for an additional provider of magnetic resonance imaging in the service area.

GR Criterion 4 - Economic Viability

The applicant projects net income of \$1,011,590 the first year, \$975,049 the second year, and \$860,366 the third year of operation. Given that GHSA 7 has 17 operational/CON MRI units, staff questions whether the applicant can meet the projections without encroaching on the ability of existing providers to provide these services.

GR Criterion 5 - Need for the Project

In addressing the need for additional MRI services in GHSA 7, the applicant points out that Harrison County contains the second largest population in the state. The applicant further asserts that during 2003, the existing fixed and mobile MRI units in GHSA 7 collectively performed a total of 31,831 procedures, far in excess of the statewide average of 60 MRI procedures per 1,000 population. Procedures performed in GHSA 7, while exceeding the estimate based on the statewide average, are not far in excess of the statewide average considering that 60 MRI procedures per 1,000 population, for GHSA 7 for the existing fixed and mobile MRI units are projected or estimated to perform 28,752 procedures, and currently they are only approximately 10 percent over estimates.

Due to the fact that existing providers are averaging above the 1,700 procedures required, the applicant determined that there is a need for another MRI provider in GHSA 7. Also, the applicant notes that on average the units are performing above the optimum utilization as identified by the *Plan*.

It should be noted that the optimum utilization of a single MRI unit has been identified by the *Plan* as being between 2,000 and 2,500 procedures per unit. While the average for all operational units in GHSA 7 is within this optimum range, not all units in the service area are performing at optimum levels. It should also be noted that utilization of two of the fixed units in GHSA 7 decreased during FY 2003, and provided less than the 1,700 minimum procedures during FY 2003 and FY 2004.

As stated earlier, staff identified 11 fixed (including the non-operational unit at Orange Grove) and 4 mobile units in existence in GHSA 7. In addition, on December 16, 2004, the Department approved an additional fixed unit in Harrison County. For FY 2004 operational and approved units total 16, 7 of which are, or will be, located in Harrison County. Therefore, the staff contends that GHSA 7 currently has adequate facilities to meet the needs of MRI patients in that service area.

Four endorsement letters, one from a patient and three from area physicians, were included in the CON application. Also, seven affidavits from physicians were included in the application to estimate future referrals for MRI services.

SMIGC states in the CON application that it serves all of the population, including low income, racial and ethnic minorities, women, and handicapped persons. SMIGC provides health care services to patients in need of the service regardless of age, creed, sex, race or ability to pay.

However, letters of opposition were received from Singing River Hospital System (SRHS), Memorial Hospital at Gulfport (MHG), Open MRI, LLC (OMRI), Cedar Lake Open MRI, LLC (CLOM), and Compass Imaging, LLC (CI). All facilities claim that the application filed by SMIGC represents a duplication of services and that the establishment of an additional unit will cause an adverse impact on the existing providers in the area.

GR Criterion 6- Access to the Facility

The applicant affirms that the facility will provide services to all persons, and will do so on an equal basis. SMIGC projects that 3.9% of the patients served at the center will be medically indigent patients. The applicant indicates the expected payor mix by type payor will be as follows: Medicaid will be 5%, Medicare 22%, and Private Pay 73%, which includes insurance and self-pay.

GR Criterion 7- Information Requirement

SMIGC 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

Given the number of units present in the service area, staff contends that the project cannot be viable without causing an adverse impact on existing providers in the area. As previously indicated, Singing River Hospital System (SRHS), Memorial Hospital at Gulfport (MHG), Open MRI, LLC (OMRI), Cedar Lake Open MRI, LLC (CLOM), and Compass Imaging, LLC (CI) submitted letters of opposition to the project.

GR Criterion 9 - Availability of Resources

The applicant affirms that a Director, Board Certified radiologist or nuclear medicine imaging physician, or other board eligible licensed physician, and an MRI Technologist/Radiographer will be employed at the facility. The applicant indicates that 8.00 FTE personnel will be hired at an estimated annual cost of \$322,000.00. SMIGC will use a loan from Hancock Bank and the company's cash reserves to fund the project.

GR Criterion 10 - Relationship to Ancillary or Support Services

SMIGC asserts that the addition of the FOMAR Stand-Up MRI scanner, and its capabilities of providing flexion extension and true weight bearing scanning services, will complement the existing services in GHSA 7 and do not anticipate to materially effect currently provided ancillary or support services.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The Lease is of the Stand-Up MRI is a capital lease in the amount of \$1,500,000.

B. Method of Financing

SMIGC will use the company's cash reserves and lines of credit to fund the project.

C. Effects on Operating Costs

The applicant projects the following expenses, utilization, and results from operation for the first three years of operation:

SOUTHERN MEDICAL IMAGING GULFCOAST			
Three Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Key Statistics:			
Average Daily Census			
Procedures	2,295	2,524	2,524
Average Length of Stay			
Occupancy Rate			
Charge per procedure	\$ 1,500	\$ 1,500	\$ 1,500
Net revenue per procedure	\$ 915	\$ 915	\$ 915
Cost per procedure	\$ 462	\$ 487	\$ 543
Profit margin per procedure	\$ 453	\$ 428	\$ 372
Patient Revenue			
Inpatient Revenue	-	-	-
Outpatient Revenue	3,442,500	3,786,000	3,786,000
Total Patient Revenue	\$ 3,442,500	\$ 3,786,000	\$ 3,786,000
Deductions from Revenue			
Charity/Indigent Care	(137,700)	(151,440)	(151,440)
Contractual Adjustments	(860,625)	(946,500)	(946,500)
Bad Debt	(344,250)	(378,600)	(378,600)
Total Revenue Deductions	<u>\$ (1,342,575)</u>	<u>\$ (1,476,540)</u>	<u>\$ (1,476,540)</u>
Other Operating Revenue	-	-	-
Net Revenue	<u>\$ 2,099,925</u>	<u>\$ 2,309,460</u>	<u>\$ 2,309,460</u>
Operating Expenses			
Salaries & Benefits	394,000	426,505	461,962
Supplies	48,000	48,000	48,000
Other Direct Expenses	237,397	218,228	233,140
G&A	103,860	72,707	75,615
Other Indirect Expenses	51,930	59,720	62,109
Depreciation	-	-	-
Building Lease	50,000	50,000	50,000
Equipment Lease	150,000	330,000	421,200
Interest	25,334	25,069	18,086
Total Operating Expenses	<u>\$ 1,060,521</u>	<u>\$ 1,230,229</u>	<u>\$ 1,370,112</u>
Income (Loss) from Operations	\$ 1,039,404	\$ 1,079,231	\$ 939,348

The applicant states the following: one treatment per patient, the average number of procedures- 4,645 per annum, the charge per procedure- \$1,800.00, and the cost per procedure- \$355.

D. Cost to Medicaid/Medicare

Payor	Utilization Percentage	First Year Expense
Medicaid	13.5%	\$ 222,075
Medicare	48.5%	\$ 797,826
Other	38%	\$ 625,102
Total	100%	\$ 1,645,003

GCDI projects 3% percent bad debt. Medically indigent and charity care are approximately 8% and 2% of gross patient revenues, respectively.

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 are paid as outlined in the *State Medicaid Plan*.

VI. CONCLUSION AND RECOMMENDATION

This project is not in substantial compliance with the criteria and standards for the acquisition or otherwise control of MRI equipment and for offering of MRI services as contained in the *FY 2005 Mississippi State Health Plan*, and Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000*. Specifically, staff contends that the applicant is not in compliance with the following criteria:

- **SHP Criterion 1 and GR Criterion 5- Need:** The application contains questionable documentation that the proposed facility will perform the required minimum 1,700 procedures by the second year of operation. The staff's examination of the affidavits submitted in the application suggests that the number of referrals by each physician appear to be overstated in comparison to referral estimates cited in other applications recently considered by MDH. When both operational and authorized units are considered, the average number of procedures in GHSA 7 is estimated at 2,107 for FY 2004 and 1,983 for FY 2005, at the low end and below the optimum annual utilization levels, respectively. Also, initialization of two units in Harrison County, where the proposed facility is to operate is below the minimum 1,700 procedures required.
- **GR Criterion 4- Economic Viability:** The application contains insufficient documentation that the proposed facility will meet the projections without encroaching on the ability of existing providers to provide MRI services.
- **GR Criterion 8 - Relationship to Existing Health Care System:** Given the number of units present in the service area, and one CON pending for a unit, staff contends that the project cannot be viable without causing an adverse impact on existing providers in the area.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of the application submitted by Southern Medical Imaging GulfCoast, LLC for the acquisition/establishment of MRI equipment/services.