

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

NOVEMBER 29, 2021

**CON REVIEW: FSF-NIS-1021-009
MID-SOUTH IMAGING CENTER, LLC, D/B/A MID-SOUTH IMAGING CENTER
ACQUISITION OF MAGNETIC RESONANCE IMAGING (MRI) EQUIPMENT AND
OFFERING OF MRI SERVICES
CAPITAL EXPENDITURE: \$1,580,717.00
LOCATION: SOUTHAVEN, DESOTO COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Mid-South Imaging Center, LLC, d/b/a Mid-South Imaging Center is a Mississippi Limited Liability Company formed on September 11, 2020. The Majority Member of Mid-South Imaging Center, LLC is Baptist Memorial Medical Group, Inc., a Tennessee Limited Liability Company authorized on November 14, 2007, to do business in Mississippi. The Board of Managers of Mid-South Imaging Center, LLC shall include Baptist Memorial Medical Group, Inc. ("Baptist" or "BMG"), the equity owner and manager of the Company's operations, Mid-South Imaging & Therapeutics, P.A., a pending Member, ("MSIT"), and shall be comprised of five (5) Managers appointed as follows: (i) three (3) individuals elected or appointed by Baptist and (ii) two (2) individuals elected or appointed by MSIT. The application contains Certificates of Good Standing from the Secretary of State of the State of Mississippi, dated July 6, 2021, indicating Mid-South, Baptist, and MSIT are all in good standing to do business in Mississippi.

B. Project Description

Mid-South Imaging Center, LLC, d/b/a Mid-South Imaging Center ("Mid-South", the "Applicant", or "MSIC") requests certificate of need ("CON") authority to acquire and operate a magnetic resonance imaging ("MRI") unit. The Applicant states the proposed unit will be housed in a leased space that has been approved under CON Review No. HG-MOB-1120-008 (CON #R-0968) for construction of a Medical Office Building. The Applicant proposes that the MRI unit will be operated in a freestanding Imaging Center ("Center") that is not a licensed health care facility although the building is being constructed on the campus of Baptist Memorial Hospital Desoto ("BMH-DeSoto"). Mid-South further states the approximately 1,254 square feet MRI area will be located on the first (ground) floor of the building that is being developed for construction by Healthcare Properties, LLC.

Mid-South believes the MRI will answer a need for improved access, convenience and efficiencies in a patient, family, consumer-friendly space that is flexible to meet diverse patient needs. In addition, the Applicant states being on the hospital campus provides a familiar location with nearby access to more comprehensive diagnostic and treatment services if necessary.

The Applicant states the MRI will offer advanced diagnostic imaging services and provide access and convenience to ambulatory patients and caregivers. Mid-South states the MRI also combines the resources with other state-of-the-art equipment and the professional Radiologists from MSIT with BMG providers in an imaging center with nearby availability

of physician offices. The Applicant states Mid-South is part of a venture that is responsive to Medicare and commercial payor incentives to offer services in an efficient cost-effective manner for ambulatory patients.

The Applicant states the capital expenditure for the proposed project is \$1,580,717.00, which includes \$313,500 for renovation costs, \$840,000.00 for fixed equipment, and \$229,447 for non-fixed equipment. (See the Capital Expenditure Summary - *Section IV. FINANCIAL FEASIBILITY (A)* for a complete itemization of the total capital expenditure for the project). In addition, a projected operating statement, which shows the first, second, and third years of operation is included as Attachment 1 of this Staff Analysis.

The Applicant proposes that 4.2 full-time equivalent (FTE) personnel will be acquired the first year of operation at an estimated annual cost of \$274,760.00. On October 29, 2020, the Mississippi State Department of Health (“MSDH”), Division of Health Facilities Licensure and Certification approved the site for a MOB. The Applicant submits the MRI service will be located inside a freestanding facility that does not involve licensing or plans review by the Department; however, certification by CMS for Medicare patients will be obtained.

The Applicant states Mid-South will comply with all applicable codes and zoning ordinances, local, state, and federal authorities. Mid-South 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.

Mid-South proposes to obligate the capital expenditure for the proposed project by January 2022 and anticipates the project will be complete by May 2022.

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, September 1, 2019*; 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 of 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 December 9, 2021.

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

A. Mississippi State Health Plan (MSHP)

The *FY 2020 Mississippi State Health Plan (“MSHP”)* 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.

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 CON process regarding the acquisition or otherwise control of MRI equipment and/or the offering of MRI services involves separate requirements for CON review: (a) an entity proposing to acquire or otherwise control MRI equipment must obtain a CON to do so if the capital expenditure for the MRI unit and related equipment exceeds \$1,500,000; and (b) an entity proposing to offer MRI services which has not provided the service on a regular basis within the last twelve (12) months must obtain a CON before providing such services, regardless of the capital expenditure.

The Applicant confirms Mid-South is a new service provider. The Applicant states the MRI will be located in a freestanding facility on the campus of Baptist Memorial Hospital – DeSoto, Inc. whom is an established MRI provider. The Applicant further states services are provided by physicians of BMG and eventually will include radiologists of MSIT.

SHP Policy Statement 2 - CON Approval Preference: MSDH shall give preference to those applicants proposing to enter into joint ventures utilizing mobile and/or shared equipment. However, the applicant must meet the applicable CON criteria and standards provided herein and the general criteria and standards contained in the currently approved Mississippi Certificate of Need Review Manual.

The Applicant states Mid-South Imaging Center, LLC formed with one physician's group and will become a joint venture of physicians' groups and will meet required and approved CON Criteria and Standards.

SHP Policy Statement 3 - Mobile MRI: For purposes of this Plan, a mobile MRI unit is defined as an MRI unit operating at two or more host sites and that has a central service coordinator. The mobile MRI unit shall operate under a contractual agreement for the provision of MRI services at each host site on a regularly scheduled basis.

The Applicant states this project does not involve the utilization of mobile MRI equipment or services.

SHP Policy Statement 4 - Conversion to Fixed: The conversion from mobile MRI service to fixed MRI service is considered the establishment of a new MRI service and requires CON review.

The Applicant states the CON application is not a conversion of a mobile MRI service.

SHP Policy Statement 5 - Utilization of Existing Units: No new MRI services shall be approved unless all existing MRI service in the applicant's defined service area performed an average of 1,700 MRI procedures per existing and approved MRI scanner during the most recent twelve (12) month reporting period and the proposed new services would not reduce the utilization of existing providers in the service area.

The Applicant acknowledges this Policy Statement and states details of utilization are presented in responses to the Service Specific Criteria and Standards below.

SHP Policy Statement 6 - Population-Based Formula: MSDH shall use a population-based formula as presented at the end of this chapter when calculating MRI need. Also, the formula will use historical and projected use rates by service area and patient origin data. The population-based formula is based on the most recent population projections prepared by the State Data Center (University of Mississippi Center for Population Studies). The applicant shall project a reasonable population base to justify the provision of 2,700 procedures (or 1,700 procedures for rural hospitals) by the second year of operation.

The Applicant acknowledges this Policy Statement and states details of applying the population base are presented in responses to the Service Specific Criteria and Standards below.

SHP Policy Statement 7 - Mobile Service Volume Proration: The required minimum service volumes for the establishment of services and the addition of capacity for mobile services shall be prorated on a "site by site" basis based on the amount of time the mobile services will be operational at each site.

The Applicant states the proposed project is not a mobile service.

SHP Policy Statement 8 - Addition of Health Care Facility: An equipment vendor who proposes to add a health care facility to an existing or proposed route must notify MSDH through the filing of a Determination of Non-Reviewability of any proposed changes, i.e., additional health care facilities or route deviations, from those presented in the Certificate of Need application prior to such change.

The Applicant states this application does not include adding a health facility to a proposed route.

Certificate of Need Criteria and Standards for the Acquisition or Otherwise Control of Magnetic Resonance Imaging (MRI) Equipment and/or the Offering of MRI Services

MSDH will review applications for a CON for the acquisition or otherwise control of MRI equipment and/or the offering of MRI services under the applicable statutory requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code of 1972, as amended. MSDH will also review applications for Certificate of Need according to the general criteria listed in the *Mississippi Certificate of Need Review Manual*; all adopted rules, procedures, and plans MSDH; and the specific criteria and standards listed below.

The acquisition or otherwise control of MRI equipment is reviewable if the equipment cost is in excess of \$1,500,000; if the equipment and/or service is relocated; and if the proposed provider of MRI services has not provided such services on a regular basis within the period of twelve (12) months prior to the time such services would be offered, regardless of the capital expenditure.

SHP Need Criterion 1: Minimum Procedures/Population

The *FY 2020 Mississippi State Health Plan* states: The entity desiring to acquire or otherwise control the MRI equipment shall demonstrate a minimum of 2,700 procedures per year by the end of the second year of operation. The applicant must show the methodology used for the projections.

- a. Non-hospital based MRI facilities: Applicants for non-hospital based MRI facilities may submit affidavits from referring physicians. MRI procedures projected in affidavits shall be based on actual MRI procedures referred during the year.**

The Applicant submits Mid-South is a freestanding facility owned by physicians. The application contains twenty-five (25) affidavits demonstrating support from referring doctors as listed in the table below. The Applicant certifies the affidavits are based on personal experience and review of records during a twelve (12) month period. The affidavits represent a total of 2,875 procedures.

SUBMITTED BY	<u>NUMBER PROCEDURES</u>
Anguillard MD, Robert Pulmonary/Critical Care Olive Branch, MS	30
Allred PA-C,D.C., Cassie Orthopaedics Holly Springs, MS	480
Boswell MD, Richard Pulmonary/Critical Care Olive Branch, MS	15
Braun MD, John Interventional Radiology Southaven, MS	2
Cohen MD, David Interventional Radiology Southaven, MS	120
Dabov MD, Gregory Orthopaedics DeSoto County, MS	137
Dlabach MD, Jeffery Orthopaedics Olive Branch, MS	156
Patel, MD, Dharmesh Cardiology Southaven, MS	207
Ellis MD, Garrettson Pulmonary/Critical Care Olive Branch, MS	50
Field MD, Edward Orthopaedic Surgery Oxford & Batesville, MS	25

Fox MD, Roy Pulmonary/Critical Care Olive Branch, MS	25
Henderson MD, Todd Pulmonary/Critical Care Southaven, MS	12
Law MD, Peter Pulmonary/Critical Care Olive Branch, MS	15
Malhotra MD, Amit Cardiology Southaven, MS	25
Mascioli MD, Anthony Orthopaedics DeSoto County, MS	208
Mihalko MD, Marc Orthopaedics DeSoto County, MS	205
Mitias MD, Hanna "Johnny" Michael Orthopaedics Olive Branch, MS	500
Munday DO, (Michael) David Pulmonary/Critical Care Olive Branch, MS	20
Richards MD, William Pulmonary/Critical Care Olive Branch, MS	35
Richardson MD, David Orthopaedics DeSoto County, MS	143
Sherman MD, Henry Family Practice/Sports Medicine DeSoto County, MS	127
Spicer D.P.M., Jared Podiatry Oxford, MS	250
Wilds MD, Nathan Pulmonary/Critical Care Olive Branch, MS	31
Williams MD, David Pulmonary/Critical Care Olive Branch, MS	40
Zaidi MD, S. Junaid Pulmonary/Critical Care Olive Branch, MS	17
TOTAL	2,875

b. Reasonable population base:

The Applicant submits the following data from the *FY 2020 State Health Plan* which shows data from the 2023 Population Projections from the Data Center of

Mississippi, University of Mississippi Center for Population Studies, February 2018, as related to the five (5) counties located in GHSA 1:

PLANNING AREA 1	POPULATION
DeSoto	178,466
Marshall	39,652
Panola	36,145
Tate	33,397
Tunica	11,985
TOTAL	299,645

The Applicant submits the population base for General Hospital Service Area (GHSA) 1 is 299,645 per the *FY 2020 MSHP*. Using the state MRI totals for 2016 of 256,199 with 2023 State population of 3,138,145 produces a State Use Rate of 81.64 MRIs per thousand. The Applicant asserts using Planning Area 1's population for 2023 indicates the formula supports 24,463 MRIs in Planning Area 1 as shown below:

$$V = 299,645 \times 81.64/1000 = 24,463 \text{ MRIs which the Applicant states indicates support for an additional MRI unit since only 5.61 are available.}$$

Using data from US Census, the Data Center of Mississippi, University of Mississippi Center for Population Studies, February 2018, the Applicant projects the population of GHSA 1 for 2016 is 284,192. Applying the use rate to the 2016 population shows:

$$V = 284,192 \times 81.64/1,000 = 23,201 \text{ MRIs could be supported in the service area.}$$

c. Utilization of existing units:

General Hospital Service Area 1 (MRI Procedures)

Facility	Type Providers	County	Equip. Type	No. of MRI Procedures	
				2015	2016
Baptist Mem. Hosp.- DeSoto	H	DeSoto	F (3)	8,022	7,502
DeSoto Imaging Specialists	FS	DeSoto	F	3,366	3,060
Methodist Healthcare Olive Branch Hospital	H	DeSoto	F	1,394	2,106
Panola Medical Center	H	Panola	M	654	748
Superior MRI Services	MP	Panola	M	-	-
Total				13,346	13,416

The Applicant asserts there are 5.61 MRI units in Planning Area 1 which performed a total of 13,416 procedures in 2016, for an average number of 2,391 procedures per unit per year ($13,416/5.61 = 2,391$). Therefore, the Applicant asserts all existing units within its defined service area have performed an average higher than 1,700 procedures for the most recent twelve (12) month period.

SHP Need Criterion 2: Equipment Requirements

- a. **FDA Approval** - The application contains a letter from the FDA indicating approval.
- b. **Qualified Personnel** - MSIT, a member of Mid-South Imaging Center, LLC, will be contracted to provide qualified personnel to operate the equipment.
- c. **Fixed/minimum volume contracts** - The Applicant states the equipment will be part of Mid-South and will not be rented, leased or otherwise used by other qualified providers on a contractual basis.

SHP Need Criterion 3 – Data Requirements

The Applicant certifies Mid-South will record and maintain, at a minimum, the information listed in this criterion and will make it available to MSDH within fifteen (15) business days of request.

SHP Need Criterion 4: Business Registration

The Applicant states Mid-South Imaging Center, LLC will be registered and authorized to do business in Mississippi.

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

The Applicant assures MSIT will have CON approval or exemption before utilizing the MRI.

Certificate of Need (CON) Criteria and Standards for the Offering of Fixed or Mobile MRI Services

CON Need Criterion 1: Minimum Procedures/Population

The entity desiring to offer MRI services must document that the equipment shall perform a minimum of 2,700 procedures (or 1,700 procedures for rural hospitals) by the end of the second year of operation. This criterion includes both fixed and mobile MRI equipment. The application must show the methodology used for the projections.

a. Non-hospital-based MRI facilities

The application contains twenty-five (25) affidavits demonstrating support from referring physicians, indicating a total number of 2,875 procedures will be performed by the second year. See discussion above under SHP Need Criterion 1a.

b. Reasonable population base

The Applicant submits the formula, as discussed above regarding equipment acquisition, documents a reasonable population for the service.

Applicant's Defined Service Area Population $299,645 \times 81.64/1000 = 24,463$.

c. Utilization of existing units.

The Applicant submits all units within its defined service area have performed an average higher than the required 1,700 procedures for the most recent 12-month period. The Applicant further states the MRI unit will be a new service and will be used only by Mid-South to provide service.

CON Need Criterion 2: Availability of Diagnostic Imaging Modalities

The Applicant states computed tomography (full body), ultrasound and conventional radiology will be available within Mid-South or BMH-DeSoto. The Applicant further states MSIT is on the campus of BMH-DeSoto but is not part of the hospital.

CON Need Criterion 3: Non-Discrimination

The Applicant certifies that Mid-South will not have policies and/or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

CON Need Criterion 4: Staffing Requirements

The Applicant must document that the following staff will be available:

a. Director

The Applicant affirms a board eligible Director will be provided through a contract with MSIT. The Applicant further affirms the Director will have knowledge of MRI through training and experience or documented post-graduate education. In addition, the Applicant states the Director will have the required training with a functional MRI facility.

b. One Full-time MRI Technologist-Radiographer

The Applicant affirms an MRI technologist or a person who has had equivalent education, training, and experience, shall be on-site at all times during operating hours. Further, the Applicant assures this individual will have experience in computed tomography or other cross sectional imaging methods.

CON Need Criterion 5: Experimental Procedures

The Applicant states if Mid-South is involved with MRI experimental procedures with formal/approved protocols, a full-time medical physicist or MRI scientist with at least one year of experience in diagnostic imaging will be available in the facility.

CON Need Criterion 6: Data Requirement

The Applicant affirms data required by this criterion will be kept and made available to MSDH upon request. In addition, Mid-South assures it will maintain the source of payment for procedures and the total amounts charged during the fiscal year and other data when it is within the scope of the recording system.

CON Need Criterion 7: CON Approval/Exemption for MRI Equipment

The Applicant affirms MSIC will have CON approval or exemption before utilizing the MRI.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2019*, addresses general criteria by which all CON applications are reviewed.

GR Criterion 1 –State Health Plan:

All projects will be reviewed for consistency with the State Health Plan in effect at the time of submission. The application was reviewed for compliance with the *FY 2020 Mississippi State Health Plan*. The Plan contains the following four (4) general policies that are applicable to all CON applications:

- To improve the health of Mississippi residents,
- To increase the accessibility, acceptability, continuity, and quality of health services,
- To prevent unnecessary duplication of health resources, and
- To provide some cost containment.

The Applicant asserts the project will improve the health of Mississippi residents by extending the continuum of services on the familiar campus of a general acute care hospital; access to electronic health records will contribute to continued coordination of high-quality care in easily accessible comfortable settings; and the project reflects stated federal and commercial payor drives for innovative cost-effective settings to provide cost containment.

GR Criterion 2 - Long Range Plan:

The Applicant states the long-range plan of Mid-South is to meet the needs of the people it serves with highest quality in a sophisticated, compassionate, caring environment. The Applicant believes this Project improves access for all residents of the service area.

GR Criterion 3- Availability of Alternatives:

The Applicant identified three alternatives considered with respect to the project: (1) work to improve existing settings; (2) establish new service locations in new territories; and (3) expand existing service locations.

a. Advantages and Disadvantages of Alternatives:

1. Work within the current settings and continually improve outpatient services. The Applicant states this alternative was not selected because the existing settings cannot adapt quickly enough to meet the health needs of all the people served. Federal and commercial payors are encouraging service development in the most effective and least expensive operational settings. The Applicant states a new setting is the most efficient way to effectively blend new service technologies with more traditional settings.

2. Establish a location further from the existing supportive resources. The Applicant states this alternative was dismissed because it would have allowed new settings to grow and transition with necessary support from current resources that are catalysts when critical masses are not possible. In addition, the Applicant states specially trained staff would have less potential for developmental communications and fewer opportunities for collegial discussions and education.
 3. Expand existing service locations. The Applicant states adding additional space at the hospital would not have provided a less complex setting for patients to navigate for ambulatory services.
- b. New Construction Projects:** The Applicant states modernization was not an option since additional space is needed for a freestanding venture.
 - c. Beneficial Effects to the Health Care System:** The Applicant asserts additional space at a familiar location provides access to various services in a supportive network of high-quality care. Further, the Applicant asserts expanding the health care continuum in a freestanding setting on an acute care hospital campus is an effective solution for adding value to the community.
 - d. Effective and Less Costly Alternatives:** The Applicant states there is no effective and less costly alternative to the proposed freestanding MRI project.
 - i. Unnecessary Duplication of Services:** The Applicant asserts this project is about adding choices of freestanding MRI service that accommodates preferences. The Applicant states part of the population is aging and prefers unencumbered travel to receive the same high-quality service provided in a hospital facility.
 - ii. Efficient Solution:** The Applicant asserts the MRI can operate without interruptions caused in other settings by entry of patients with a more immediate need for a higher level of care.
 - e. Improvements and Innovations:** The Applicant asserts additional MRI service will improve patient access and on a familiar campus with clear identification of imaging service from the exterior of the building. The Applicant further asserts convenient parking and attention to patient flow will increase clinical efficiency and enhance the level of patient satisfaction.
 - f. Relevancy:** The Applicant asserts federal and commercial payors are encouraging providers to provide MRI services in the most economical manner while maintaining the highest quality. Further the Applicant states services will be developing and delivering on consumer priorities including satisfaction, quality, experience, convenience and personalization.

GR Criterion 4 - Economic Viability:

Based on the Applicant's three-year projections, this project will have a net loss of \$182,684.00 the first year, and net income of \$28,507.00 the second year, and income of \$19,497.00 the third year of operation.

- a. **Proposed Charge:** The Applicant states charges were determined by using the CPT codes for the MRI services to be performed.
- b. **Projected Levels of Utilization:** The Applicant states the projected levels of utilization are determined by the need for the service, the capabilities of the equipment and the hours of operation.
- 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 states historical comparison is not available; however, the members of Mid-South are experienced in providing MRI service and other outpatient locations currently exist.
- e. **Covered Expenses:** The Applicant states the proposed project is not expected to fail to meet expected revenues; however, the members have established a working fund to cover expenses if projected revenues are lower than anticipated.
- f. **Impact of Proposed Project on Health Care Cost:** The Applicant states the payor revenue is projected in the Applicant's financial tables. The Applicant further states outpatient services do not involve patient days and reimbursements are primarily established by payor rate tables. The Applicant also states the impact on Medicaid is expected to be minimal since the overall number of services is not expected to substantially change.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The Applicant affirms the current patient population includes medically underserved groups such as racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly. In addition, the Applicant states the proposed freestanding MRI will continue to support the population in accordance with Federal and State standards.
- b. **Relocation of Services:** This criterion is not applicable as the Applicant does not propose to relocate services.
 - i. **Replacement Facility:** The applicant affirms the MRI will be part of a new freestanding venture that will provide service in accordance with Federal and State standards and expectations for the service payor category including independent diagnostic testing facilities.
 - ii. **Utilization of Existing Space Post Relocation of Services:** The Applicant affirms this criterion is not applicable to the proposed project.

- c. **Current and Projected Utilization of Comparable Facilities:** The Applicant states the MRI will be a service of Mid-South that is a freestanding venture and will not be licensed by the state as a health facility. The Applicant further states, as demonstrated by the Population-Based Formula for Projection of MRI Services, GHSA 1 can support at least nine (9) MRI units in the area.
- d. **Probable Effect on Existing Facilities in the Area:** The Applicant states Mid-South does not anticipate the MRI to have an adverse impact on other facilities. Mid-South states the proposal is to relieve current pressures for patients who are being encouraged by payors to find the most efficient and economical source for service. The Applicant states the joint venture adds choice in the community.
- e. **Community Reaction to Service:** The application contained three (3) letters of support.

GR Criterion 6- Access to the Facility or Service

a. Access

- 1. **Access to Services:** The Applicant states MSIC will be accessible to all residents who are primarily in GHSA 1. The Applicant further states MSIC does not exclude patients because of race, age, sex, ethnicity, or ability to pay.
- 2. **Access to the Proposed Services:** The Applicant states the residents of the proposed project will have access to the services.
- 3. **Gross Patient Revenues:** The following table shows the projected estimated gross patient revenues of health care to medically indigent and charity care patients for Years 1 and 2 for the proposed project.

	Medically Indigent (%)	Charity Care (%)	Medically Indigent (\$)	Charity Care (\$)
Historical Year FY 2018	N/A	N/A	N/A	N/A
Historical Year FY 2019	N/A	N/A	N/A	N/A
Projected Year 1	1.4%	0.6%	\$3,545.00	\$ 8,272.00
Projected Year 2	1.5%	0.6%	\$5,575.00	\$13,009.00

- b. **Existing Obligations:** The Applicant asserts the facility has no existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority/handicapped persons. The Applicant states the MRI is a service in a new location.
- c. **Unmet Needs of Medicare, Medicaid, and Medically Indigent Patients:** The Applicant states in accordance with Title VI and VII of the Civil Rights Act of 1964 and its implementing regulations, the MRI, directly or through contractual or other arrangements, will be used to treat all persons without regard to race, color, sex, age, disability or national origin in its provision of services and benefits and also in regard to state guidance for the welfare of the patient.

- d. **Access to Proposed Facility:** The Applicant submits the MRI will be operated as part of MSIC and will follow the charity policy.

Access Issues:

- i. **Transportation and Travel:** The Applicant states the freestanding MRI is conveniently located on the hospital campus and is approximately five (5) minutes driving time from Interstate 69/55 (I69), approximately 0.3 miles away. The Applicant states other accesses from Airways Boulevard are approximately 0.4 miles and eight (8) minutes by vehicle.
- ii. **Restrictive Admission Policy:** The Applicant asserts MSIC is an ambulatory imaging center and does not provide overnight services.
- iii. **Access to Care by Medically Indigent Patients:** The application contains a draft MSIC Charity Policy.
- iv. **Operational Hours of Service:** The Applicant states exterior access is provided for most services that will be open at different hours than 8:00am to 5:00pm during Monday through Friday. The Applicant states services may be accessible after hours by appointment with MSIC in extenuating circumstances.

GR Criterion 7- Information Requirement

The Applicant certifies 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 only one other freestanding service, DeSoto Imaging Specialists, is located in DeSoto County. The Applicant states, according to the *FY 2020 State Health Plan*, 3,060 procedures were performed at DeSoto Imaging Specialist in 2016.
- b. **Effect on Existing Health Services:**
 - i. **Complement existing services:** The Applicant asserts the additional MRI complements existing health services by offering a choice to the consumer in response to trends in Federal and Commercial payors efforts to increase use of freestanding services.
 - ii. **Provide Alternative or Unique Services:** The Applicant asserts the MRI is in a freestanding center that will have space to accommodate current need and reasonable future for ambulatory patients requiring an appropriate uncomplicated level of care.

- iii. **Provide Services for a Specific Target Population:** According to the Applicant, the MRI is responsive to those patients who are in need of ambulatory service in a setting that is not designed for complex patients but meets needs and accommodates payor requirements while providing high quality care.
- iv. **Provide Services for Which There is an Unmet Need:** The Applicant asserts the MRI service will contribute to serving the growth in ambulatory services needs for choices in service settings as influenced by payors.
- c. **Adverse Impact:** The Applicant submits if the MRI is not provided the residents served by MSIC will be directly affected by a delay in convenient access to complete care modalities.
- d. **Transfer/Referral/Affiliation Agreements:** The Applicant states the operator of the MRI, MSIC, will have agreements and access to resources in the Baptist Memorial Health Care System.

GR Criterion 9 - Availability of Resources

- a. **New Personnel:** Mid-South states the proposal require services through highly trained professional staff, that will be arranged through the management of BMG and access to highly skilled Radiologists through MSIT. In addition, the Applicant states physicians will be located in nearby offices.
- b. **Contractual Services:** The Applicant states MSIC will have arrangements for access to specialized Radiological services through Baptist Memorial Health Care Corporation such as Nuclear Medicine at Baptist Memorial Hospital-DeSoto, Inc.
- c. **Existing Facilities or Services:** The Applicant states MSIC, LLC is a new venture that does not directly own or operate other centers; however, the members, BMG and MSIT, have a reputation for successful centers in Tennessee. BMG and MSIT provide services as individual organizations in Radiological Services in multiple Baptist Memorial Hospitals that include ambulatory patients.
- d. **Alternative Uses of Resources:** The Applicant states the application is specific to MRI service at the DeSoto location.

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. **Support and Ancillary Services:** The Applicant states the proposal is to improve access to another setting of care for the community and an additional freestanding location of an MRI. The Applicant states MSIT has other resources in nearby BMH-DeSoto location and BMG has other resources in the same building as the MSIC location. Further, the Applicant states ancillary support to operate the MRI is available within MSIC that also operates computerized tomography, ultrasound and X-ray at the same location.
- b. **Changes in Costs or Charges:** The Applicant believes the choice of a freestanding option may lower the charges and payments for some patients/payors.

- c. **Accommodation of Changes in Costs or Charges:** The Applicant asserts this GR criterion is not applicable to this project as the project provides an additional setting for care. The Applicant states the costs and charges are new for the new setting.

GR Criterion 11- Health Professional Training Programs

The Applicant states MRI is an existing service and does not introduce new training requirements that are not currently available in the service area. Mid-South states the Baptist Health University in Memphis provides courses in Radiography Services including MRI.

GR Criterion 12 – Access by Health Professional Schools

The Applicant states members of the MSIC LLC participate in providing and benefitting from health professional training programs at the Baptist Health University in Memphis and other academic programs.

GR Criterion 13 – Access to Individuals Outside Service Area

The Applicant submits the five (5) counties located in GHSA 1 are the primary service area for the project.

GR Criterion 14 – Construction Projects

The application contains build out costs and financial projections for the MRI area of MSIC, as well as a construction cost estimate from the architect.

GR Criterion 15 – Competing Applications

There are no competing applications related to this project.

GR Criterion 16 - Quality of Care

- a. **Past Quality of Care:** The Applicant asserts the MRI is in a new freestanding venture; however, the members, BMG and MSIT have a reputation for successful centers in Tennessee.
- b. **Improvement of Quality of Care:** The Applicant states the proposed MRI addition in a freestanding location will increase choices that are available for selection by all patients and residents in the service area.
- c. **Accreditation and/or Certificates:** The Applicant MSIC will be certified for participation in the Medicare program; the equipment will be certified, and if allowed by state policies, MS Medicaid enrollment will also occur.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Estimated Cost
Construction Cost -New	\$ 0.00
Construction Cost-Renovation	313,500.00
Capital Improvements	0.00
Fixed Equipment	840,000.00
Non-fixed Equipment	229,447.00
Fees (Architectural, Consultant, etc.)	12,791.00
Contingency Reserve	100,000.00
Capitalized Interest	64,979.00
Legal and Accounting Fees	20,000.00
TOTAL PROPOSED CAPITAL EXPENDITURE	\$1,580,717.00

Mid-South proposes to renovate approximately 1,254 square feet of space to house a fixed MRI unit at an estimated cost of \$391.76 per square foot.

B. Method of Financing

The Applicant proposes to lease the building at an annual cost of \$50,369.00 for twelve (12) years and the equipment at an annual cost of \$168,000.00. The Applicant has an option to purchase the equipment at the end of the five (5) year lease period at a cost of \$1.

C. Effect on Operating Costs

See Attachment 1 for Mid-South'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	\$ 241,968.00	43.00%
Medicaid	39,390.00	7.00%
Commercial	236,341.00	42.00%
Self Pay	16,881.00	3.00%
Charity	14,068.00	3.00%
Other	14,068.00	3.00%
Total	\$562,716.00	<u>100.00%</u>

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid (Division) was provided a copy of this application for review and comment. In a letter dated November 2, 2021, the Division of Medicaid indicated the Division has no comments on this CON application.

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 MRI services contained in the *FY 2020 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2019*; 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 Mid-South Imaging Center, LLC, for the Acquisition of MRI Equipment and Offering of MRI Services.

Attachment 1
Mid-South Imaging Center, LLC
Three-Year Operating Statement (Project Only)

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	0.00	0.00	0.00
Outpatient Revenue	\$ 562,716.00	\$ 884,268.00	\$ 1,045,044.00
Gross Patient Revenue	\$ 562,716.00	\$ 884,268.00	\$ 1,045,044.00
Charity	\$ 11,817.00	\$ 18,584.00	\$ 21,946.00
Deductions from Revenue	123,098.00	198,314.00	253,056.00
Net Patient Care Revenue	\$ 427,801.00	\$ 667,370.00	\$ 770,042.00
Other Operating Revenue	0.00	0.00	0.00
Total Operating Revenue	\$ 427,801.00	\$ 667,370.00	\$ 770,042.00
Operating Expenses			
Salaries	\$203,008.00	\$208,083.00	\$212,143.00
Benefits	50,752.00	52,021.00	53,036.00
Supplies	38,865.00	48,028.00	152,998.00
Services	15,000.00	15,000.00	15,000.00
Lease Expenses	218,369.00	218,369.00	218,369.00
Depreciation	31,741.00	31,741.00	31,741.00
Interest	21,409.00	18,646.00	13,583.00
Other	31,341.00	46,975.00	53,675.00
Total Operating Expenses	\$ 610,485.00	\$ 638,863.00	\$ 750,545.00
Net Operating Income	\$(182,684.00)	\$ 28,507.00	\$ 19,497.00
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Procedures	1,764	2,772	3,276
Charge per Outpatient Day	0	0	0
Charge per Inpatient Day	0	0	0
Charge per Procedure	\$ 319.00	\$ 319.00	\$ 319.00
Cost per Inpatient Day	0	0	0
Cost per Outpatient Day	0	0	0
Cost per Procedure	\$ 346.00	\$ 230.00	\$ 229.00