

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
JUNE 2010**

**CON REVIEW: MU-A-0210-006  
SCOTT MEDICAL IMAGING, LLC  
ESTABLISHMENT OF MOBILE MRI SERVICES  
AT MEDICAL ASSOCIATES OF VICKSBURG  
CAPITAL EXPENDITURE: \$750.00  
LOCATION: VICKSBURG (WARREN COUNTY), MISSISSIPPI**

**STAFF REPORT**

**BACKGROUND**

Scott Medical Imaging (SMI) requested CON authority to add Medical Associates of Vicksburg (MAV) located in Warren County, Mississippi to an existing mobile route. The Philips Intera 1.5 Telsa mobile MRI unit will be docked at Medical Associates of Vicksburg three days per week (Monday p.m., Wednesday p.m. and Friday p.m.). The capital expenditure associated with the project is for the electric receptacle. The applicant included a projected operating statement for the first and second years of operation. The applicant did not propose any new personnel or financing. The capital expenditure (\$750.00) will be funded through SMI's accumulated cash reserves. The application contains no letters of support for the proposed project; however, the Department received one letter of opposition.

The 2010 State Health Plan requires that an entity desiring to offer MRI services must document that the equipment shall perform a minimum of 2,700 procedures by the end of the second year of operation. The *State Health Plan* provides, however, that: "If the MRI unit in question is presently utilized by more than one provider of MRI services, the actual number of procedures performed by them during the most recent 12-month period may be used instead of the formula projections". In addition, the *State Health Plan* requires that if a particular MRI unit is utilized by more than one provider of MRI services, all existing or proposed providers of MRI services must jointly meet the required service volume of 2,700 procedures annually by the end of the second year of operation. The applicant projected 430 procedures will be performed during its first year of operation and 480 during its second year of operation. When adding these projections to the other providers on the proposed route the total at the end of the second year of operation equated to 2,530 procedures. The proposed route did not meet the 2,700 procedures as required by the SHP Need Criterion.

The application did not contain a complete three-year projected operating statement; therefore, the economic viability of the project was questionable. In addition, the applicant relied upon being able to bill Medicaid through hospitals for medically indigent patients. The proposed site is not a hospital; therefore, the applicant will likely not be able to meet its projections for Medicaid patients.

The Department's staff analysis published May 17, 2010, recommended disapproval of the application submitted by Scott Medical Imaging for the establishment of mobile MRI services at Medical Associates of Vicksburg.

The Department regulations allow an applicant 15 days to provide additional information on its application for further analysis that may resolve the basis of staff's recommendation of disapproval. On June 1, 2010, the applicant submitted additional correspondence for the department to consider regarding the proposed project.

The applicant submitted revised projections regarding the number of procedures to be performed at MAV as stated in the table below:

Facility Name	Year 1 Projection	Year 2 Projection	Year 3 Projection	Day	Time
Ridgeland Diagnostic Center	450	500	525	Mon/Thur	AM/PM
<b>*Medical Associates of Vicksburg</b>	<b>430</b>	<b>780</b>	<b>800</b>	<b>Mon Wed &amp; Fri</b>	<b>PM</b>
Madison Specialty Clinic of Canton	400	575	575	Tues/Thur	AM
Leake Memorial Carthage	350	500	525	Tues	PM
Tyler Holmes Winona	350	475	500	Wed	AM
<b>TOTAL</b>	<b>1,980</b>	<b>2,830</b>	<b>2,925</b>		

\*Proposed facility to be added to existing route.

SMI submits that physicians are currently referring 75 procedures per month to other facilities in Vicksburg. Using a conservative number of 15 patients per week, the applicant expects to perform 780 procedures yearly, operating three half days per week. Although SMI increased its projected number of procedures to meet the minimum 2,700 procedures required by the State Health Plan, the applicant still failed to submit supporting documentation, such as affidavits from referring physicians to substantiate the number of procedures being projected. The Supreme Court in Mississippi State Department of Health v. Natchez Community Hospital, [No. 1998-SA-01055-SCT] held that unsupported statements by physicians do not provide substantial evidence upon which the Department should grant a CON.

Additional information was submitted with regard to the Economic Viability for the proposed project being able to bill Medicaid for diagnostic services. On March 11, 2010 the Division of Medicaid responded to the applicant's request regarding the policy on Independent Diagnostic Testing Facilities (IDTF) or other mobile diagnostic units having the ability to bill Medicaid. The letter states "Our Medicaid policy does allow reimbursement of the deductible and co-insurance for those people with Medicare and Medicaid coverage." The letter further states that "Our policy allows physicians, hospitals, and clinics to contract with an IDTF or other independent mobile diagnostic unit and bill Medicaid as stated in DOM Policy Manual, Section 37.02, Independent Diagnostic Testing Facilities and Other Independent Mobile Diagnostic Units..."

The applicant submitted a revised three year projected operating statement.

	Medical Associates of Vicksburg Year 1	Medical Associates of Vicksburg Year 2	Medical Associates of Vicksburg Year 3
Revenue			
Gross Patient Care Revenue	\$688,000	\$1,248,000	\$1,280,000
Deduction From Revenue			
Charity/Indigent Care	(\$16,125)	(\$31,200)	(\$32,000)
Contractual Adjustments	(\$539,435)	(\$978,900)	(\$1,004,000)
Provision for Bad Debt	(\$13,760)	(\$18,720)	(\$22,848)
<b>Total Deductions</b>	<b>(\$569,320)</b>	<b>(\$616,992)</b>	<b>(\$1,058,848)</b>
Net Patient Care Revenue	\$118,680	\$219,180	\$221,152
<b>Total Operating Revenue</b>	<b>\$118,680</b>	<b>\$219,180</b>	<b>\$221,152</b>
Operating Expenses			
Supplies	6,700	7,500	8,500
Lease Expense	9,000	9,000	9,000
Other Direct Expense (Power)	900	1,200	1,500
Other Indirect Expense (fuel/truck maint.)	2,850	3,500	4,000
<b>Total Operating Expense</b>	<b>\$19,450</b>	<b>\$63,200</b>	<b>\$65,000</b>
<b>Net Operating Income</b>	<b>\$99,230</b>	<b>\$155,980</b>	<b>\$156,152</b>
Assumptions			
Number of Scans	430	780	800
Charge per Scan	\$1,600	\$1,600	\$1,600
Cost per Scan	\$313	\$313	\$313

### Conclusion and Recommendation

As provided by the rules and regulations contained in the Certificate of Need Review Manual, Revised December 2009, the applicant submitted additional information pertaining to its application in an effort to satisfy the staff concerns regarding the project. Although SMI increased its projected number of procedures to meet the minimum 2,700 procedures required by the State Health Plan, the applicant still failed to submit supporting documentation, such as affidavits from referring physicians to substantiate the number of procedures being projected. The Supreme Court in Mississippi State Department of Health v. Natchez Community Hospital, [No. 1998-SA-01055-SCT] has held that unsupported statements by physicians do not provide substantial evidence upon which the Department should grant a CON.

Consequently, the Division of Health Planning and Resource Development maintains its original recommendation that the project be disapproved for failure to substantiate that the route will perform 2,700 procedures by the second year of operation.

**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 the publication of the staff report. The opportunity to request a hearing expires on July 15, 2010.**