

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
JANUARY 17, 2020**

**CON REVIEW: ASC-NIS-1219-011
MISSISSIPPI SPORTS MEDICINE & ORTHOPAEDIC CENTER, PLLC
OFFERING OF MRI SERVICES AT MISSISSIPPI SPORTS MEDICINE
AND ORTHOPAEDIC CENTER, FLOWOOD CLINIC
CAPITAL EXPENDITURE: \$722,500.00
LOCATION: FLOWOOD, RANKIN COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Mississippi Sports Medicine & Orthopaedic Center, PLLC (“MSMOC”) is a Mississippi Limited Liability Company located at 1325 East Fortification Street, Jackson, Mississippi. The entity also operates an orthopaedic medicine clinic in Flowood, Mississippi located at 4506 Lakeland Drive (“Flowood Clinic”). The entity consists of sixteen (16) members and two (2) officers. The Mississippi Office of the Secretary of State issued a Certificate of Good Standing on August 9, 2019, indicating that Mississippi Sports Medicine & Orthopaedic Center, PLLC is in good standing with the State of Mississippi and has continued authority to operate in Mississippi.

B. Project Description

Mississippi Sports Medicine & Orthopaedic Center (“MSMOC”) requests certificate of need (“CON”) authority for the offering of magnetic resonance imaging (“MRI”) services at the Flowood Clinic. The proposal entails (1) the acquisition and control of a new MRI system, a musculoskeletal scanner system (the “Extremity MRI”), and (2) the offering of MRI services at the Flowood Clinic with this new system. If approved, the applicant states this would allow patients to have an MRI scan performed and their condition diagnosed more quickly, without waiting for an appointment at another location. The applicant affirms that the proposed system, designed for limb, joint and spine examinations, features a very compact magnet that allows a patient to place their affected limb or other body part in the machine, offering maximum comfort and no claustrophobia.

The applicant affirms that MSMOC operates an orthopaedic medicine clinic in Flowood, Mississippi located at 4506 Lakeland Drive (“Flowood Clinic”). A separate entity, Madison Physician Surgery Center, LLC operates a single-specialty surgical facility in the same building (“ASC”). The applicant states ASC is physically separated from non-surgical activities, as required by applicable federal and state regulations, and utilizes a separate address: 4509 Lakeland Drive.

The applicant submits that orthopaedic clinical and ambulatory surgical services are provided exclusively at the Flowood Clinic and ASC by the physicians of MSMOC (“MSMOC Physicians”). In addition, the applicant states the MSMOC Physicians operate five (5) additional clinics in Mississippi, located in Jackson, Madison, Brookhaven, Ruleville, and Yazoo City. MSMOC submits that present diagnostic imaging services at the Flowood Clinic are limited to x-ray and CT technology. Patients requiring more detailed imaging that can be obtained through an MRI scan must go to the MSMOC

facility, approximately six (6) miles away, in the city of Jackson (the “Jackson Clinic”) or to another provider. The applicant states the two (2) MRI systems in place at the Jackson Clinic are among the busiest in the state, performing 6,839 MRI procedures in 2018, an increase from the 6,218 MRI scans that were reported in FY 2016 in the State Health Plan.

MSMOC asserts the proposed MRI system will be placed in existing vacant space requiring minimal renovation of approximately 1,000 square feet.

The applicant asserts that the \$722,500.00 capital expenditure for the proposed project will be funded from cash reserves. The application contained a purchase agreement from Esaote North America, Inc. for the equipment. The Capital Expenditure Summary (*Section IV. FINANCIAL FEASIBILITY (A)*), later in this Staff Analysis, gives an itemization of the total capital expenditure for the project. The applicant further includes a projected operating statement, which shows the first, second, and third years of operation (see Attachment 1).

The applicant indicates that the project requires one (1) additional full-time equivalent (FTE) personnel the first year of the project. On November 4, 2019, the MSDH, Division of Health Facilities Licensure and Certification approved the site for the proposed project at the Flowood Clinic.

MSMOC represents that it will comply with all local building codes, zoning ordinances, and appropriate regulatory authority. It 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.

MSMOC proposes to obligate the capital expenditure within sixty (60) days of CON approval and anticipates that the proposed project will be complete within sixty (60) days after the machine is delivered.

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, Revision*; 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 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 January 27, 2020.

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

A. Mississippi State Health Plan (MSHP)

The *FY 2018 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. This application is in substantial compliance with applicable policy statements, criteria and standards.

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 applicant affirms an understanding of this statement and has, therefore, filed this CON application for the necessary approvals.

SHP Policy Statement 2 - CON Approval Preference

The applicant affirms this statement is not applicable as it does not propose to enter into a joint venture utilizing mobile or shared equipment.

SHP Policy Statement 3 - Mobile MRI

The applicant affirms MSMOC does not propose the utilization of a mobile MRI service.

SHP Policy Statement 4 - Conversion to Fixed

This applicant affirms that SHP Policy Statement 4 is not applicable.

SHP Policy Statement 5 - Utilization of Existing Units

The applicant asserts their application and supporting materials are offered as evidence of MSMOC’s compliance with this policy, including but not limited to the requirement that all existing MRI service providers in the 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. MSMOC is located in General Hospital Service Area (GHSA) 5. According to the MS State Health Plan, there are thirty-two (32) MRI service providers with an indicated 30.65 FTE units located in GHSA 5, recently updated to 31.7 FTEs. During 2016 (the most recent available reporting period), GHSA 5 performed an average of 2,986 MRI scans for each FTE MRI unit. Furthermore, the applicant states that according to a recent staff analysis published by MSDH the updated average number of scans for GHSA 5 is 2,887 scans per FTE unit.

SHP Policy Statement 6 - Population-Based Formula

The applicant acknowledges the policy to be employed by MSDH to determine need.

SHP Policy Statement 7 - Mobile Service Volume Proration

The applicant affirms that SHP Policy Statement 7 is not applicable, as the applicant does not propose mobile service.

SHP Policy Statement 8 - Addition of Health Care Facility

The applicant affirms that SHP Policy Statement 8 is not applicable, as the applicant proposes a fixed unit.

Criteria and Standards for the Acquisition or Otherwise Control of MRI Equipment

SHP Need Criterion 1- Minimum Procedures/Population

The *FY 2018 Mississippi State Health Plan* states: “The entity desiring to acquire or otherwise control MRI equipment shall demonstrate a minimum of 2,700 procedures per year by the end of the second year of operation; provided, however, that MRI equipment exclusively servicing rural hospitals (those located outside U.S. Census Bureau Metropolitan Statistical Areas with seventy-five (75) or less beds) shall be required to demonstrate a minimum of 1,700 procedures per year by the end of the second year of operation. This criterion includes both fixed and mobile MRI equipment. The applicant must show the methodology used for the projections.”

The applicant states as demonstrated by the affidavits included in the application, historical referral patterns, the growth in demand that has been experienced in the past, and the population of General Hospital Service Area 5 (“GHSA 5”) and the Jackson metropolitan statistical (“Jackson Metro”) area, the MRI system proposed by MSMOC at the Flowood Clinic will produce a minimum of 2,700 scans by the end of the second year of operation.

- a. Non-hospital-based MRI facilities.** The application contains affidavits from seventeen (17) referring physicians in compliance with this criterion.
- b. Reasonable population base.** The applicant submits that the U.S. Census Bureau population projections (employed by the State Data Center of Mississippi) show that the population of GHSA 5 grew from 741,024 to 744,068 from 2010 – 2018, while the population of the Jackson Metro where the Flowood Clinic is located, grew from 540,735 to 551,918, a growth of approximately two percent (2.0%). The applicant points out that the data utilized in the *FY 2018 State Health Plan* predicts that GHSA 5 will have a population of 812,422 persons by 2023, a growth of 68,354 persons (9.18%), while the population of the Jackson Metro area is expected to grow to 608,599, a growth of 56,681 persons (10.26%).

The applicant used 2010 – 2018 data from the State Data Center/U.S. Census to determine population of GHSA 5 for 2016 and 2018. Based on Population Projections contained in the application, GHSA 5 had a population of 746,908 in 2016 and 744,068 in 2018. The applicant states that using the population-based formula (“Population Formula”) for projection of MRI service volume: $X * Y \div 1,000 = V$. Where X is the service area population, Y is the Mississippi MRI Use Rate, and V is expected volume, the Population Formula projects that GHSA 5 would produce 60,947 MRI scans in 2016.

$$(746,908 \times 81.6) \div 1,000 = 60,947.69 \text{ scans}$$

The applicant states that using the same rationale, 60,715 scans could reasonably be expected in 2018.

$$(744,068 \times 81.6) \div 1,000 = 60,715 \text{ scans}$$

The applicant states this disparity is likely to grow larger if the *State Health Plan's* population estimate of 812,422 persons in GHSA 5 in 2023 becomes reality. When applied to the current use rate, the 2023 projection is for 66,293 scans.

$$(812,422 \times 81.6) \div 1,000 = 66,293 \text{ scans}$$

The 2018 MSHP indicates that 91,524 MRI scans were reported in 2016, which results in 25,231 more scans than anticipated by the Plan's need formula for the service area. Thus, the applicant asserts that the Population Formula yields an average of 1,915 MRI scans per FTE for existing units, well above the 1,700 minimum criterion ($60,715 \div 31.7 \text{ FTEs} = 1,915.29$). See Exhibit 2 of the Staff Analysis.

The applicant states when these facts are taken into consideration there is a reasonable population base to justify MSMOC's projection of 3,648 scans at the Flowood Clinic by the second year of operation. The applicant states that this is especially true when it is considered that: (1) a significant part of the MSMOC's expected MRI volume will come from existing patients whose scans are presently being performed at the Jackson Clinic; and (2) GHSA 5 can support a significant number of additional MRI units and still be above the 1,700 per existing unit minimum criterion.

- c. Utilization of Existing Units.** The applicant submits according to the 2018 MSHP, there are thirty-two (32) MRI service providers located in GHSA 5, consisting of 31.7 FTE units. These units performed a total of 91,524 MRI scans, resulting in an average of 2,887 scans/unit. Therefore, all existing units within GHSA 5 have performed an average of at least 1,700 procedures for the most recent 12-month period for which data is available (See Attachment 2).

SHP Need Criterion 2 – Equipment Requirements

- a. FDA approval.**
- b. Qualified personnel.**
- c. Fixed/minimum volume contracts.**

The applicant acknowledges the requirements of this criterion and states the equipment is FDA approved and that MSMOC will comply with the remaining requirements of this criterion.

SHP Need Criterion 3 – Data Requirements

Applicants shall provide written assurance that they will record and maintain, at a minimum, the following information and make it available to MSDH:

- a. All facilities which have access to the equipment
- b. Utilization by each facility served by the equipment, e.g., days of operation, number of procedures, and number of repeat procedures;
- c. Financial data, e.g., copy of contracts, fee schedule, cost per scan; and
- d. Demographic and patient origin data for each facility.

The applicant affirms that, at a minimum, it will record and maintain the above information and make it available to the Mississippi State Department of Health upon request within the time period specified.

SHP Need Criterion 4 – Business Registration

The application contains a Certificate of Good Standing from the Mississippi Secretary of State in compliance with this criterion.

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

The applicant states it has submitted an application to obtain CON review by the Mississippi State Department of Health of its proposal to offer MRI services at the Flowood Clinic. The applicant also affirms that it will not utilize the MRI equipment until obtaining a CON or written evidence from the Department that the equipment is exempt from CON approval.

Criteria and Standards for the Offering of Fixed or Mobile MRI Services

SHP Need Criterion 1 – Minimum Procedures/Population

As indicated above, the applicant anticipates that it will provide over 2,700 scans by the end of the second year of operation. The applicant proposes to perform 1,700 scans the first year, 2,750 the second and 3,000 the third year of operation.

- a. **Non-hospital-based MRI facilities.** The application contains affidavits from seventeen (17) referring physicians indicating that the applicant will perform a minimum of 2,700 procedures a year by the end of the second year. Based on the physician affidavits MSMOC projects performing 3,096 procedures during the first year of operation and 3,648 procedures by its second year of operation.
- b. **Reasonable population base.** The applicant submits that there will be a reasonable population within MSMOC's service area to justify a minimum of 2,700 procedures for the proposed Extremity MRI system by the second year of operation.

Further, the applicant states that the Population Formula for projection of MRI service volume projects that GHSA 5 would produce 60,947 MRI scans in 2016; however, the actual number as reported in the current State Health Plan for FY 2016 is 91,524 scans, a variance of over 30,577 scans or 50.16%.

The applicant asserts that GHSA 5's population base, healthy growth rate, and demonstrated demand for MRI scans by providers located in the service area support MSMOC's projections for MRI scans at the Flowood Clinic.

- c. Utilization of existing units.** MSMOC's Flowood Clinic is located in GHSA 5. The applicant submits that according to the State Health Plan, there are thirty-two (32) MRI service providers located in this service area, consisting of 31.7 FTE units. During 2016, the most recent twelve (12) month reporting period available, these units conducted a total of 91,524 MRI scans, or an average of 2,887 scans/unit. Therefore, the applicant states its application satisfies this criterion. MSMOC further states this would also be true if/when Capital Orthopaedic Clinic, PLLC adds another MRI unit to GHSA 5.

SHP Need Criterion 2 – Availability of Diagnostic Imaging Modalities

The applicant certifies that a full range of diagnostic imaging modalities for verification and complementary studies, including but not limited to, full body computed tomography, ultrasound, angiography, nuclear medicine, and conventional radiology, will be available either on-site at the Flowood Clinic, the Jackson Clinic location of Mississippi Sports Medicine Center, or available at Baptist Medical Center, a nearby hospital that has entered into a transfer agreement with MSMOC. MSMOC states it is also in the process of finalizing a transfer agreement with River Oaks Hospital.

SHP Need Criterion 3 – Non-Discrimination

The applicant certifies that within the scope of its available services, neither the facility where the service is provided, nor its participating medical personnel shall have policies nor procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

SHP Need Criterion 4 – Staffing Requirements

- a. Director.** The applicant states the MSMOC Physicians provide MRI services to their patients and bill the global rate for MRI service provided (technical and professional components). MSMOC Physicians utilize radiologists employed by the University of Mississippi Medical Center ("UMMC") to review and interpret MRI scans. Joseph R. Chaudry, M.D., board certified in Diagnostic Radiology and is the Division Director for UMMC's Department of Radiology, serves as MSMOC's Director of Radiology. The applicant states Dr. Chaudry meets all the referenced requirements and if this CON is approved, this arrangement will continue for MRI scans performed at the Flowood Clinic.
- b. One Full-time MRI technologist-radiographer.** The applicant certifies that MSMOC currently employs two (2) Staff MRI Technologists and anticipates hiring two additional MRI technologists if this application is approved. The applicant states Amy Walker, a Staff MRI Technologist, will be on-site at the Flowood Clinic if this application is approved. The applicant further states Ms. Walker satisfies all the required criteria.

SHP Need Criterion 5 – Experimental Procedures

The applicant affirms that the MRI unit will not be used for experimental procedures.

SHP Need Criterion 6 – Data Requirement

The applicant certifies that the data requirements listed for this criterion will be kept and made available to the Department of Health upon request.

SHP Need Criterion 7 – CON Approval/Exemption for MRI Equipment

The applicant affirms that it will not utilize the proposed MRI equipment until obtaining CON authority to operate it or until it obtains written evidence from the Department that the equipment is exempt from CON approval.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2019 Revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 –State Health Plan

The application was reviewed for compliance with the *FY 2018 Mississippi State Health Plan* as discussed above.

GR Criterion 2 - Long Range Plan

The applicant states MSMOC developed this proposal in an effort to provide more convenient, timely, and cost-effective access to MRI services to patients seen on the Flowood Clinic premises and to patients who are presently forced to travel to the applicant's Jackson Clinic or other service providers for MRI scans. The applicant states this project will also help relieve MRI scheduling pressure for all MSMOC patients at the Jackson Clinic for the two (2) existing MRI units in operation there. Therefore, the applicant states this project is consistent with MSMOC Physicians' long-range plan to provide the highest quality orthopaedic care possible at each of their clinic locations.

GR Criterion 3- Availability of Alternatives

- a. Advantages and Disadvantages of Alternatives:** The applicant states it and MSMOC Physicians considered two (2) alternatives to the project: (1) status quo; and (2) a full body scan MRI system. MSMOC states it decided not to pursue a full body MRI system because such systems can cost well over one million dollars, more than twice the cost of the Extremity MRI system chosen. In addition, the Extremity MRI system offers a more compact and efficient way to obtain diagnostic images of limbs, joints, and spine (cervical and lumbar).

The applicant states status quo is not an acceptable option because it would mean that Flowood Clinic patients who require detailed diagnostic imaging of their extremities would continue to have to travel to the Jackson Clinic or other MRI providers for these services. In addition, the applicant states there is significant scheduling pressure on the two (2) units at the Jackson Clinic. The applicant believes the option chosen is more efficient for both physicians and all MSMOC patients requiring MRI services.

- b. New Construction Projects:** The applicant certifies that this criterion is not applicable for this project. Only minimal renovation of the proposed space at the Flowood Clinic will be required.
- c. Beneficial Effects to the Health Care System:** The applicant states the project utilizes medical equipment that costs significantly less than other types of MRI

systems and places this new system closer to the patients and the physicians who will treat them. MSMOC believes this approach increases the accessibility, acceptability, continuity, and quality of health services, without unnecessarily duplicating health resources.

- d. **Effective and Less Costly Alternatives:** The applicant states there is no less costly alternative. Therefore, the option chosen is the most cost effective and beneficial for the continuation of patient care.
 - i. **Unnecessary Duplication of Services:** The applicant states the Extremity MRI system that is being proposed is for use by MSMOC Physicians for their patients. The overwhelming majority of those patients treated at the Flowood Clinic choose to go to the Jackson Clinic for their MRI scans. The applicant states the two (2) MRI systems in place at the Jackson Clinic are among the busiest in the state, performing 6,839 MRI procedures in 2018, an increase from the 6,218 MRI scans that were reported in FY 2016 in the *State Health Plan*. In addition, the applicant submits the actual demand for MRI scans in GHSA 5 far exceeds the demand that is predicted by the Population Formula; therefore, there will be no unnecessary duplication of services.
 - ii. **Efficient Solution:** The applicant submits an Extremity MRI is the most efficient and effective solution for MSMOC Physicians and their patients that require detailed diagnostic imaging of the extremities. MSMOC states this type of system is uniquely suited for orthopaedic uses and costs significantly less than other types of MRI systems and places this new system closer to the patients and the physicians who will treat them.
- e. **Improvements and Innovations:** The applicant asserts that an Extremity MRI is the most cost efficient and effective solution for physicians and their patients that require detailed diagnostic imaging of the extremities.
- f. **Relevancy:** The applicant asserts that insurers and other payors require providers to deliver health care in the most cost and time-efficient manner possible and the Extremity MRI is entirely consistent with this continuing trend.

GR Criterion 4 - Economic Viability

Based on the applicant's three-year projections, this project will have net income of \$131,982.00 the first year, \$527,482.00 the second year and \$559,357.00 the third year of operation.

- a. **Proposed Charge:** The applicant states the charges per procedure are based on current Medicare, Medicaid, and commercial insurance allowable charges and that profitability is contingent upon a number of factors, including volume and the cost of the renovations and equipment.
- b. **Projected Levels of Utilization:** The applicant states the Extremity MRI system that is being proposed will be used almost exclusively by MSMOC Physicians

and their patients. The overwhelming majority of those patients treated at the Flowood Clinic choose to go to the Jackson Clinic for their MRI scans. The applicant states the two (2) MRI systems in place at the Jackson Clinic are among the busiest in the state, performing 6,839 MRI procedures in 2018, an increase from the 6,218 MRI scans that were reported in FY 2016 in the *State Health Plan*. The applicant further states the growing need for MRI scans at the Flowood Clinic is consistent with the growth in demand for MRI scans MSMOC has experienced at the Jackson Clinic.

- 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 asserts GR Criterion 4 - Economic Viability (d) is not applicable to the proposed project.
- e. **Covered Expenses:** The applicant asserts that it can cover any expenses for the project through generated revenues on existing lines of credit.
- f. **Impact of Proposed Project on Health Care Cost:** The applicant asserts the project will not adversely impact the cost of health care, as the charges to both Medicare and Medicaid will remain similar to other providers.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The applicant states all residents of the area, including low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups and the elderly, will have access to the proposed MRI services.
- b. **Relocation of Services:** This criterion is not applicable, as the applicant does not propose relocation of services.
 - i. **Replacement Facility:** The applicant affirms that GR Criterion 5 - Need for the Project (b)(i) is not applicable for the proposed project.
 - ii. **Utilization of Existing Space Post Relocation of Services:** The applicant affirms that GR Criterion 5 - Need for the Project (b)(ii) is not applicable for the proposed project.
- c. **Current and Projected Utilization of Comparable Facilities:** MSMOC's Flowood Clinic is located in GHSA 5. The applicant submits that according to the *State Health Plan*, there are thirty (32) MRI service providers located in this service area, consisting of 31.7 FTE units. During 2016, the most recent twelve (12) month reporting period available, these units conducted a total of 91,524 MRI scans. The applicant further states the updated MRI scans resulted in an average of 2,887 scans/unit for GHSA 5. Therefore, the applicant states its application satisfies this criterion. MSMOC further states this would also be true if/when Capital Orthopaedic Clinic, PLLC adds another MRI unit to GHSA 5.
- d. **Probable Effect on Existing Facilities in the Area:** The applicant believes there will be no probable adverse effect on existing facilities providing orthopaedic services because the proposed MRI system is for the use of patients of MSMOC.

- e. **Community Reaction to Service:** The application contained two (2) letters of support for the proposed project.

GR Criterion 6- Access to the Facility or Service

- a. **Access to Services:** The applicant states GHSA 5 contains fifteen (15) counties, all of which have been designated by the Health Resources and Services Administration as Medically Underserved Areas (MUA). Further, the applicant operates in four (4) of these counties: Hinds, Madison, Rankin, and Yazoo. The applicant states MSMOC Physicians treat medically underserved populations in each of these areas and do not discriminate against them in any way. All persons, including the medically underserved, will have access to the proposed MRI system.

The following table shows the projected estimated gross patient revenues of health care to medically indigent and charity care patients for years one (1) and two (2) of the proposed project:

Gross Patient Revenue				
	Medically Indigent (%)	Medically Indigent (\$)	Charity Care (%)	Charity Care (\$)
Historical Year FY 2018	0.30%	\$20,011.16	0.70%	\$19,618.79
Historical Year FY 2019	0.31%	\$24,774.05	0.69%	\$24,288.29
Projected Year 1	0.13%	\$24,750.00	0.15%	\$30,250.00
Projected Year 2	0.15%	\$30,800.00	0.16%	\$33,000.00

- b. **Existing Obligations:** The applicant indicates that it has no existing obligations under federal regulation requiring provision of uncompensated care, community service, or access by minority or handicapped persons.
- c. **Unmet Needs of Medicare, Medicaid, and Medically Indigent Patients:** The applicant submits MSMOC will meet the needs of Medicare, Medicaid, and medically indigent patients who reside in the area. All patients, including medically indigent patients, will have access to the proposed MRI equipment and services offered by the applicant, in accordance with its charity care policy.
- d. **Access to Proposed Facility:** The applicant submits MSMOC will provide MRI services to patients in need of such services, including Medicare, Medicaid and medically indigent patients in accordance with its charity care policy, as well as racial and ethnic minorities and the elderly. The applicant further states its facility is open Monday – Friday during normal business hours (7:15 AM – 4:30 PM). In addition, patients requiring an emergency MRI on a date and time that the applicant is unable to provide such services will be transferred to an appropriate provider with the capability and capacity to treat the patient.

e. Access Issues:

- i. Transportation and Travel:** The applicant states Flowood Clinic is conveniently located on Lakeland Drive, a major thoroughfare, in the City of Flowood.
- ii. Restrictive Admission Policy:** The applicant states the Flowood Clinic does not admit patients, since all patients are seen on an outpatient basis. However, the applicant states its Scheduling and Scanning Policy does not discriminate against patients on the basis of race, gender, or other personal characteristics protected by law.
- iii. Access to Care by Medically Indigent Patients:** The applicant states all patients, including those that are medically indigent, will have access to the services to be offered at the proposed site.
- iv. Operational Hours of Service:** The applicant states its regular operating hours will be from 7:15 AM to 4:30 PM Monday through Friday. Emergency only operation is not applicable for this project.

GR Criterion 7- Information Requirement

The applicant affirms 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 indicates there are other MRI providers in GHSA 5 that provide MRI services to the population served, including MSMOC through its Jackson Clinic; however, this facility is one of the few orthopaedic practices in GHSA 5 that provides MRI services at its clinic facility at present.
- b. Effects on Existing Health Services:**
 - i. Complement existing services:** The applicant states the project will complement existing MRI services by providing another option for patients with orthopaedic conditions who require this form of diagnostic imaging.
 - ii. Provide Alternative or Unique Services:** The applicant states the project will allow patients under the care and treatment of an orthopaedic physician to have access to MRI scans in a same-clinic setting through an Extremity MRI. The applicant submits MSMOC is one of few such orthopaedic practices that offers this convenience.
 - iii. Provide Services for a Specific Target Population:** The applicant submits the project will provide MRI services to patients undergoing treatment by an orthopaedic physician in a clinic setting.

- iv. **Provide Services for Which There is an Unmet Need:** The applicant states at present, orthopaedic patients being treated at the Flowood Clinic must have their MRI scans performed at the Jackson Clinic or at the location of another provider. The applicant states the new system will reduce scheduling pressure on its two (2) existing MRI systems in the Jackson Clinic.
- c. **Adverse Impact:** The applicant asserts that if the project is not implemented, orthopaedic patients at the Flowood Clinic will be forced to continue to have MRI scans performed elsewhere, increasing the time and expense required for treatment.
- d. **Transfer/Referral/Affiliation Agreements:** The applicant states MSMOC has a transfer agreement with Baptist Medical Center in Jackson and is in the process of finalizing an agreement with River Oaks Hospital in Brandon.

GR Criterion 9 - Availability of Resources

- a. **New Personnel:** The applicant states at present MSMOC Physicians utilize the services of two (2) MRI technologists and intend to hire two (2) additional technologists. In addition, the applicant states MSMOC Physicians utilize radiologists employed by the University of Mississippi Medical Center to review and interpret the MRI scans. Joseph R. Chaudry, M.D. serves as MSMOC's Director of Radiology. The applicant further states it has had no difficulty in obtaining the services of qualified persons to manage its existing MRI system.
- b. **Contractual Services:** The applicant states GR Criterion 9 - Availability of Resources (b) is not applicable to the proposed project.
- c. **Existing Facilities or Services:** The applicant affirms it has had a satisfactory staffing history at both the Flowood and Jackson Clinics.
- d. **Alternative Uses of Resources:** The applicant affirms MSMOC is currently staffed and has maintained a satisfactory staffing history at both the Flowood and Jackson Clinics

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. **Support and Ancillary Services:** The applicant states MSMOC has had no issues obtaining the necessary support and ancillary services to provide MRI services at either its Flowood or Jackson Clinics.
- b. **Changes in Costs or Charges:** The applicant asserts, it does not anticipate any increase in charges as a result of the project.
- c. **Accommodation of Changes in Costs or Charges:** The applicant asserts GR Criterion 10 – Relationship to Ancillary or Support Services (c) is not applicable for this project.

GR Criterion 11- Health Professional Training Programs

The applicant states MSMOC will continue to work with health professional training programs in the area, including those at the University of Mississippi Medical Center.

GR Criterion 12 – Access by Health Professional Schools

The applicant states the facility and those of its Jackson Clinic are used by UMMC for placement of residents in orthopaedic treatment and surgery. MSMOC states an MRI system at the Flowood location will help enhance the clinical preparedness of those residents.

GR Criterion 13 – Access to Individuals Outside Service Area

The applicant submits that MSMOC treats many patients at its Jackson and Flowood clinics that reside outside GHSA 5, because the specialized orthopaedic services offered by MSMOC are limited in nearby counties. The applicant expects this trend to continue and this population will benefit from the addition of the proposed MRI system in Flowood.

GR Criterion 14 – Construction Projects

The applicant states that GR Criterion 14 is not applicable as there is no for construction involved for the proposed project.

GR Criterion 15 – Competing Applications

There are no competing applications on file with the Department regarding the acquisition of MRI equipment and the offering of MRI services in Flowood.

However, the applicant acknowledges the Mississippi State Department of Health published a Staff Analysis on September 16, 2019 approving Capital Orthopaedic Clinic, PLLC for the offering of MRI services and acquisition or otherwise control of MRI equipment at 101 Burney Drive, Flowood, MS 39232. A Final Order was issued on October 30, 2019, authorizing Capital Orthopaedic to acquire MRI equipment and offer MRI services in Flowood. The applicant submits that adding one (1) FTE MRI unit produces a per-unit average that still satisfies all CON criteria for the offering of MRI services by a significant margin.

GR Criterion 16 - Quality of Care

- a. Past Quality of Care:** The applicant states orthopaedic clinical and ambulatory surgical services are provided exclusively at the Flowood Clinic by the physicians of MSMOC. MSMOC also operates five (5) additional clinics in Mississippi, located in Jackson, Madison, Brookhaven, Ruleville, and Yazoo City. The applicant states MSMOC has an established record of providing quality care at all clinic facilities and will continue to do so at the Flowood Clinic.
- b. Improvement of Quality of Care:** The applicant states having an MRI system in the same building, utilizing the same treatment protocols and billing procedures as the patient's treating physician(s), will increase the accessibility, acceptability, continuity, and quality of the health services offered by the applicant. In addition, the applicant states the project will also increase the quality of orthopaedic services that are provided by facilitating diagnostic imaging by technicians who are experienced in handling orthopaedic injuries.

- c. **Accreditation and/or Certificates:** The applicant indicates MSMOC is accredited by the International Certification Accreditation Council (ICAC) and is certified by the Centers for Medicare and Medicaid Services (CMS) to participate in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Estimated Cost	% of the Total
Construction Cost -New	\$ 0.00	0.00%
Construction Cost-Renovation	130,000.00	18.00%
Capital Improvements	0.00	0%
Total Fixed Equipment Cost	500,000.00	69.20%
Total Non-Fixed Equipment Cost	72,500.00	10.03%
Land Cost	0.00	0.00%
Site Preparation Cost	0.00	0.00%
Fees (Architectural and Consultant Fees)	0.00	0.00%
Fees (Legal and Accounting Fees)	20,000.00	2.77%
Contingency Reserve	0.00	0.00%
Capitalized Interest	0.00	0.00%
Other Cost	0.00	0.00%
TOTAL PROPOSED CAPITAL EXPENDITURE	\$722,500.00	100.00%

The project will entail approximately 1,000 square feet of renovation for the proposed MRI equipment at an estimated cost of \$130.00 per square foot. *Building Construction Cost with MSMeans data* does not compare costs for renovation.

B. Method of Financing

MSMOC proposes to fund the \$722,500.00 capital expenditure from cash reserves.

C. Effect on Operating Costs

See Attachment 1 for MSMOC'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	\$ 840,000.00	40.00%
Medicaid	420,000.00	20.00%
Commercial	525,000.00	25.00%
Self Pay	105,000.00	5.00%
Charity	63,000.00	3.00%
Other	147,000.00	7.00%
Total	\$2,100,000.00	<u>100.00%</u>

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. As of the date of this staff analysis, the Division has not provided any comments on the proposed project.

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 2018 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2019 Revision*; 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 Mississippi Sports Medicine and Orthopaedic Center, PLLC, for the Offering of MRI Services at Mississippi Sports Medicine & Orthopaedic Center, Flowood Clinic.

Attachment 1
Mississippi Sports Medicine & Orthopaedic Center, PLLC
Three-Year Operating Statement (Project Only)

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	0.00	0.00	0.00
Outpatient Revenue	\$ 2,100,000.00	\$ 3,300,000.00	\$ 3,600,000.00
Gross Patient Revenue	\$ 2,100,000.00	\$ 3,300,000.00	\$ 3,600,000.00
Charity	57,750.00	90,750.00	99,000.00
Deductions from Revenue	1,567,125.00	2,462,625.00	2,686,500.00
Net Patient Care Revenue	\$ 475,125.00	\$ 746,625.00	\$ 814,500.00
Other Operating Revenue	0.00	0.00	0.00
Total Operating Revenue	\$ 475,125.00	\$ 746,625.00	\$ 814,500.00
Operating Expenses			
Salaries	\$ 150,000.00	\$ 65,000.00	\$ 95,000.00
Benefits	30,000.00	13,000.00	19,000.00
Supplies	10,000.00	3,000.00	3,000.00
Services	15,000.00	0.00	0.00
Lease Expenses	0.00	0.00	0.00
Depreciation	103,143.00	103,143.00	103,143.00
Interest	0.00	0.00	0.00
Other	35,000.00	35,000.00	35,000.00
Total Operating Expenses	\$ 343,143.00	\$ 219,143.00	\$ 255,143.00
Net Operating Income	\$ 131,982.00	\$ 527,482.00	\$ 559,357.00
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Procedures	1,750	2,750	3,000
Charge per Outpatient Day	0	0	0
Charge per Inpatient Day	0	0	0
Charge per Procedure	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00
Cost per Inpatient Day	0	0	0
Cost per Outpatient Day	0	0	0
Cost per Procedure	\$ 196.00	\$ 80.00	\$ 85.00

**Attachment 2
 Number of MRI Procedures in GHSA 5 (FY 2016)**

Facility	Type Equipment	FTE Assigned	Scans 2016	Days/Hours of Operation
Baptist Medical Center – Attala, Inc.*	-	0.8	-	M, F 30 Hrs.
Baptist Medical Center – Leake, Inc.	M	0.1	435	Tu. 4 Hrs
Baptist Medical Center-Yazoo, Inc.	M	0.2	614	Tu, Th. 8 Hrs.
Central MS Diagnostics, LLC	F	1.0	1,042	M–F 40 Hrs.
Copiah County Medical Center	M	0.3	391	M, W, F 12 Hrs.
King's Daughters Medical Center	M	0.2	2,831	T, Th 8 Hrs.
Kosciusko Medical Center*	F	1.0	2,359	M-F 45 Hrs.
Madison Radiological Group, LLC	F	1.0	2,328	M– F 40 Hrs.
Magee General Hospital	F	1.0	656	M– F 40 Hrs.
Merit Health Central	F(2)	2.0	2,182	M-Sun, 90+ Hrs.
SMI-Merit Health Madison	M	0.2	220	M, W 8 Hrs.
Merit Health Rankin	F	1.0	762	M-F 40 Hrs.
Merit Health River Oaks	F	1.0	3,610	M-F 50 Hrs.
Merit Health River Region	F	1.0	2,526	M-F 40 Hrs.
Miss. Baptist Medical Center	F(2)	2.0	8,289	M-Sat, M-F 104 Hrs.
Miss. Diagnostics Imaging Center	F	1.0	2,237	M-F 40 Hrs.
Mission Primary Care Clinic	M	1.0	521	M-Th 40 Hrs.
Miss. Sports Medicine & Orthopedic	F(2)	2.0	6,218	M-F 90 Hrs.
Open MRI of Jackson	F	1.0	DNS	DNS
SE Lackey Memorial Hospital	M	0.6	526	M,W,Th 24 Hrs
Sharkey/Issaquena Com. Hospital	M	0.1	159	W 4 Hrs.
Southern Diagnostic Imaging	F	1.0	5,781	M-F 80 Hrs.
SMI-Hardy Wilson Memorial Hosp.	M	0.3	361	M, Th, F 12 Hrs.
SMI-Holmes Co. Hospital & Clinics	M	0.1	345	Th 4Hrs.
SMI-Leake Memorial Hospital	M	0.1	429	Tu 4 Hrs.
SMI-Madison River Oaks Med. Ctr.	M	0.2	289	Tu, Th 8 Hrs.
SMI-Ridgeland Diagnostic Center	M	0.3	289	F, 4Hrs.
SMI-Scott County Hospital	M	0.1	627	M.W,Th, 12 Hrs.
SMI Simpson General Hospital	M	0.1	145	F, 4 Hrs.
St. Dominic Jackson Memorial Hosp.	F(3)M(1)	4.0	22,807	M-Sun 328 Hrs.
St. Dominic Madison Medical Img.	F	1.0	2,430	M-F 40 Hrs.
University of MS Medical Center	F(6)	6.0	20,206	M-F 504 Hrs.
Totals		31.7	91,524	

Source: FY 2018 MS State Health Plan
 FS – Freestanding
 H – Hospital Based
 MP – Mobile Provider
 F –Fixed MRI Unit
 M - Mobile MRI Unit