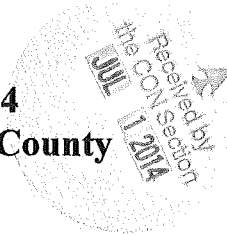


July 1, 2014
Comments in Opposition from
Novant Health, Inc.
Regarding a Certificate of Need Application
Submitted by OrthoCarolina, PA on 5/15/2014
For One New Fixed MRI Scanner in Mecklenburg County
CON Project I.D. #F-10287-14



I. Introduction

In accordance with N.C.G.S. Section 131E-185(a1)(1), Novant Health, Inc. submits the following comments regarding a Certificate of Need Application submitted on May 15, 2014 (June 1, 2014 review cycle) by OrthoCarolina, PA ("OC") seeking the state's approval for one new fixed MRI scanner to be located at the OrthoCarolina Ballantyne practice location at John J. Delaney Dr., Charlotte NC 28277. The CON project I.D. number for the OC project is F-10287-14. The OC CON application is based on a need determination in the 2014 SMFP for one new fixed MRI scanner in Mecklenburg County.

II. CON Application

OC plans to acquire a 1.5T wide bore MRI scanner for the OC Ballantyne office. OC proposes to acquire the fixed MRI scanner to provide outpatient MRI scans, with and without contrast. The proposed OC MRI scanner will provide the same types of MRI procedures as the mobile MRI scanner that serves OC Ballantyne currently, but with an increased number of contrasted MRI procedures. OC plans to modify the OC Ballantyne facility to accommodate the MRI scanner in a 700 square foot modular unit. OC indicates that the space is close to existing MRI waiting, registration, and support spaces. OC specifies that the hours of operation for the proposed MRI scanner will be Monday through Saturday, 7:00 am to 7:00 pm. OC specifies that it expects the proposed MRI scanner to become operational on January 1, 2016. See the OC MRI scanner CON Application at pages 17, 90, and 93

III. CON Review Criteria

The following comments are submitted based upon the CON Review Criteria found at G.S.131E-183. While some issues impact multiple Criteria, they are discussed under the most relevant review Criteria and referenced in others to which they apply.

G.S. 131E-183 (a)(1)

The proposed project shall be consistent with the applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, facility beds, dialysis stations, ambulatory surgical operating rooms or home health offices that may be approved.

As discussed below in CON Review Criterion (3), OrthoCarolina failed to demonstrate the need the population has for the proposed for the new fixed MRI scanner at OC Ballantyne, as well as failed to show the qualitative and quantitative need for the project.

G.S. 131E-183(a)(3)

The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

The projections contained in the OC CON application offer conflicting information and unsupported assumptions. The OC CON application provides historical MRI data for each OC MRI site in Mecklenburg County and the compound annual growth rate (CAGR) by site for the time period of 2010-11 through 2012-13. However, the OC CON projections for the current year (2013-14), interim year (2014-15) and first three project years are based on estimated annual growth rates that are unsupported and unexplained. The OC CON assumptions offer no rationalizations regarding the chosen annual growth rates other than the fact that OC has deemed the growth rates to be “conservative”. The following chart compares the growth rates in the OC CON application.

Facility	CAGR (OC CON App. Pg 41)	Annual Growth Rate – Assumptions (OC CON App. Pg 41)	Percent Change in MRI Volume from CY 2011-12 to 2012-13
Ballantyne OC Mobile	29.12%	5%	21.2%
Spine Center Totals	3.70%	2% until max of 8260 procedures; 2% overflow	-2.5%
Huntersville OC Mobile	11.52%	3%	-9.4%
University OC	4.79%	2%	-6.8%
Matthews OC	29.70%	5%	257%*

**Matthews OC experienced a decrease in volume of 52.8% from 2010-11 to 2011-12.*

Furthermore, growth rate information on page 44 of the OC CON application contradicts information presented on page 41 of the OC CON application.

From OC CON application page 41:

“The OC Spine Center is also served by the OC mobile [MRI scanner] which is expected to increase by 2 percent annually. The Alliance mobile MRI scanners are projected to increase by 2 percent in 2013-14; then in 2014-15 the overflow MRI scan volume increases at a higher rate (8.66 annual increase) because the Spine Center’s fixed MRI reaches its maximum capacity and the overflow volume is scheduled on the back-up Alliance mobile MRI scanners.”

The chart on page 44 of the OC CON application indicates that the Spine Center Alliance mobile unit growth is 9.5%. It also states that "...OC Spine Center will have less need to utilize the Alliance mobile MRI scanners. Therefore, the Alliance MRI scanner will be reduced to one day per week to perform the remaining overflow MRI scans which is projected at 3.5 percent, 5.0 percent and 6.4 percent of the total OC Spine Center volume". The annual growth percentages utilized in the OC CON application projections, however, are not fully explained or supported by its historical operating experience.

Contrast Percentage for Ballantyne OC

The OC application assumes that the proposed MRI scanner at Ballantyne OC will have exactly the same contrast percentage as the Spine Center. OC offers no further explanation as to the reasonableness of this assumption. In comparison, the contrast percentage for the OC mobile was only 2.8%. On page 38 of the OC CON application, it states; "The OC mobile MRI is used primarily to perform MRI scans with no contrast due to the constraints of physician coverage at Ballantyne with the mobile unit". This seems unusual since Ballantyne OC is a physician office location. The applicant indicates that patients in need of contrast scans at Ballantyne are referred to other facilities for contrast MRI scans. OC fails to explain how the issue of adequate physician coverage will be addressed at Ballantyne in order to increase its contrast percentage to 19.4%, or 943 scans in Year 3 of operation. A review of Section VII – Staffing does not indicate any additional supporting information regarding physician coverage of contrast scans at Ballantyne OC.

Physician Support Letters

In the state's CON MRI Scanner Regulations at 10A NCAC 14C.2702(c)(6), it specifies that *"An applicant proposing to acquire a magnetic resonance imaging scanner...shall provide the following information: ... (6) letters from physicians indicating their intent to refer patients to the proposed magnetic resonance imaging scanner and their estimate of the number of patients proposed to be referred per year, which is based on the physicians' historical number of referrals."*

The OC CON Application includes these letters in CON Application Exhibit #13 entitled "Physician Support Letters with Projected MRI Scans." These letters are found at CON Application pages 176-239. Each of these referring physician support letters projects a number of future MRI scans, however, the directive in the CON regulation above is that the referring physician letters project "their estimate of the number of [MRI] patients." Nowhere in OC CON Application pages 176-239 is there any reference to the annual number of MRI patients each referring physician projects to send to the proposed new MRI scanner. At CON Application pages 176-177, there is a table summarizing the MRI scan volumes specified in each referring physician's letter and the two column headings on this table are "*Historical # of MRI Scans done at Ballantyne*" and "*Projected # MRI Scan[s] for Proposed Fixed [MRI Scanner].*" OC is non-conforming with mandatory information ("shall provide") specified in the CON MRI Scanner regulations at 10A NCAC 14C.2702(c)(6) for the applicant to provide in its CON Application. These referring physician letters with future MRI patient projections are typically viewed by the Agency as information to support the applicant's quantitative projections of future MRI scans to demonstrate the need for the project. In contrast, the Novant Health Mint Hill Medical Center MRI scanner CON Application includes referring physician support letters projecting future MRI patients, rather than future MRI scans.

G.S. 131E-183(a)(4)

Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

As discussed in the context of CON Review Criterion (3), OrthoCarolina fails to demonstrate a need by the identified population for the proposed MRI scanner. Consequently, OC fails to demonstrate that it is the least costly or most effective alternative proposed. This demonstrates non-conformity with CON Review Criterion (4).

G.S. 131E(a)(5)

Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating need as well as the immediate and long-term financial feasibility of the proposal, based on reasonable projections of costs of and charges for providing health services by the person proposing the service.

There are numerous inconsistencies and errors in the CON pro forma financial costs, the lender's funding letter, the differing capital costs for the vendor quotes for two different proposed MRI scanners.

First, in the CON Application Section VIII Project Capital Cost sheet on page 80 of the OC CON Application, the project capital total cost is specified to be \$2,421,147. However, in CON Application Exhibit #28 (pages 301-302), the commercial loan letter from Wells Fargo to OrthoCarolina, PA specifies a loan amount of "approximately \$2,300,000," which is less than the applicant's proposed total capital cost by \$121,147 ($=\$2,421,147 - \$2,300,000$). Thus, the applicant has provided incomplete information about the sources of funding for the CON Application Section VIII capital cost amount. In response to CON Application Question VIII.3, OC indicates that a conventional loan in the amount of \$2,421,147 will serve as the financing for the proposed OC Ballantyne fixed MRI scanner. However, in the state's CON Application form at Question VIII.3, the state directs the applicant: "*The total financing could equal the total capital cost.*" As discussed above in this paragraph the total OC Ballantyne capital cost in CON Application Section VIII at \$2,421,147 does not match and is higher than the amount specified by the applicant as the \$2,300,000 financing source. CON Review Criterion (6) states in part that the applicant shall "*demonstrate the availability of funds for capital and operating need.*" Due to the discrepancy between the total project cost and the amount of total financing funds, the applicant has not sufficiently demonstrated the availability of capital funds for this project in conformity with CON Review Criterion (5).

Second, in CON Application Exhibits #4 and #5, OC includes GE vendor quotes for two different MRI scanners with two different capital costs. In the OC CON Application exhibits list, Exhibit #4 is described as "MRI Scanner Equipment Quote" and Exhibit #5 is described by the applicant as "Alternate MRI scanner Equipment Quote." The quoted cost for the MRI Scanner equipment in CON Application Exhibit #4 (pages 35-75), with MRI scanner cost specified on page 53) is \$1,539,915.49. The vendor quoted cost in CON Application Exhibit #5 (pages 76-108, with MRI scanner cost specified on page 87) is \$1,804,219.50. The cost difference between the two quotes is \$264,304. On Row (13) of the CON Application Section VIII Project Capital Cost sheet (page 80), the applicant includes the capital cost of \$1,539,915, which is outlined in the GE MRI scanner vendor quote in CON Application Exhibit #4. However, if the applicant ultimately chooses to implement that MRI scanner described in Exhibit #5 with

a capital cost of \$1,804,219.50, then CON Application Section VIII would have under-stated the project capital cost by almost \$265,000 based on the difference in the cost of the MRI scanners. Furthermore, the selection of the more expensive scanner would result in an even greater financial shortfall for the funding of the project in the amount of \$385,451.50¹. The applicant is not sufficiently specific on which MRI scanner they will ultimately be pursuing to implement for this project and thus, it is not possible for the Agency to discern whether OC has understated the CON Application project capital cost for which they are seeking approval.

Third, in OC’s CON Application ProForma Form C, Statement of Revenues and Expenses for Each Service Component at page 96, the applicant identifies the Net Patient Revenue (MRI scanner only) in Project Years 1, 2 and 3 as follows:

- PY 1 (1/1 – 12/31, 2016): \$2,265,248
- PY 2 (1/1 – 12/31, 2017): \$2,378,813
- PY 3 (1/1 – 12/31, 2018): \$2,497,621

On the applicant’s CON Application ProForma Form E, Net Revenue Worksheet for Each Service Component (at page 98), the OC Ballantyne Net Revenue (MRI Scanner only) dollar amounts do not match and are different than the dollar amounts on Form C. The Net Revenue dollar amounts on Form E are identified by the applicant in Project Years 1, 2, and 3 are as follows:

- PY 1 (1/1 – 12/31, 2016): \$2,743,648
- PY 2 (1/1 – 12/31, 2017): \$2,880,954
- PY 3 (1/1 – 12/31, 2018): \$3,025,095

The differences in the dollar amounts in Forms C and E for OC’s MRI Net Revenue projections are not consistent with each other and the difference is not explained by the applicant. In each project year, the Net (MRI) Revenue on Form E is higher than the Net Revenue on Form C, by \$100,000s in each project year. The Net Revenue inconsistencies are set forth in the table below:

	Project Year 1	Project Year 2	Project Year 3
MRI Net Rev Form C	\$2,265,248	\$2,378,613	\$2,497,621
MRI Net Rev Form E	\$2,743,648	\$2,880,954	\$3,025,095
<i>Difference (Form C- Form E)</i>	<i>-\$478,400</i>	<i>-\$502,341</i>	<i>-\$527,474</i>

Due to these Net Revenue discrepancies in the CON Application ProForma financial projections it is unclear whether the Agency can determine the “the immediate and long-term financial feasibility of the proposal” pursuant to Review Criterion (5). The applicant is non-conforming with Review Criterion (5). **G.S. 131E-183(a)(6)**

¹ The project cost without the MRI scanner is \$881,232, which includes construction, architect fees, etc. The total cost of the project with the \$1,804,219.50 MRI unit would be \$2,585,451.50, a shortfall of over \$385,000 based on the funding letter provided.

The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

As discussed in the context of CON Review Criterion (3), OC fails to demonstrate a need by the identified population for the conversion proposed. Consequently, OC did not demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

G.S. 131E-183(a)(18a)

The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

As discussed above, OC fails to demonstrate conformity with CON Review Criteria (1), (3), (4), (5) and (6). Consequently, OC fails to demonstrate that its CON Application is conforming to CON Review Criterion (18a).

IV. North Carolina Criteria and Standards for CON Criteria and Standards for Magnetic Imaging Resonance Scanner – 10A NCAC 14C .2700

10A NCAC 14C.2703(b)(3)(E)-Performance Standard

As discussed in the context of CON Criterion (3), OC uses an unreasonable and unsupported need methodology and assumptions, which result in overstated projected utilization for the new proposed fixed MRI scanner. For that reason, OC does not demonstrate need for the new fixed MRI scanner as required by the performance standard in 10A NCAC 14C. 2703(b)(3)(E), the CON MRI Scanner regulations.

10A NCAC 14C.2702(c)(6)-Information Required of the Applicant-Referring Physician Estimate of the Number of MRI Patients to be Referred Annually

In addition, in the state's CON MRI Scanner Regulations at 10A NCAC 14C.2702(c)(6), it specifies that "*An applicant proposing to acquire a magnetic resonance imaging scanner...shall provide the following information: ... (6) letters from physicians indicating their intent to refer patients to the proposed magnetic resonance imaging scanner and their estimate of the number of patients proposed to be referred per year, which is based on the physicians' historical number of referrals.*"

The OC CON Application includes these letters in CON Application Exhibit #13 entitled "Physician Support Letters with Projected MRI Scans." These letters are found at CON Application pages 176-239. Each of these referring physician support letters projects a number of future MRI scans, however, the directive in the CON regulation above is that the referring physician letters project "their estimate of the number of [MRI] patients." Nowhere in OC CON Application pages 176-239 is there any reference to the annual number of MRI patients each referring physician projects to refer to the proposed new MRI

scanner. At CON Application pages 176-177, there is a table summarizing the MRI scan volumes specified in each referring physician's letter and the two column headings on this table are "Historical # of MRI Scans done at Ballantyne" and "Projected # MRI Scan[s] for Proposed Fixed [MRI Scanner]." OC is non-conforming with mandatory information ("shall provide") specified in the CON MRI Scanner regulations at 10A NCAC 14C.2702(c)(6) for the applicant to provide in its CON Application. These referring physician letters with future MRI patient projections are typically viewed by the Agency as information to support the applicant's quantitative projections of future MRI scans to demonstrate the need for the project. In contrast, the Novant Health Mint Hill Medical Center MRI scanner CON Application includes referring physician support letters projecting future MRI patients, rather than future MRI scans.

V. Comparative Analysis: OrthoCarolina Ballantyne Proposed Fixed MRI and Novant Health Mint Hill Medical Center Proposed Fixed MRI Scanner

A. Types of Patients Able to Seek Scans on the Proposed MRI Scanner

OC is proposing to place the fixed MRI scanner in one of their medical office buildings, for the convenience of orthopedic and rehabilitation outpatients cared for by OC physicians. The proposed MRI scanner at OC Ballantyne will only be able to offer contrasted and non-contrasted MRI scans to outpatients, primarily orthopedic, spine and rehabilitation patients seen by OC physicians and not to inpatients who are admitted to the hospital. Only the fixed MRI scanner proposed by Novant Health Mint Hill Medical Center will locate the new fixed MRI scanner where it can be accessed by multiple types of patients including inpatients, outpatients, and ED patients. In addition, the performance of MRI studies at NH Mint Hill Medical Center will not be concentrated on orthopedic and spine patients, where the MRI scans are referred largely by OC physicians. Rather as demonstrated in the referring physician support letters in the NH Mint Hill Medical Center CON Application, the MRI referrals to the Mint Hill Medical Center MRI scanner will come from multiple physician specialties including Emergency Medicine, ENT, Family Medicine, Hematology/Oncology, Internal Medicine, Inpatient Care Specialists (Hospitalists), Neurology, Ophthalmology, Pediatric Oncology, Physiatry, Sleep Medicine Specialists, as well as Orthopedics. NH Mint Hill Medical Center also proposes to offer cardiac MRI scans as confirmed by the letter of support signed by Drs. Kapusin and O'Brien of Mecklenburg Radiology Associates. See CON Application Exhibit #5 at pages 389-396 for copies of these cardiac radiologist letters of support. Novant Health Mint Hill Medical Center is the superior applicant in terms of access to inpatient and outpatient MRI scans and the enhanced accessibility created by MRI scan referrals from multiple physician specialties rather than from a single physician specialty or group.

B. Access to MRI Scans for Medically Underserved Populations

As posed in the state's CON Application form at Question VI.2, the state asks the applicant to "describe how each of the groups in (a) through (f) below will have access to the existing or proposed facility of services. (a) low income persons; (b) racial and ethnic minorities; (c) women; (d) handicapped persons; (e) elderly; and (f) other underserved persons, including the medically indigent, the uninsured, and the underinsured."

Thus, in a comparative analysis of competing applications it is useful to compare, the projected MRI scanner payor mix information for Self-Pay/Charity/Indigent, Medicare and Medicaid populations, in response to CON Application Question VI.15. That comparison is included in the table below.

Payor Categories	NH Mint Hill Medical Center	OrthoCarolina Ballantyne	Difference (Mint Hill – OC Ballantyne)
Self-Pay/Charity/Indigent	5.35%	1.94%	3.41% OC 3.41 basis points lower than Mint Hill
Medicare	41.92%	20.08%	21.84% OC 21.84 basis points lower than Mint Hill
Medicaid	9.99%	2.74%	7.25% OC 7.25 basis points lower than Mint Hill
Total Medically Underserved Populations	57.26%	24.76%	32.5% OC 32.5 basis points lower than Mint Hill

Source: Mint Hill Medical Center CON Application page 124 and OC-Ballantyne CON Application page 70.

The above table shows that the Novant Health Mint Hill Medical Center MRI scanner will provide more than half of its MRI scans to patients who are considered to be medically underserved populations. In contrast, OC Ballantyne will provide less than 25% of its outpatient only MRI scans to medically underserved populations. Based on the above percentages in the table Mint Hill will provide more than double the percentage (57.26% vs. 24.76%) of MRI scans to medically underserved populations compared to OC-Ballantyne. Thus, Novant Health Mint Hill Medical Center is clearly the comparatively superior applicant in service to Medicare, Medicaid, and Self-Pay/Indigent/Charity Care populations and to the total medically underserved populations.

In addition, in response to Question VI.8(c) in the state’s CON Application form, each applicant is asked to provide an estimate in dollars and percentages of the “charity care that will be provided in each of the first two full fiscal years of operation of the project.” The table below compares the responses provided.

Comparison for MRI Scans Only Charity Care

Year 1	Charity Care \$	Charity Care % of Net Revenue
Mint Hill Medical Center	\$547,068	23.38%
OC-Ballantyne	\$112,725	1.65%
Year 2	Charity Care \$	Charity Care % of Net Revenue
Mint Hill Medical Center	\$728,319	23.38%
OC-Ballantyne	\$118,366	1.65%
Years 1 & 2 Combined		
Mint Hill Medical Center	\$1,275,387	23.38%
OC-Ballantyne	\$231,091	1.65%

Source: Mint Hill Medical Center CON Application page 119 & OC-Ballantyne CON Application page 67.

Based on the analysis in the table above, NH Mint Hill Medical Center proposes to provide over \$1Million in Charity Care during the first two years of MRI scanner operation. In comparison,

OrthoCarolina Ballantyne proposes to provide an amount of charity care dollars that is less than 20% of the amount that Mint Hill Medical Center proposes to provide. In addition, NH Mint Hill Medical Center provides charity care that is 23% of its Net MRI Revenue, while OC-Ballantyne provides charity care that is 1.65% of its MRI Net Revenue. Thus, NH Mint Hill Medical Center's MRI program is comparatively superior in terms of charity care access.

Furthermore, OrthoCarolina does not include a comprehensive Charity Care policy in its CON Application. Rather it includes a series of individual policies covering certain segments of the populations they serve. These policies are found in OC's CON Application Exhibits #s 21, 22, 23 and 24 (CON Application pages 265 – 280) and are entitled: Physician Reach Out (PRO) Scheduling, CMC Meyer's Park Clinic, ER Referral Non-Refusal Policy, Patient Accessibility Policy, Uninsured Patient Fee Schedule, OrthoCarolina Services to Incarcerated Patients, and Financial Assistance Policies and Business Office Policies. Several of these policies do not speak to whether MRI services are covered by these policies.

- The **Physician Reach Out Policy** is described as a “program that delivers healthcare to the low income and uninsured people of Mecklenburg County. OC physicians have agreed to accept (2) new patients per doctor, per month, per injury.” The policy also notes that “no referral is needed if the physician needs a patient to have an MRI...as long as that MRI...is done within OC.”
- The **CMC Myers Park Clinic Orthopedic Patients** policy states: “OrthoCarolina Physicians have agreed to provide orthopedic medical care to CMC Myers Park Clinic Orthopedic patients. This program was created to deliver healthcare to the low income and/or uninsured people of Mecklenburg County.” This policy speaks to orthopedic care and orthopedic surgery, but does not reference MRI scans provided by OC for these Myers Park Clinic patients.
- The purpose of the **ER Referral Non-Refusal Policy** is articulated as: “to standardize the scheduling of all ER Referrals and see all patients, regardless of ability to pay, from CHS or Novant Emergency Departments.” The policy notes on page 270 that “ER Self-Pay patients are required to pay a \$150 deposit during the OC appointment check-in process or to make arrangements with OC for a payment plan. This policy does not mention coverage for MRI scans provided by OC.
- OC's Business Services Department Policy called **Patient Accessibility Policy** states that: “OrthoCarolina provides services to all persons regardless of race, sex, age, religion, creed, disability, or national origin. Services are available to all persons including (a) low income persons, (b) racial and ethnic minorities, (c) women, (d) handicapped persons, (e) elderly, and (f) other underserved persons, including the medically indigent referred by their attending physicians.”
- OC's Business Services Policy entitled **Uninsured Patient Fee Schedule** indicates “the standard fee schedule for the uninsured will be reduced to the average amount allowed under OrthoCarolina, PA commercial contracts.”
- The OC Business Services **Policy and Procedure for Incarcerated Patients** describes how this policy works as follows: “OrthoCarolina will file claims directly to the correctional facility. Initial set up is through the Pre-Registration Department. The correctional facility will not cover pre-existing conditions. If the patient/inmate presents with an injury that occurred prior to incarceration, the correctional facility is not liable. If an injury occurs while the patient is incarcerated, the correctional facility will process the claim. If the patient is in Bad Debt with OC they will be OK to appoint ONLY if the correctional facility is paying for

services. If the patient /inmate currently is a Medicaid subscriber, then Medicaid overrides the correctional facility billing process and is primary.” This policy does not mention coverage for MRI scans provided by OC.

In comparison to OC, Novant Health has a more comprehensive and integrated approach to its charity care program, as described below.

It is the policy of all the Novant Health facilities and programs, including Novant Health Mint Hill Medical Center, to provide necessary services to all individuals without regard to race, creed, color, or handicap. Novant Health facilities and programs do not discriminate against the above-listed persons, or other medically underserved persons, regardless of their ability to pay. Exhibit 6 of the Mint Hill Medical Center MRI scanner CON Application includes a copy of the Novant Health Charity Care policies² and the Novant Health Medical Group Charity Care policy (called “NMG Financial Assistance”). These policies will be applicable at NHMHMC on the day it opens for patient care (including MRI scans) and to the Novant Health Medical Group (“NHMG”) surgeons and physicians who support the proposal to add a fixed MRI scanner at NHMHMC.

Novant Health Charity Care and Related Programs: Charity Care for Uninsured, Uninsured Discount, Catastrophic Settlement, and Payment Plan

Novant Health, including NHMHMC, provides charity and free care, which includes the provision of services to patients with no insurance coverage and the cost of providing open community access to our health services. Because of Novant Health’s not-for-profit mission, Novant Health’s acute care hospitals treat everyone, regardless of the person’s ability to pay. Novant Health works with individuals to help qualify them for public assistance, establish a reasonable payment plan, discount their bill to reflect their personal resources, or provide them with charity care. Novant Health is proud to offer the following financial assistance programs for all of the persons listed above in Question VI.2:

1. Novant Health’s charity care program, which will include NHMHMC, provides patients and families with a 100 percent write-off of their hospital bill if their annual income falls within 300 percent of the federal poverty income guidelines. In 2014, the federal government’s definition of the annual household income at 300% of the Federal Poverty Level (FPL) for a family of four is \$71,550 which is about \$900 greater than in 2013.
2. The charity care program described above covers about 90 percent of all uninsured patients. For the other 10 percent who do not qualify because their incomes are above the guidelines, Novant offers a discount on the patient’s bill.
3. Novant Health, including NHMHMC, also offers a catastrophic benefit for patients who have an account balance of \$5,000 or more, even if they have health insurance. With this program, a Novant Health financial counselor evaluates patients’ individual situations to determine if they qualify for a discount on the remaining balance or a full write-off.
4. Novant Health, including NHMHMC, also offers flexible payment plans for patients. Novant Health’s financial counselors have the flexibility to establish a routine payment schedule for patients, with terms extending up to five years. These counselors take many

²The following four policies create the Charity Care framework for Novant’s hospital facilities: Charity Care, Catastrophic Settlement, Uninsured Discount, and Payment Plan.

factors into consideration when setting up a patient's payment plan, such as the amount of the balance and a person's overall financial status.

Today, all Novant Health patients are offered the option of financial counseling. Many patients do not need it because they have insurance or the dollar amount of the bill for health care services is small. But, for patients with no health insurance or large bills that are not covered by insurance, Novant Health can help as described below. The information below describes the four Novant Health policies that form the framework of the Novant Charity Care policies:

- **Charity Care for Uninsured Patients:** If a patient is uninsured and does not qualify for any assistance programs, Novant Health will write off 100% of the bill if the family income is 300% of the federal poverty level or less (\$71,550 for a family of four in 2014).
- **Uninsured Discount:** If the family income is above 300% of the federal poverty level and the patient does not qualify for other assistance programs, Novant Health will offer a managed-care like discount which is equal to the lowest managed care rate by market (Triad, Charlotte, Coastal, Triangle, Virginia, and South Carolina). The applicant believes this is one of the most generous charity care policies in North Carolina. Novant Health expands these four policies to each new facility that joins the Novant system or that is constructed as a new Novant facility.
- **Catastrophic Settlement:** If a patient has an outstanding balance that exceeds \$5,000, Novant Health's Catastrophic Settlement program will provide a discount based on :
 - Patient is uninsured or if covered by insurance the outstanding patient balance places an "unreasonable hardship in relationship to their financial resources (based on established criteria
 - Patient's Income Level and other income sources
 - Patient's Residence within the Novant service area
 - Health services received were/are non-elective, medically urgent or emergent
 - Credit Report and
 - Number of Dependents

Depending on the outcome of this assessment, Novant Health could potentially request full write-off, partial write-off, or full payment in conjunction with a payment plan for the patient.

- **Payment Plan:** The payment plan is available for any patient (inpatient or outpatient) who does not meet Novant Health's Charity Care eligibility criteria and has an outstanding balance with one of Novant Health's acute care facilities. Novant Health's financial counselors will work with each patient to establish an appropriate payment plan based on the amount due and the patient's financial status, with terms extending up to five years. No interest is charged to patients who are eligible for either Novant Health's self-pay or catastrophic settlement policies. If a patient can pay for the services and interest is appropriate, the interest rate will be 12% interest will not be charged on any patient balance that receiving either Novant's uninsured or catastrophic settlement. Interest will not be charged on any patient account that is otherwise eligible for either the uninsured discount or the catastrophic settlement. Accounts with balances less than \$500 are can have payment plan term of up to 6 months; patient accounts with balances between \$501 and \$2,500 can have a payoff period of up to 18 months; patient accounts with balances between \$2,501 and \$5,000 are permitted up to

36 months to pay; and patient accounts with balances over \$5,000 are able to pay over a period of up to 60 months/five years.

The North Carolina Health Access Coalition of the North Carolina Justice Center also prepared February 2010 report entitled, *“How Charitable are North Carolina Hospitals?”* The report examined the transparency, adequacy, and design of NC hospital charity care policies. Regarding the Novant Charity Care policies the report notes:

“An examination of posted charity care policies shows that financial assistance programs vary widely across the state. We can see that Winston-Salem and Charlotte-based Novant Health has the most sound and clear policy of any hospital system in North Carolina. At Novant any uninsured patient with an income less than 300% of the federal poverty level, or \$66,150 for a family of four, qualifies for a 100% discount on hospital bills. This policy recognizes the realities of modern family finances. ... Novant’s policy exceeds the LIS [Living Income Standard] in every county where the system operates....Several hospitals and hospital systems deserve special recognition for providing charity care levels that exceed the cost of living for their region, including Novant Health....”

The NC Justice Center report found that Novant Health has the most sound and clear policy of any hospital system in North Carolina, including policies that recognize the realities of the modern family finances.

Moreover, as of February 2013, Novant Health is now providing a free Financial Navigator service to patients to help them understand and estimate their insurance-covered and out-of-pocket expenses for a wide range of medical and surgical procedures, including imaging, before they receive treatment at one of our hospitals. This service is available at all Novant Health hospitals in the Winston-Salem/Triad, greater Charlotte (including NH Mint Hill Medical Center), and Brunswick County markets in North Carolina and in northern Virginia in Manassas. The new financial navigator program serves to help patients know the costs they will be responsible for and to identify payment options and other financial assistance should it be appropriate. Professional service fees are not included in the quote at this time. Accessing the service is quick and convenient. One of the financial navigators will ask the patient about their insurance and the medical procedure in question – then provide the patient with an estimate, as well as payment options.

This program provides patients necessary financial information about their care upfront, so that they can focus on their health. The Financial Navigator program is just one part of Novant Health’s commitment to make receiving healthcare easier for patients to understand.

Novant Health has a more comprehensive charity care program than the competing applicant.

C. Access Created by Hours of Operation/Availability of the MRI Scanner

On pages 40 and 125 of the Novant Health Mint Hill Medical Center CON Application, the applicant indicates that the scheduled hours of operation for the proposed MRI scanner will be at least 66 hours per week (Monday – Friday, 7am to 7 pm, Saturday, 8am to 2 pm) and in addition, since the hospital is in operation 24 hours per day, 7 days per week,” [MRI] on call coverage will be available for any MRI scans needed outside of these hours.” See Mint Hill Medical Center CON Application, Section VII, at page 125. The OC CON Application proposes that scheduled hours of operation will be 72

hours per week, 7am to 7pm Monday through Saturday. However, the OC MRI scanner project does not propose to offer on call coverage for MRI scans to be performed overnight on Monday – Saturday or on Sunday. Thus, overall superior access is provided to all patients in need of an MRI scan at the Novant Health Mint Hill Medical Center MRI scanner.

D. Comparison of Total Cost per MRI Scan for PYs 1-2-3

The difference in the average annual cost per MRI Scan for Project Years 1-2-3, are not significant considering that OC-Ballantyne is offering only outpatient MRI scans primarily to orthopedic patients and Novant Health Mint Hill Medical Center is offering MRI scans to inpatients, outpatients, and ED patients on a round the clock basis.

A comparison is below based on the data included in the CON Application ProForma Form Cs for each applicant.

Average Annual Cost per MRI Scan

	PY1	PY2	PY3
NH Mint Hill MRI Scanner	\$362	\$306	\$283
OrthoCarolina MRI Scanner	\$250	\$281	\$273
Difference	\$112	\$25	\$10

Source: NH Mint Hill Medical Center CON Application page 162 & OC-Ballantyne page 96.

Note that in each of the three project years, the difference in the annual average cost per MRI scan, quickly becomes smaller, such that in Year 3 the cost difference is only \$10 per scan. Thus, the applicants are comparable on average cost per MRI scan.

VI. Summary

Based on the analysis of the OC-Ballantyne MRI scanner project using the CON statutory review criteria, the requirements of the CON MRI Scanner Regulations, and the comparative analysis, the Novant Health Mint Hill Medical Center MRI scanner proposal is the superior project and should be approved. The OC-Ballantyne MRI scanner CON Application is not approvable for the reasons stated above.

FILE: Novant CIO OrthoCarolinaBallantyne MRI ScannerFINAL.07.01.2014.docx