Comments in Opposition to
Project ID # O-011063-15
Wilmington Health, PLLC

Comments Submitted by Porters Neck Imaging, LLC.

Pursuant to NCGS § 131E-185, Porters Neck Imaging, LLC (PNI) submits these comments in opposition to Wilmington Health, PLLC (WH).

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

(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.

WH fails to adequately identify the population to be served by the proposed project or the need that this population has for the services proposed. WH's entire Need and projected Utilization is based on one number and one number only...4,421. In several instances in the application, WH refers to 4,421 "annualized" MRI scan "referrals".

On page 41, WH states,

> "While Wilmington Health acknowledges that mobile MRI units represent an appropriate and effective means of delivering and providing access to MRI services at lower volume sites, as discussed in more detail in Section III.1.(b), the existing volume of MRI scans referred by Wilmington Health providers (4,421 annually) is more than sufficient to support a fixed MRI scanner.

On page 60, WH states,

> "In total, Wilmington Health providers make referrals for 4,421 MRI scans (unweighted) annually according to 2015 year-to-date internal data."

On page 61, WH states,

> "Wilmington Health providers make referrals for 4,421 MRI scans (unweighted) annually according to 2015 year-to-date internal data."

One page 66, WH states,

> "The table below demonstrates the projected number of MRI referrals for Wilmington Health through 2019, the third year of the proposed project, based on applying the projected growth rate to its 2015 annualized total of 4,421 MRI scans."

The 4,421 "annualized" MRI scan "referrals" is the starting point for WH's projected utilization but WH fails to include in either the application or the Exhibits any documentation to show the 4,421 "annualized" MRI scan "referrals" is reasonable, credible, or supported.

As a footnote on page 64, WH states,

> "Wilmington Health does not have data for these referrals to other MRI providers for prior years because it has not historically captured these referrals electronically. Wilmington Health converted its practice management system in mid-2014. Its prior practice management system/electronic health record did not have a mechanism for capturing the number of MRI referrals made to outside providers. The new system has a mechanism to capture outside MRI referrals and, in 2015, Wilmington Health established the workflows necessary to collect this data."

If the "new system has a mechanism to capture outside MRI referrals" and WH is using this data, which is not available to the public, as the starting point for their need methodology, the question has to be asked; why didn't WH include a report generated by the "new system" to document the actual 2015 referrals used to "annualize" MRI scan "referrals" for 2015? Because WH is using "annualized" MRI scan "referrals", rather than any actual, reportable data related to MRI scans, the Agency has no ability, even after the submission of the *2016 Registration and Inventory of Medical Equipment – Mobile MRI Scanner* form to determine if the value 4,421 is reasonable, credible, or supported.

By their own admission, WH's MRI scanner will be "closed" to ALL physicians and medical practices, with the exception of WH and WH's physicians and providers. WH states on page 18,

> "Patients will be scheduled for MRI procedures at Wilmington Health as ordered by their Wilmington Health providers. At times, patients will be referred to Wilmington Health physicians from other practices; if the patient's Wilmington Health physician identifies a need for an MRI procedure, he or she will order it."

On page 60, WH states,

> "Not only is this volume more than sufficient to support one fixed MRI scanner, the volume is directly controlled by the physicians at Wilmington Health ordering the scans..." (Emphasis added.)

Finally, on page 90, WH states,

> "As an existing multi-specialty practice, Wilmington Health currently provides and will continue to provide services to all eligible patients regardless of race, creed, sex, religion, ethnicity, handicap, or ability to pay. Ultimately, if a patient cannot afford to pay, the provider determines medical need for the service."

The last statement is curious in that it places a condition regarding patients who may receive care at WH; WH will provide services to only "eligible" patients, but WH does not provide a description of who

is "eligible". Additionally, when it is established that a patient needs a service at WH but cannot afford to pay for it, a WH provider will determine if a "medical need" actually exists before WH will perform the service.

Since WH is limiting access to the MRI scanner to ONLY WH patients, it should have been easy for WH to generate the "referral" letters from its own physicians to show that 4,421 referrals is reasonable. All WH had to do was have its physicians and providers sign referrals letters. WH did include referral letters from 61 of its 101 identified physicians on the medical staff, but the referral letters included in Exhibit 20, only total 3,938 in 2017; 3,974 in 2018; and 4,010 in 2019. Please see Attachment 1. PNI's application contained letters of support/referrals from 50 practices in southeast NC supporting 8,388 exams.

Additionally, WH's need methodology, which is provided on pages 62 through 70 contains assumptions that are neither reasonable, credible, nor supported.

As previously stated, WH's 4,421 "annualized" MRI scan "referrals" is questionable at best, which is the starting point for WH's need methodology. On page 66, WH states,

> "Wilmington Health conservatively estimates that its MRI referrals will grow 1.07 percent annually through 2019, a rate equivalent to the 2011 to 2014 compound annual growth rate (CAGR) for MRI scans in New Hanover County..."

However, the Agency double-counted MRI scans, as well as included MRI scans from other counties in its 2013 and 2014 New Hanover County MRI scan totals in the *2014 and 2015 State Medical Facilities Plans*. Accurate data (included in the PNI application on pages 102 and 103) shows that total MRI scans in New Hanover County actually decreased by a CAGR of -0.73% over that time period. Please see Attachment 2.

	2011	2012	2013	2014	CAGR
WH Need Methodology	27,708	26,867	28,344	28,607	1.07%
Actual Total Scans (Unweighted)	27,708	26,867	26,876	27,104	-0.73%

Thus, the second assumption used by WH, 2011 to 2014 compound annual growth rate (CAGR) for MRI scans in New Hanover County is incorrect.

Jumping back to page 63, WH uses calendar year WH MRI referrals provided at WH's mobile MRI scanner in its need methodology. Again, this data is internal and unavailable to the Agency to assure reasonableness and credibility. However, the data provided by WH in the second chart on page 63, shows an increase in the "Ratio of Weighted Total to Total Scans" from 1.15 in CY2011 to 1.19 in CY2015. WH provides the number of "annualized" MRI scan "referrals" provided at WH mobile MRI scanner, which just so happens to be exactly 700 MRI scans with contrast and 750 MRI scans without contrast thought the first six months of CY2015, to calculate the CY15 "Ratio of Weighted Total to Total Scans" of 1.19. The likelihood of these two MRI scan volume values being accurate is doubtful, as is the annualized volumes generated from them and used to calculate the "Ratio of Weighted Total to Total Scans" for CY15.

Since the Agency does not have access to any of this data, other than the data points included in the application, the Agency should rely on the MRI scans reported in the *Registration and Inventory of Medical Equipment – Mobile MRI Scanner* forms and used in the *State Medical Facilities Plan*. Using the most recent WH MRI data used in the *2016 State Medical Facilities Plan* shows that the WH "Ratio of Weighted Total to Total Scans" was 1.17 in FY2015 or 1.68% lower than WH's "annualized" "Ratio of Weighted Total to Total Scans" of 1.19 [((1.19 -1.17) / 1.19) = .0168]. WH's "annualized"

"Ratio of Weighted Total to Total Scans" of 1.19 is questionable.

The final data points used in the WH need methodology are the "With Contrast" and "Without Contrast" percentages. Again, WH provides the number of "annualized" MRI scan "referrals" provided at WH mobile MRI scanner, of exactly 700 MRI scans with contrast and 750 MRI scans without contrast thought the first six months of CY2015, which is "annualized" to 1,400 MRI scans with contrast and 1,500 MRI scans without contrast in CY15. Using these "annualized" volumes leads to MRI scans with contrast equaling 48.3% and MRI scans without contrast equaling 51.7%. The likelihood of these two percentages being reasonable and credible is doubtful.

Since the Agency does not have access to any of this data, other than the data points included in the application, the Agency should rely on the MRI scans reported in the *Registration and Inventory of Medical Equipment – Mobile MRI Scanner* forms and used in the *State Medical Facilities Plan.*

	FY2011	FY2012	FY2013	FY2014
With Contrast	1,168	1,065	1,201	1,189
Without Contrast	1,864	1,736	1,730	1,667
Total	**3,032**	**2,801**	**2,931**	**2,856**
With Contrast %	38.5%	38.0%	41.0%	41.6%
Without Contrast %	61.5%	62.0%	59.0%	58.4%

Using the most recent WH MRI data used in the 2013 - *2016 State Medical Facilities Plans* show that the WH MRI scans with contrast and MRI scans without contrast percentages, although WH is showing an increase in the percentage of MRI scans with contrast, they are nowhere near the "annualized" percentages projected by WH.

The WH need methodology relies on questionable values from "annualized" MRI scan "referrals" that are not documented or supported to show they are either reasonable or credible to project weighted MRI scans volumes necessary to meet required performance standards. However, using data readily available to the Agency and verifiable because it is reported in the *Registration and Inventory of*

Medical Equipment – Mobile MRI Scanner forms and used in the *State Medical Facilities Plan* results in MRI scans volumes that cannot meet required performance standards.

PNI calculated projected MRI scan volumes using New Hanover County and WH data that is publically reported using WH's need methodology:

		2015	2016	2017	2018	2019	CAGR or %
1	Total MRI Referrals	4,421	4,421	4,421	4,421	4,421	CAGR = 0.00%
2	Total MRI Scans Performed at WH (includes 10% Reduction)	3,979	3,979	3,979	3,979	3,979	CAGR = 0.00%
3	With Contrast	1,655	1,655	1,655	1,655	1,655	41.6%
4	Without Contrast	2,324	2,324	2,324	2,324	2,324	58.4%
5	Total Weighted MRI Scans Performed at WH	4,641	4,641	4,641	4,641	4,641	

1. Using accurate data, New Hanover County experienced a decrease in MRI scans from 2011 to 2014 (CAGR = -0.73%) not an increase as assumed by WH (CAGR = 1.07%). PNI used a CAGR of 0.0% or no growth rather than showing a decrease.
2. The 10% reduction to certain situations was maintained.
3. The MRI scans with contrast percentage was changed to the last reported percentage of 41.6% reported in the *2016 State Medical Facilities Plan* from the 48.3% used by WH using "annualized" MRI scan "referrals".
4. The MRI scans without contrast percentage was changed to the last reported percentage of 58.4% reported in the *2016 State Medical Facilities Plan* from the 51.7% used by WH using "annualized" MRI scan "referrals".
5. Total weighted MRI scans performed at WH for 2019 does not meet the performance standard of 4,805 weighted MRI scans when using reasonable, credible, and supported data.

On page 57, WH states,

> "This analysis also shows that the need for an additional MRI scanner in the *2015 State Medical Facilities Plan* – generated by the weighted scan average being at or above 4,805 – is driven by the providers with an average above 4,805, the highest of which is Wilmington Health. Thus, the need for an additional MRI scanner in the county is most heavily influenced by the volume at Wilmington Health."

WH would have the Agency believe that the "need for an additional MRI scanner in the county is most heavily influenced by the volume at Wilmington Health", which is the smallest of the four existing MRI providers (3,332 MRI scans in 2014) in New Hanover County and who also experienced the largest decrease in MRI scan volume from 2013 to 2014 [((3,411 – 3,332) / 3,411) = 2.32%].

(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.

On pages 73 and 74 of the application, WH describes the alternatives to the proposal they considered, which was limited to Maintain the Status Quo, Locate the Fixed Scanner in Vacated Lab Space, and Develop the Project as Proposed. However, the application has issues with Criteria (3), (5), (12), and (18a).

Additionally, in the application WH expresses concerns regarding their inability to utilize the mobile MRI scanner, which is permanently parked at its facility. On page 51, WH states,

> "The current schedule has a wait time of six days, due in large part to the fact that Wilmington Health has little to no control over when and how the mobile unit is staffed by Alliance."

On page 52, WH states,

> "The current mobile scanner is available for scans from 7:30 am to 5:30 pm on Monday through Friday and from 8:00 am to 11:00 am on Saturday (for a total of 53 hours), and yet Wilmington Health has no control over when the scanner is actually staffed, and as a result consistently operates on a six-day scheduling delay."

These comments are concerning, since in our experience with negotiating MRI mobile service agreements, the parties agree upon hours of service, staffing levels, and overtime fees for extended hours or additional days of service if necessary. However, the WH mobile contract with Alliance Imaging (that is inferred in the application) reportedly does not seem to allow for these important provisions.

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

As discussed in Criterion (3), WH fails to demonstrate that its projected MRI scan volumes are reasonable, credible, or supported.

Furthermore, on page 114 in Section IX Start-Up and Initial Operating Expenses/Financing of the application, WH states,

> "Not applicable. The proposed project does not involve a new service; therefore, there are no start-up expenses associated with the project."

Regardless of whether or not MRI services are provided at WH, on page 100 WH further states,

> "Not applicable. Wilmington Health does not currently provide fixed MRI services and mobile MRI technologist staffing is provided by the vendor."

This statement suggests that WH will at a minimum have to hire 4 MRI technologists to operate the MRI scanner. It is unreasonable to assume that they will be hired on the first day of operation and not need any WH orientation or training on, at a minimum, the WH quality program.

Furthermore, on page 156, the GE Capital Lease terms, at a minimum a one month payment of $22,053.50 is due when the contract is signed. The signing of the contract will occur before the MRI scanner is installed and becomes operation, this one month payment is a start-up expense.

It should be necessary to experience some expenses prior to the operation of the MRI scanner and it is unreasonable for WH to assume that it will not occur any expenses prior to operation of the MRI scanner.

For many of the costs associated with the project, there is no explanation of how the values in the pro forma financial statements have been calculated. For example, the total MRI scanner cost is $1,421,912 and WH identifies on page 110 and several locations in Section VIII, that it will use a capital lease from GE Healthcare Financial Services (GEHFS) to fund the MRI scanner; however, Exhibit 4 on page 156 identifies the lease as a true lease, which is NOT a capital lease but more an operating lease. A true lease, by definition, does not call for the full payout of the equipment cost during the lease term, nor does a true lease contemplate a transfer of title following the conclusion of the lease. As is noted in the GEHFS true lease terms. The lessee, WH, is only paying for the equipment during a portion of that equipment's useful life. Hence the lease payments are treated as 100% tax deductible, operating expenses. The lease does not appear on the balance sheet as a business asset or as a business liability. However, WH, includes the MRI scanner as both an asset and as a liability. The GEHFS true lease includes a fair market value option, which allows the lessee, WH, to purchase the equipment for its legitimate fair market value at the time the lease terminates. As is noted in the GEHFS true lease terms. As such, WH is not the owner of the MRI scanner until after the 60 month lease terminates. WH also includes interest expense and depreciation expense on an MRI scanner that WH does not own. It would seem that not only has WH made error in its pro forma financial statements, but GEHFS should have been a co-applicant in the CON application, since it is the entity incurring the obligation for the capital expenditure of the MRI scanner, WH is merely "renting" the scanner for 60 months.

On page 131, WH states,

> "Utilities expense during the project years are based on utilities expenses as a historical percentage of gross revenue for Wilmington Health overall, applied to the projected gross revenue for the MRI service."

A MRI scanner can typically use between 1.6kW and 2.0kW per MRI scan to generate the magnetic field. In most cases this is the largest user of electricity in a diagnostic center. However, WH calculates utility expenses by dividing its offices utility expenses by its gross patient revenue. Thus, WH assumes that for every $1.00 in gross patient revenue, the MRI scanner will use $0.005 in utilities. This is not a reasonable calculation.

WH does not include any allocated expenses for ancillary or support services that are provided by other WH employees to the fixed MRI service. PNI includes over $250,000 in expenses related to ancillary and support services provided by Delaney Radiologist to its proposed fixed MRI scanner. On page 6, WH states in a footnote,

> "At present, Wilmington Health plans to provide all necessary management and support services needed for the MRI service."

However, WH only includes the cost of a 0.5 FTE patient representative and a 0.25 FTE manager in its expenses, but does not include any costs associated with scheduling, billing or accounting, quality monitoring, HR support, purchasing, housekeeping, etc. By not including or allocating costs to these ancillary and support services, WH is under estimating its expenses to show a lower cost to provide the MRI service. WH also intends to utilize just a mere 0.5 FTE patient representative for various duties including, but not limited to, patient registration, insurance verification, deductible/copay collection, and maintenance of medical records for over 4,000 patients. Since patients are expected to receive services throughout the day, how will a patient representative be able to collect copayments in the morning and in the evening, six days a week, when there are only 3.3 hours per day allocated for this FTE.

Finally, WH is acquiring a MRI scanner and a 200 Amp Sag Corrector, but WH fails to identify the costs associated with a contrast injector (approximately $28,000), which is necessary for over 40% of MRI scans.

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

WH fails to adequately demonstrate the need for the proposed project. See Criterion (3) for discussion. Consequently, WH did not adequately demonstrate that its proposal will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

(8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

WH's MRI scanner will be "closed" to ALL physicians and medical practices, with the exception of WH and WH's physicians and providers. WH states on page 18,

> "Patients will be scheduled for MRI procedures at Wilmington Health as ordered by their Wilmington Health providers. At times, patients will be referred to Wilmington Health physicians from other practices; if the patient's Wilmington Health physician identifies a need for an MRI procedure, he or she will order it."

Furthermore, on page 60, WH states,

> "Not only is this volume more than sufficient to support one fixed MRI scanner, the volume is directly controlled by the physicians at Wilmington Health ordering the scans..." (Emphasis added.)

Finally, on page 90, WH states,

> "As an existing multi-specialty practice, Wilmington Health currently provides and will continue to provide services to all eligible patients regardless of race, creed, sex, religion, ethnicity, handicap, or ability to pay. Ultimately, if a patient cannot afford to pay, the provider determines medical need for the service."

The last statement is curious in that it places a condition regarding patients who may receive care at WH; WH will provide services to only "eligible" patients, but WH does not provide a description of who is "eligible". Additionally, when it is established that a patient needs a service at WH but cannot afford to pay for it, a WH provider will determine if a "medical need" actually exists before WH will perform the service.

Although on page 85, WH says it will be open to referrals from any physician to its MRI service, WH did NOT include any referral letters from non-WH staff in Exhibit 20 nor did WH assume any MRI scan volume from any non-WH physician through at least Year 3 of the project.

(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.

WH failed to adequately demonstrate that its proposal will have a positive impact upon the cost effectiveness, access, and quality of the proposed services. See also Criteria (3), (5) and (12) for discussion.

Cost Effectiveness

WH appears to be confused when it comes to cost effectiveness. WH's mobile MRI service is contracted through a vendor, Alliance Imaging, and on page 51 WH states,

> "As with any service provided by a contracted vendor, the existing mobile MRI service at Wilmington Health is costly."

On page 52, WH states,

> "The conversion from a contracted mobile MRI service to a fixed MRI scanner will result in significant cost savings. Specifically, as demonstrated in the pro forma financial statements following Section XII, Wilmington Health projects a per scan cost savings of nearly 40 percent by the third project year... As a large ACO provider, it is critical that Wilmington Health be able to better manage quality and the healthcare costs of its patient population, including the quality and costs associated with MRI services." (Emphasis added.)

As these two statements indicate, the existing mobile MRI vendor is costly and WH wants to better manage the healthcare costs of its patient population.

However, the following table with values taken from the fixed MRI pro forma financial statements on page 130, shows that the only entity benefiting after the development of a fixed MRI scanner at WH is WH.

	CY2014	CY2015	CY2016	CY2017	CY2018	CY2019
MRI Scans	2,901	2,900	2,931	4,065	4,108	4,152
Gross Revenue	$3,924,916	$3,923,563	$3,965,546	$5,499,085	$5,557,927	$5,617,398
Net Patient Revenue	$1,258,465	$1,258,032	$1,271,493	$1,763,199	$1,782,066	$1,801,134
Total Expenses	$1,174,055	$1,118,572	$1,153,690	$1,041,381	$939,721	$953,104
Net Income	$84,411	$139,459	$117,803	$721,819	$842,345	$848,030

As the previous table shows, Total Expenses do decrease from the "costly" contracted vendor expenses during the first three years of operation, unfortunately, it is not the "healthcare costs of its patient population" that benefits from this decrease. As the following table highlights, even after development of the fixed MRI scanner, WH will still charge the same "gross patient revenue" per MRI scan and expects to receive the same "net patient revenue" per MRI scan, as when mobile MRI services were provided at WH; a 0.0% change for the "healthcare costs of its patient population". There is NO cost benefit to the patient. However, by eliminating the mobile MRI vendor and operating its own fixed MRI scanner, WH has increased its "net income" per MRI scan from just $29 in CY2014 to $204 in CY2019, a dramatic 603.5% increase.

	CY2014	CY2015	CY2016	CY2017	CY2018	CY2019
MRI Scans	2,901	2,900	2,931	4,065	4,108	4,152
Gross Revenue	$1,353	$1,353	$1,353	$1,353	$1,353	$1,353
Net Patient Revenue	$434	$434	$434	$434	$434	$434
Total Expenses	$405	$386	$394	$256	$229	$230
Net Income	$29	$48	$40	$178	$205	$204

Continuing on the theme that WH wants to better manage the healthcare costs of its patient population. In several locations throughout the application WH states that it refers patients to higher cost settings for MRI scans. On page 53, WH states,

> "Therefore, with the proposed fixed scanner, Wilmington Health can alleviate the need to refer patients in need of more urgent scans to other (typically hospital-based) providers."

On page 65, WH states,

> "This is based, in part, on the fact that patients having the scan at Wilmington Health, as part of their physician office visit, nearly always have a lower co-pay and deductible, compared to a service provided by a hospital."

Finally on page 116, WH states,

> "The majority of Wilmington Health's outside referrals are to New Hanover Regional Medical Center where patient charges are nearly two times as much."

If WH was concerned with reducing or managing the healthcare costs of its patient population, why would WH refer its patients to New Hanover Regional Medical Center's MRI service, rather than the freestanding MRI service at OrthoWilmington, which has easily downloadable MRI Referral Order Forms on its website http://www.orthowilmington.com/specialties/mri. Additionally, PNI operates a mobile MRI scanner at two Delaney Radiologists locations in Wilmington. Both of these alternatives, OrthoWilmington and PNI, are more cost effective than NHRMC and a better option for a participant in two ACOs to help control healthcare costs.

Also it should be reiterated that the PNI fixed magnet is the only application that results in new and significant out of pocket savings to the patient, as well as significant savings to the insurance companies. This is accomplished by allowing the existing PNI mobile magnet to service two New Hanover Health & Diagnostic sites and charge freestanding rates rather than the existing arrangement whereby the patients are currently billed at higher hospital rates.

Access to Services

WH's MRI scanner will be "closed" to ALL physicians and medical practices, with the exception of WH and WH's physicians and providers. WH states on page 18,

> "Patients will be scheduled for MRI procedures at Wilmington Health as ordered by their Wilmington Health providers. At times, patients will be referred to Wilmington Health physicians from other practices; if the patient's Wilmington Health physician identifies a need for an MRI procedure, he or she will order it."

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Although on page 85, WH says it will be open to referrals from any physician to its MRI service, WH did NOT include any referral letters from non-WH staff in Exhibit 20 nor did WH assume any MRI scan volume from any non-WH physician through at least Year 3 of the project.

Comparative Analysis

Geographic Distribution

The *2015 State Medical Facilities Plan* identifies the need for one fixed MRI scanner in New Hanover County. The following table identifies the location of the existing and approved fixed MRI scanners in New Hanover County.

Facility	City/Town	# of Existing and Approved Fixed MRI Units
NHRMC – 17th Street	Wilmington	2
NHRMC – Orthopedic Hospital	Wilmington	1
NHRMC – Med Mall	Wilmington	1
OrthoWilmington PA	Wilmington	1

As shown in the table above, there are 5 existing and approved fixed MRI scanners located in New Hanover County. All five are located in Wilmington. Both PNI and WH propose to locate an additional fixed MRI scanner in Wilmington, on the same street.

Demonstration of Need

PNI demonstrated that projected utilization of its proposed fixed MRI scanner is based on reasonable, credible and supported assumptions. Whereas, WH used the following questionable data points:

1. Using inaccurate data, WH assumes a New Hanover County growth in MRI scans from 2011 to 2014 equal to a CAGR of 1.07%.
2. Using "annualized" MRI scan "referrals" for 2015, without any documentation, WH begins its need methodology using 4,421 "annualized" MRI scan "referrals".
3. Using "annualized" MRI scan "referrals" for 2015, WH assumes a MRI scans with contrast percentage 48.3%, much higher than any other previous years.
4. Using "annualized" MRI scan "referrals" for 2015, WH assumes a MRI scans without contrast percentage 51.7%, much lower than any other previous years.

Access by Underserved Groups

The following table shows the number of MRI procedures projected to be provided to Medicaid and Medicare recipients, as well as charity care patients and bad debt MRI scan equivalents in Project Year 3, as stated in the pro forma financial statements.

	MRI Scans				
	Medicaid	Medicare	Charity Care	Bad Debt Equivalents	Total MRI Scans
WH	243	1,856	17	60	2,176
PNI	181	1,724	45	91	2,041

As shown in the previous table, WH propose to serve a higher number of underserved individuals by 135 MRI scans. However, the MRI scans by payer mix in WH's application are questionable because projected utilization is not based on reasonable, credible and supported assumptions.

Revenues

The third full fiscal year of operation (Project Year 3) for PNI is October 1, 2018 to September 30, 2019. Project Year 3 for WH is January 1, 2019 to December 31, 2019. PNI included professional fees (i.e. charges for interpretation of the images by a radiologist) in its charges. Both PNI and WH deduct bad debt from gross revenue.

The average gross revenue per MRI scan for Project Year 3 was calculated by dividing (total gross revenue minus professional fees) by total unweighted MRI scans. See the following table.

Project Year 3

Average Gross Revenue per Unweighted MRI Scan

	Total Gross Revenue	Professional Fees	Total Gross Revenue – Professional Fees	# of Unweighted MRI Scans	Average Gross Revenue per MRI Scan
WH	$5,617,398	$0	$5,617,398	4,152	$1,352
PNI	$6,955,221	$896,585	$6,058,636	4,537	$1,335

As shown in the previous table, PNI projects the lowest average gross revenue per unweighted MRI procedure by $17.

The average net revenue per MRI scan for Project Year 3 was calculated by dividing (total net revenue minus professional fees) by total unweighted MRI scan. See the following table.

Project Year 3

Average Net Revenue per Unweighted MRI Scan

	Total Net Revenue	Professional Fees	Total Net Revenue – Professional Fees	# of Unweighted MRI Scan	Average Net Revenue per MRI Scan
WH	$1,801,134	$0	$1,801,134	4,152	$434
PNI	$2,916,672	$896,585	$2,020,087	4,537	$445

As shown in the previous table, WH projects the lowest average net revenue per unweighted MRI scan by $11. The average gross revenue per MRI scan and average net revenue per MRI scan for WH's application are both questionable because projected utilization is not based on reasonable, credible and supported assumptions.

Conversely, the average gross revenue per MRI scan and average net revenue per MRI scan for PNI's application are not questionable because the projected utilization is based on reasonable, credible and supported assumptions.

The average net income per MRI scan for Project Year 3 was calculated by dividing total net income by total unweighted MRI scans.

Project Year 3

Average Operating Cost per Unweighted MRI Scans

	Total Net Income	# of Unweighted MRI Scan	Average Net Income per MRI Scan
WH	$848,030	4,152	$204
PNI	$733,699	4,537	$162

As shown in the previous table, PNI projects the lowest average net income per unweighted MRI scan by $42.

Operating Costs

PNI includes professional fees (i.e. charges for interpretation of the images by a radiologist) in its charges. Both WH and PNI deduct bad debt from gross revenue.

The average operating cost per MRI scan for Project Year 3 was calculated by dividing (total operating expenses minus professional fees) by total unweighted MRI scans.

Project Year 3

Average Operating Cost per Unweighted MRI Scan

	Total Operating Costs	Professional Fees	Total Operating Costs – Professional Fees	# of Unweighted MRI Scan	Average Cost per MRI Scan
WH	$953,104	$0	$953,104	4,152	$230
PNI	$2,182,973	$896,585	$1,286,388	4,537	$284

As shown in the previous table, WH projects the lowest average operating cost per unweighted MRI scan by $54. However, WH's projected operating cost per unweighted MRI scan is questionable because projected utilization is not based on reasonable, credible and supported assumptions.

Technical Charges

The following table compares the technical charges proposed to be charged by PNI and WH for MRI scans. The technical charges are found on page 43 of the PNI application and on page 231 of the WH application.

		Technical Fee			
Code	Description	PNI	WH	PNI Variance	PNI Variance %
70543	MRI ORBIT FACE and/or NECK W/OW	$1,463			
70544	MRA HEAD W/O	$984	$1,650	$(666)	-40%
70551	MRI BRAIN W/O	$796	$1,352	$(556)	-41%
70553	MRI BRAIN W/OW	$1,296	$1,851	$(555)	-30%
72141	MRI SPINE CERV W/O	$850	$1,179	$(329)	-28%
72146	MRI SPINE THORACIC W/O	$850	$1,199	$(349)	-29%
72148	MRI SPINE LUMBAR W/O	$780	$1,197	$(417)	-35%
72156	MRI SPINE CERV W/OW	$1,316	$2,157	$(841)	-39%
72157	MRI SPINE THOR W/OW	$1,332	$1,946	$(614)	-32%
72158	MRI SPINE LUMB W/OW	$1,294	$1,700	$(406)	-24%
72197	MRI PELVIS W/OW	$1,451			
73221	MRI JT UPPER EXT W/O	$836	$1,278	$(442)	-35%
73222	MRI JT UPPER EXT W	$1,086			
73223	MRI JT UPPER EXT W/OW	$1,441			
73718	MRI LOWER EXT W/O	$960	$1,341	$(381)	-28%
73720	MRI LOWER EXT W/OW	$1,471	$1,932	$(461)	-24%
73721	MRI JT LOWER EXT W/O	$837	$1,307	$(470)	-36%
73723	MRI JT LOWER EXT W/OW	$1,443	$1,777	$(334)	-19%
74181	MRI ABDOMEN W/O	$924	$1,182	$(258)	-22%
74183	MRI ABDOMEN W/OW	$1,452	$1,973	$(521)	-26%

PNI proposes to charge technical fees that are between 19% and 41% less than every technical charge proposed by WH, but somehow PNI's average gross revenue per MRI scan and average net revenue per

MRI scan are both higher than WH's. With the considerable difference in technical fee charges, WH average gross revenue per MRI scan of $1,353 appears unreasonable.

Attachment 1

Last Name, First Name Degree Specialty	2017	2018	2019
Alatar, Kira MD Family Practice	11	11	11
Almirall, Peter MD Family Practice	68	69	70
Arrieta, Carlos MD Cardiology	3	3	3
Averell, Brian DO Neurology	265	268	271
Benfield, Elizabeth PA Rheumatology	10	10	10
Berthold, Gina MD Infectious Disease	21	21	21
Bishop, Andrew MD Cardiology	18	18	18
Bowers, Heather PA Family Practice	33	33	33
Brannin, Sandra DO Internal Medicine	43	43	43
Braunstein, Seth MD Endocrinology	2	2	2
Bulauitan, Philippe MD Family Practice	21	21	21
Burkett, Jessica MD Family Practice	-	-	-
Calain, Jodie DO	41	41	41
Clark, Marisol MD Urgent Care	-	-	-
Daum, Catherine MD Internal Medicine	32	32	32
DeMaria, Alfred MD Neurology	597	603	609
Donnelly, Leslie MD Orthopedics	159	161	163
Dougherty, Ryan MD Family Practice	21	21	21
Dzurik, Matthew DPM Podiatry	88	89	90
Falk, Sarah NP Endocrinology	21	21	21
Favorito, Heather MD Rheumatology	14	14	14
Favorito, Michael MD Endocrinology	23	23	23
Filzer, Sofia PA-C Pulmonology	-	-	-
Finnegan, Jill PA-C Internal Medicine	58	59	60
Forystek, Ashley DO Internal Medicine	45	45	45
George, Ronald MD Rheumatology	49	50	51
Hall, Sandra MD Ob/Gyn	-	-	-
Hines, Jonathan MD Internal Medicine	15	15	15
Holdsworth, Jeremy MD Family Practice	-	-	-
Janik, Matthew MD Cardiology	74	75	76
Johnson, Jr., Robert MD Family Practice	38	38	38
Jones, Lauren NP Ob/Gyn	14	14	14
Jones, Michelle MD Family Practice	30	30	30
Joseph, David MD Ob/Gyn	-	-	-
Kamitsuka, Paul MD Infectious Disease	55	56	57
Klein, Barbara NP Ob/Gyn	-	-	-
Landrigan, Lawrence PA-C Rheumatology	14	14	14
Lee, Doug MD Pulmonology	-	-	-
Lewis, Kathy NP Pain Management	165	167	169
Li, Zhicheng MD Pain Management	379	383	387
Lynn, Allison MD Surgery	3	3	3
Lyons, Jennings PA-C Family Practice	-	-	-
McElroy, Margaret DO Ob/Gyn	-	-	-
McGarrity, Michael MD Endocrinology	36	36	36
McWilliams, Michael MD Internal Medicine	21	21	21
Meisel, Dean MD Family Practice	91	92	93
Mravkov, Borislav MD Neurology	210	212	214
Murtha, Emily FNP Internal Medicine	17	17	17

Last Name, First Name Degree Specialty	2017	2018	2019
Neuwirth, Charles MD Surgery	5	5	5
Oster, Timothy MD Neurology	71	72	73
Parker, Alison MD Ob/Gyn	2	2	2
Parker, John MD Endocrinology	27	27	27
Parker, Michael MD ENT	21	21	21
Pasquariello, John MD Internal Medicine	71	72	73
Payne, Paul MD Cardiology	15	15	15
Peng, Yen-Lin MD Family Practice	-	-	-
Ruscetti, Howard MD Family Practice	-	-	-
Sincock, Matthew MD Infectious Disease	34	34	34
Smith, Holly PA-C Pulmonology	3	3	3
Stanley, Angela FNP Neurology	104	105	106
Staub, Jonathan MD Internal Medicine	33	33	33
Stewart, G. Terry MD Ob/Gyn	-	-	-
Sylvestri, George MD Internal Medicine	88	89	90
Todd, Morgan MD Family Practice	15	15	15
Tyler, Bradford MD Surgery	37	37	37
Visser, Scott MD Family Practice	-	-	-
Vogel, Joshua MD Ob/Gyn	9	9	9
Vreeland, Gloria MD Family Practice	15	15	15
Webb, Craig PA-C Internal Medicine	18	18	18
Webster, Brian MD Internal Medicine	39	39	39
Whitesides, Paul MD Endocrinology	12	12	12
Wiese, Kathleen DO Neurology	429	434	439
Williams, Matt MD Family Practice	12	12	12
Woodfill, Gregory DO Ob/Gyn	8	8	8
Zwack, Gregory MD ENT	65	66	67
	3,938	3,974	4,010

2015 SMFP and Draft 2016 SMFP
New Hanover County MRI Scan Volume Error

In preparing the need methodology, PNI used data directly from Hospital License Renewal Application forms and Registration and Inventory of Medical Equipment forms. After completing a table using the data from these forms, PNI became aware that in the 2015 SMFP and the Draft 2016 SMFP the Agency had double counted MRI scans, as well as included MRI scans from another county, in the New Hanover County portion of Table 9P.

The following table shows that the Agency double counted MRI scan volumes performed at H&D – Military Cutoff and– Porters Neck, as well as included MRI scan volumes performed in Brunswick County at H&D – Brunswick Forest. The error in Table 9P results in an additional 1,468 MRI scans to be included in the FY2013 New Hanover County MRI scan total [28,344 – 26,876 = 1,468].

FY2013 New Hanover County
MRI Scans

Service Site (Provider Owner)	Fixed Magnet	Fixed Equiv	Total MRI Scans	H&D - Brunswick Forest (Alliance)	H&D - Military Cutoff (Alliance)	H&D - Porters Neck (Alliance)	Total MRI Scans
NHRMC	4.00	4.00	14,341	644	345	479	12,873
OrthoWilmington	1.00	1.00	4,275				4,275
Delaney Radiologists (InSight)	-	0.49	2,331				2,331
Delaney Radiologists (PNI)	-	0.44	2,093				2,093
Delaney Radiologists (PNI)	-	0.32	1,539				1,539
NHRMC H&D - Military Cutoff (Alliance)	-	0.07	352				352
NHRMC H&D - Porters Neck (Alliance)	-	0.10	482				482
WHA Medical Clinic (Alliance)	-	0.61	2,931				2,931
	5.00	7.03	28,344				26,876

The following table also highlights that the Agency double counted MRI scan volumes performed at H&D – Military Cutoff and H&D – Porters Neck, as well as included MRI scan volumes performed in Brunswick County at H&D – Brunswick Forest. The error in Table 9P results in an additional 1,503 MRI scans to be included in the FY2014 New Hanover County MRI scan total [28,607 – 27,104 = 1,503].

FY2014 New Hanover County
MRI Scans

Service Site (Provider Owner)	Fixed Magnet	Fixed Equiv	Total MRI Scans	H&D - Brunswick Forest (Alliance)	H&D - Military Cutoff (Alliance)	H&D - Porters Neck (Alliance)	Total MRI Scans
NHRMC	4.00	4.00	13,070				13,070
OrthoWilmington	1.00	1.00	4,406				4,406
Atlantic Radiology (Alliance)	-	-	12				12
Delaney Radiologists (InSight)	-	0.51	2,430				2,430
Delaney Radiologists (PNI)	-	0.41	1,983				1,983
Delaney Radiologists (PNI)	-	0.31	1,488				1,488
NHRMC	-	0.31	1,503	659	343	501	-
NHRMC H&D - Military Cutoff (Alliance)	-	0.07	353				353
NHRMC H&D - Porters Neck (Alliance)	-	0.11	506				506
WHA Medical Clinic (Alliance)	-	0.59	2,856				2,856
2015 SMFP Need Determination	1.00	1.00	-				-
	6.00	8.31	28,607				27,104