

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: February 18, 2022

Findings Date: February 18, 2022

Project Analyst: Celia C. Inman

Co-Signer: Lisa Pittman

COMPETITIVE REVIEW

Project ID #: O-12124-21
Facility: Novant Health New Hanover Regional Medical Center - Scotts Hill
FID #: 200732
County: New Hanover
Applicant(s): Novant Health, Inc.
Novant Health New Hanover Regional Medical Center, LLC
Project: Acquire one fixed MRI scanner pursuant to the need determination in 2021 SMFP

Project ID #: O-12126-21
Facility: Delaney Radiologist Group
FID #: 030359
County: New Hanover
Applicant(s): Delaney Radiologists Group, PLLC
Project: Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

Project ID #: O-12127-21
Facility: EmergeOrtho - Porters Neck
FID #: 210741
County: New Hanover
Applicant(s): EmergeOrtho, P.A.
Project: Develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

Project ID #: O-12139-21
Facility: Wilmington Health at Porters Neck
FID #: 210742
County: New Hanover
Applicant(s): Wilmington Health, PLLC
Project: Develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

Each application was reviewed independently against the applicable statutory review criteria found in G.S. 131E-183(a) and the regulatory review criteria found in 10A NCAC 14C. After completing an independent analysis of each application, the Healthcare Planning and Certificate of Need Section (CON Section) also conducted a comparative analysis of all the applications. The Decision, which can be found at the end of the Required State Agency Findings (Findings), is based on the independent analysis and the comparative analysis.

REVIEW CRITERIA

G.S. 131E-183(a): The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with 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, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C-All Applications

Need Determination

The 2021 State Medical Facilities Plan (SMFP) includes a need methodology for determining the need for additional fixed MRI scanners in North Carolina by service area. Application of the need methodology in the 2021 SMFP identified a need for one fixed MRI scanner in the New Hanover County service area. Four applications were received by the Healthcare Planning and Certificate of Need Section (CON Section), each proposing to acquire one fixed MRI scanner, for a total of four MRI scanners. However, pursuant to the need determination, only one fixed MRI scanner may be approved in this review.

Policies

Two policies in Chapter 4 of the 2021 SMFP are applicable to the applications received in response to the need determination.

Policy GEN-3

Policy GEN-3 on page 29 of the 2021 SMFP states:

“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

Policy GEN-4

Policy GEN-4 on page 29 of the 2021 SMFP states:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC, collectively referred to as “the applicant”, Novant Health or NHRMC, proposes to acquire

one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at Novant Health New Hanover Regional Medical Center Emergency Department North / Scotts Hill Hospital (NH Scotts Hill). NH Scotts Hill currently offers outpatient services, including freestanding ED services, ambulatory surgery services, and diagnostic imaging services which include mobile MRI services. In April 2021, NHRMC was approved to build an acute care hospital at Scotts Hill (Project ID #O-11947-20), wherein the existing services offered at NH Scotts Hill will become part of the NHRMC Scotts Hill Hospital. The proposed fixed MRI unit will serve the immediate outpatient MRI needs at NHRMC Scotts Hill and when the proposed hospital opens, the unit will be part of the hospital's radiology department, offering both inpatient and outpatient, hospital-based MRI services. Novant Health and NHRMC own and operate four fixed hospital-based MRIs and own/operate multiple mobile MRI scanners throughout New Hanover County.

Need Determination. The applicant does not propose to develop more fixed MRI scanners than are determined to be needed in the New Hanover County MRI service area.

Policy GEN-3. In Section B, pages 26-32, Section N, and Exhibits B-20.1, B-20.2, and O.2, the applicant explains why it believes its application is conforming to Policy GEN-3, giving examples of promoting safety and quality while providing equitable access and maximizing healthcare value for resources expended. On page 31, the applicant states:

*“The utilization projections presented in the application, specifically in **Section Q Form C Utilization** [emphasis in original] and the responses to the Criteria and Standards for MRIs, incorporate the concepts of safety, quality, access, and maximum value for resources expended by using reasonable and conservative assumptions to ensure that the proposed project is needed and will be well utilized.”*

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 32-34, and Exhibit B-21, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on the following:

- The applicant does not propose to acquire more than the one fixed MRI scanner that is determined to be needed in the service area.

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 based on the following:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in the New Hanover County MRI service area;
 - The applicant adequately documents how the project will promote equitable access to MRI services in New Hanover County;
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended; and
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

Delaney Radiologists Group, PLLC, referred to as Delaney Radiology or “the applicant”, proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County. Porters Neck Imaging, LLC and Delaney Radiology own and operate a mobile MRI (Project ID #O-7254-05) at Porters Neck Imaging, 2800 Ashton Drive and at Delaney Radiology-Main, 1025 Medical Center Drive, both locations in Wilmington, NC.

Need Determination. The applicant does not propose to develop more fixed MRI scanners than are determined to be needed in the New Hanover County MRI service area.

Policy GEN-3. In Section B, pages 26-27, and Section N, the applicant explains why it believes its application is conforming to Policy GEN-3, stating that Delaney Radiology is committed to the provision of comprehensive, high quality, safe and cost-effective services; Delaney Radiology is an equal access healthcare provider, rendering medical care to all persons in need of care without discrimination; and Delaney Radiology will maximize healthcare value through the acquisition and development of a fixed MRI service.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section B, page 28, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on the following:

- The applicant does not propose to acquire more than the one fixed MRI scanner that is determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 based on the following:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in the New Hanover County service area;
 - The applicant adequately documents how the project will promote equitable access to MRI services in New Hanover County;
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended; and
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

EmergeOrtho, P.A., referred to as EmergeOrtho or “the applicant”, proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County. EmergeOrtho owns and operates a fixed MRI (Project ID #O-7529-05) at EmergeOrtho-Shipyard, its existing diagnostic center located in Wilmington.

Need Determination. The applicant does not propose to develop more fixed MRI scanners than are determined to be needed in the New Hanover County MRI service area.

Policy GEN-3. In Section B, pages 25-26, and Section N, the applicant explains why it believes its application is conforming to Policy GEN-3, providing explanations as to how the project will promote safety, quality and equitable access, while maximizing healthcare value for resources expended.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section B, pages 26-27, the applicant describes the project's plan to improve energy efficiency and conserve water.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on the following:

- The applicant does not propose to acquire more than the one fixed MRI scanner that is determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 based on the following:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in the New Hanover County service area;
 - The applicant adequately documents how the project will promote equitable access to MRI services in New Hanover County;
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended; and
 - The applicant adequately demonstrates its plan to assure improved energy efficiency and water conservation.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

Wilmington Health, PLLC, referred to as Wilmington Health or “the applicant”, proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County. Wilmington Health owns and operates a fixed MRI (Project ID #O-11063-15) at its existing diagnostic center located at 1202 Medical Center Drive in Wilmington.

Need Determination. The applicant does not propose to develop more fixed MRI scanners than are determined to be needed in the New Hanover County MRI service area.

Policy GEN-3. In Section B, pages 27-31, and Section N, the applicant explains why it believes its application is conforming to Policy GEN-3. On page 31, the applicant states:

“The utilization projected in the application, particularly in Section Q, Form C Assumptions and Methodology, will incorporate concepts of safety, quality, access, and maximum value by expanding Wilmington Health’s ability to demonstrate these concepts in the services it provides on the proposed MRI scanner. The patients served including the medically underserved, will have access to the safe, high quality, lower-cost freestanding MRI services at Wilmington Health at Porters Neck – 8114 Market Street, and the proposed project will be developed in such a way as to maximize healthcare value for resources expended.”

Policy GEN-4. The proposed capital expenditure for this project is less than \$2 million; therefore, *Policy GEN-4* is not applicable.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on the following:

- The applicant does not propose to acquire more than the one fixed MRI scanner that is determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 based on the following:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in the New Hanover County service area;
 - The applicant adequately documents how the project will promote equitable access to MRI services in New Hanover County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.

(2) Repealed effective July 1, 1987.

(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, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

C

All Applications

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at NHRMC Scotts Hill. The proposed fixed MRI unit will serve the immediate outpatient MRI needs at NH Scotts Hill and when the approved NHRMC Scotts Hill hospital opens, the unit will be part of the hospital's radiology department, offering both inpatient and outpatient, hospital-based MRI services.

Patient Origin

The 2021 SMFP defines the service area for a fixed MRI scanner as “the same as an Acute Care Bed Service Area as defined in Chapter 5, Acute Care Beds, and shown in Figure 5.1.” Figure 5.1, page 36 of the 2021 SMFP, identifies New Hanover County as an Acute Care Bed Service Area. Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

NH Scotts Hill does not currently offer fixed MRI services. The following table summarizes historical patient origin for NH Scotts Hill’s mobile MRI services, provided through a third-party contract, in its last full fiscal year (FY) of operation, October 1, 2019 through September 30, 2020, as provided by the applicant on page 38 of the application.

**NH Scotts Hill Patients by ZIP Code
 Historical Mobile MRI Service
 Full FY2020**

ZIP Code	Patients	% of Total
28443	425	25.1%
28411	354	20.9%
28445	159	9.4%
28460	113	6.7%
28405	75	4.4%
28451	75	4.4%
28412	52	3.1%
28409	50	3.0%
28429	44	2.6%
28403	40	2.4%
28457	34	2.0%
28401	14	0.8%
28479	12	0.7%
28480	6	0.4%
28436	2	0.1%
28435	1	0.1%
All other NC ZIP Codes	231	13.7%
Out of State	3	0.2%
Total	1,690	100.0%

Source: page 38 of application, provided by ZIP Code only with no reference to county of patient origin.

The table below shows the county of patient origin for the patients in the ZIP codes as provided by the applicant on page 38 of the application.

**NH Scotts Hill Patient Origin by County
 Historical Mobile MRI Service
 Full FY2020**

County	ZIP Code	Patients by ZIP	% of Total	Patients by County	% of Total
New Hanover	28411	354	20.9%		
New Hanover	28405	75	4.4%		
New Hanover	28412	52	3.1%		
New Hanover	28409	50	3.0%		
New Hanover	28429	44	2.6%		
New Hanover	28403	40	2.4%		
New Hanover	28401	14	0.8%		
New Hanover	28480	6	0.4%	635	37.6%
Pender	28443	425	25.1%		
Pender	28457	34	2.0%		
Pender	28435	1	0.1%	460	27.2%
Onslow	28445	159	9.4%		
Onslow	28460	113	6.7%	272	16.1%
Brunswick	28451	75	4.4%		
Brunswick	28479	12	0.7%	87	5.1%
Columbus	28436	2	0.1%	2	0.1%
All other NC ZIP Codes		231	13.7%	231	13.7%
Out of State		3	0.2%	3	0.2%
Total		1,690	100.0%	1,690	100.0%

Source: Applicant's data by ZIP code converted to County using
<https://www.uscounties.com/zipcodes/search.pl?query=28435&stpos=0&sttype=AND>

As the table above shows, the mobile MRI service at NH Scotts Hill's historical patient origin includes 37.6% New Hanover County patients.

The applicant provides the projected patient origin for the proposed fixed MRI at NH Scotts Hill by ZIP code on page 40 of the application. The table below summarizes the projected ZIP code patient origin by county.

**NH Scotts Hill
 Projected Patient Origin by County**

County	ZIP Code	Partial Year 2023		FY2024		FY2025		FY2026	
		Pts by County	% of Total	Pts by County	% of Total	Pts by County	% of Total	Pts by County	% of Total
New Hanover	28411	374	20.7%	763	20.7%	872	20.7%	895	20.7%
New Hanover	28405	80	4.4%	162	4.4%	186	4.4%	191	4.4%
New Hanover	28412	57	3.1%	115	3.1%	132	3.1%	135	3.1%
New Hanover	28409	54	3.0%	111	3.0%	127	3.0%	130	3.0%
New Hanover	28429	48	2.7%	98	2.7%	112	2.7%	115	2.7%
New Hanover	28403	42	2.3%	85	2.3%	98	2.3%	100	2.3%
New Hanover	28401	16	0.9%	32	0.9%	37	0.9%	38	0.9%
New Hanover	28480	6	0.3%	13	0.3%	15	0.3%	15	0.3%
New Hanover Total		677	37.4%	1,379	37.4%	1,579	37.4%	1,619	37.4%
Pender	28443	453	25.1%	923	25.1%	1055	25.1%	1083	25.1%
Pender	28457	36	2.0%	73	2.0%	83	2.0%	85	2.0%
Pender	28435	1	0.1%	2	0.1%	2	0.1%	3	0.1%
Pender Total		490	27.2%	998	27.2%	1,140	27.2%	1,171	27.2%
Onslow	28445	170	9.4%	346	9.4%	396	9.4%	406	9.4%
Onslow	28460	120	6.7%	246	6.7%	281	6.7%	288	6.7%
Onslow Total		290	16.1%	592	16.1%	677	16.1%	694	16.1%
Brunswick	28451	81	4.5%	165	4.5%	188	4.5%	193	4.5%
Brunswick	28479	14	0.8%	28	0.8%	32	0.8%	33	0.8%
Brunswick Total		95	5.3%	193	5.3%	220	5.3%	226	5.3%
Columbus	28436	2	0.1%	4	0.1%	5	0.1%	5	0.1%
All Other NC ZIP Codes		250	13.9%	511	13.9%	584	13.9%	599	13.9%
Out of State		3	0.2%	6	0.2%	7	0.2%	8	0.2%
Total		1,806	100.0%	3,685	100.0%	4,211	100.0%	4,322	100.0%

As the table above shows, the applicant projects 37.4% of the projected total patients using the proposed fixed MRI service at NH Scotts Hill will originate from New Hanover County.

In Section C, page 39, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant's projections are based on the historical NH Scotts Hill mobile MRI patient origin percentages by ZIP code.
- The applicant anticipates that the proposed fixed MRI unit will serve patients in a similar geographic distribution.

Analysis of Need

In Section C, pages 41-69, the applicant discusses NHRMC and its services; Novant Health and its services; the applicant’s proposed service area, existing MRI providers, the need for MRI capacity, travel time, congestion, travel difficulty for the elderly; MRI trends at NHRMC and its efforts to address MRI capacity constraints, and growth in MRI demand; and physician support.

On page 68, the applicant concludes that the proposed project is in response to the overall need for one additional fixed MRI in New Hanover County. The applicant further states that it has established a clear need for the proposed project, based on the following:

- The growing and aging service area population
- NHRMC’s high MRI utilization and its continued growth during COVID
- NHRMC being the only acute care provider in the county, the only provider of several highly specialized, complex, and inpatient MRI services, and reliance upon NHRMC for such services
- The need for fixed MRI service at Scotts Hill Hospital as a full-service community hospital and for its proposed Cancer Center
- Additional capacity to allow NHRMC to shift MRI cases away from the capacity constrained Main Campus while improving geographic access to MRI services outside of congested downtown Wilmington

The information is reasonable and adequately supported based on the following:

- The 2021 SMFP identifies the need for one additional fixed MRI scanner in New Hanover County.
- Service area population growth and aging and physician/staff support for the proposed project support the need for the proposed MRI.
- MRI utilization in New Hanover County, MRI capacity constraints at NHRMC, and hospital needs at Scotts Hill support the need for the applicant’s proposed MRI.

Projected Utilization

The applicant does not currently provide fixed MRI services at NH Scotts Hill. In Section Q, the applicant provides historical, interim and projected utilization, as summarized in the following tables.

Historical/Interim NHRMC Fixed MRI Utilization (all Campuses)

	Last Full FY FY2020	Interim Full FY FY2021	Interim Full FY FY2022	Interim Partial 10/1/22-3/31/23
# of Fixed MRI scanners	4	4	4	4
Unweighted Procedures	16,420	16,472	16,801	8,568
Weighted Procedures	21,493	21,775	21,990	11,214

Source: Section Q, Forms C.2a

Projected NHRMC Fixed MRI Utilization (all Campuses)

	Partial FY 4/1/23-9/30/23	1st Full FY FY2024	2nd Full FY FY2025	3rd Full FY FY2026
NHRMC All Campuses				
Total # of Fixed MRI scanners	5	5	5	5
Unweighted Procedures	9,950	20,299	20,493	20,929
Weighted Procedures	12,814	26,141	26,432	27,001
NH Scotts Hill				
# of Fixed MRI scanners	1	1	1	1
Unweighted Procedures	1,806	3,685	4,211	4,322
Weighted Procedures	2,199	4,487	5,281	5,427

Source: Section Q, Forms C.2b

In Section Q, beginning on page 127, the applicant provides the assumptions and methodology used to project utilization, as summarized below.

Step 1. Identify MRI Inventory at NHRMC-Affiliated Facilities

The applicant shows two existing fixed MRI units at NHRMC Main, one at NHRMC Orthopedic Hospital (Ortho), and one at NHRMC Medical Mall, along with the proposed NH Scotts Hill MRI.

Step 2. Review Historical Utilization Trends for all NHRMC MRIs in New Hanover County and Compute the 3-year CAGR

The applicant provides the FY2017-FY2020 MRI utilization at NHRMC Main, NHRMC Ortho, and NHRMC Medical Mall, concluding with the compound average growth rate (CAGR) for each facility, showing the CAGR by inpatient and outpatient when relevant, and total.

Historical MRI Utilization

	FY2017	FY2018	FY2019	FY2020	CAGR
NHRMC Main					
Inpatient	4,642	4,869	5,241	4,835	1.4%
Outpatient	2,415	2,515	3,520	3,352	11.5%
Total	7,057	7,384	8,761	8,187	5.1%
NHRMC Ortho					
Inpatient	80	77	41	77	-1.3%
Outpatient	5,176	5,212	5,303	5,155	-0.1%
Total	5,256	5,289	5,344	5,232	-0.2%
NHRMC Medical Mall					
Total	2,008	2,052	2,173	3,001	14.3%
Total NHRMC-Affiliated MRIs	14,321	14,725	16,278	16,420	4.7%

Step 3. Project FY2021 NHRMC MRI Utilization and Compute the 4-year CAGR

The applicant annualizes the FY2021 MRI utilization at NHRMC Main, NHRMC Ortho, and NHRMC Medical Mall, and calculates the four-year CAGR for each facility, showing the CAGR by inpatient and outpatient when relevant, and total.

FY2017-2021 Annualized MRI Utilization

	FY2017	FY2018	FY2019	FY2020	FY2021*	CAGR
NHRMC Main						
Inpatient	4,642	4,869	5,241	4,835	4,901	1.4%
Outpatient	2,415	2,515	3,520	3,352	3,221	7.5%
Total	7,057	7,384	8,761	8,187	8,123	3.6%
NHRMC Ortho						
Inpatient	80	77	41	77	196	25.1%
Outpatient	5,176	5,212	5,303	5,155	5,257	0.4%
Total	5,256	5,289	5,344	5,232	5,453	0.9%
NHRMC Medical Mall	2,008	2,052	2,173	3,001	2,896	9.6%
Total NHRMC-Affiliated MRIs	14,321	14,725	16,278	16,420	16,472	3.6%

*Annualized

Step 4. Determine the Projected Growth Rate During Interim Years and Project Years

The applicant states that it uses a 2% growth rate across all NHRMC MRI locations through the interim and first full fiscal years. The applicant states this growth rate is conservative based on the historical growth rates, the annual growth rate of the total service area and the annual growth rate of the 65 and older population for the total service area.

Step 5. Determine the shift in MRI Outpatient Cases from NHRMC Main to NH Scotts Hill

The applicant proposes to shift its mobile MRI cases and a portion of outpatient MRI cases from NHRMC Main to NH Scotts Hill, as discussed on pages 130-134 and as shown on page 133 and summarized below.

Summary of Projected Total Outpatient MRI Volume NH Scotts Hill

	Partial Year 4/23-9/23	FY2024	FY2025	FY2026
NH Scotts Hill Mobile MRI Shift	1,382	2,819	2,875	2,932
Prostate MRI Shift from NHRMC Main	44	89	91	93
General MRI Shift from NHRMC Main	381	777	793	808
Total	1,806	3,685	3,758	3,834

On page 134, the applicant shows the NHRMC Main volume after the shift of outpatient MRI cases from NHRMC Main to NH Scotts Hill, as summarized below.

Summary of Total Outpatient MRI Cases at NHRMC Main after Shift to NH Scotts Hill

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
NHRMC Main Outpatient MRI Cases Prior to Shift	3,352	3,221	3,286	3,352	3,419	3,487	3,557
Shift of Cases to NH Scotts Hill				425	866	884	901
NHRMC Main Outpatient MRI Cases After Shift				2,927	2,552	2,603	2,655

Step 6. Determine Projected Inpatient MRI Cases for NH Scotts Hill

The applicant provides the NH Scotts Hill projected inpatient MRI cases upon the opening of the Scotts Hill Hospital, as projected in the approved application Project ID #O-11947-20, as summarized below.

NH Scotts Hill Projected Inpatient MRI Volume

	FY2025	FY2026
Inpatient MRI Scans		
With Contrast	168	181
Without Contrast	285	307
Total Inpatient MRI Scans	453	488

Step 7. Summarize MRI Utilization for Interim Years and Project Years for All NHRMC Fixed Scanners

The applicant provides the projected NHRMC MRI volume on page 135, as summarized below.

Projected NHRMC MRI Volume

	Annualized FY2021	FY2022	Interim 2023	Partial 2023	FY2024	FY2025	FY2026
NHRMC Main							
Inpatient	4,901	4,999	2,550	2,550	5,201	4,853	4,950
Outpatient	3,221	3,286	1,676	1,251	2,552	2,603	2,655
Total	8,123	8,285	4,225	3,801	7,754	7,456	7,605
NHRMC Ortho							
Inpatient	196	200	102	102	208		
Outpatient	5,257	5,362	2,735	2,735	5,579	5,691	5,805
Total	5,453	5,562	2,837	2,837	5,787	5,691	5,805
NHRMC Scotts Hill							
Inpatient						453	488
Outpatient				1,806	3,685	3,758	3,834
Total				1,806	3,685	4,211	4,322
NHRMC Medical Mall	2,896	2954	1,506	1,506	3,073	3,135	3,197
Total NHRMC Affiliated Fixed MRIs	16,472	16,801	8,569	9,950	20,299	20,493	20,929

Step 8. Calculate the Weighting Factor

The applicant provides the following weighting factors on pages 135-136 based on NHRMC Ortho FY2020 ratios, NH Scotts Hill mobile MRI weighting ratios for prior to hospital implementation, and on NHRMC Main FY2020 inpatient ratios and NH Scotts Hill outpatient ratios.

Projected Weighting Ratio (Based on FY2020)

	Inpatient	Outpatient
NHRMC Main	1.41	1.41
NHRMC Medical Mall	1.18	1.18
NHRMC Ortho Hospital		
Prior to NH Scotts Hill Hospital Implementation	1.40	1.21
After NH Scotts Hill Hospital Implementation	-	1.21
Projected NH Scotts Hill Weighting Ratio		
Prior to NH Scotts Hill Hospital Implementation	-	1.22
After NH Scotts Hill Hospital Implementation	1.56	1.22

Step 9. Project the Weighted MRI Total Scans

On page 136, the applicant provides the projected weighted MRI scan volume for all NHRMC MRI units, as summarized below.

Projected NHRMC Weighted MRI Volume*

	Annualized FY2021	FY2022	Interim 2023	Partial	FY2024	FY2025	FY2026
				2023			
NHRMC Main							
Unweighted	8,123	8,285	4,225	3,801	7,754	7,456	7,605
Weighted	11,526	11,707	5,970	5,370	10,956	10,535	10,746
NHRMC Ortho							
Unweighted	5,453	5,562	2,837	2,837	5,787	5,691	5,805
Weighted	6,791	6,785	3,460	3,460	7,059	6,903	7,041
NHRMC Scotts Hill							
Unweighted				1,806	3,685	4,211	4,322
Weighted				2,199	4,487	5,281	5,427
NHRMC Medical Mall							
Unweighted	2,896	2954	1,506	1,506	3,073	3,135	3,197
Weighted	3,458	3498	1,784	1,784	3,640	3,712	3,787
Total NHRMC Affiliated Fixed MRIs							
Unweighted	16,472	16,801	8,569	9,950	20,299	20,493	20,929
Weighted	21,775	21,990	11,215	12,814	26,141	26,432	27,001
Number of Fixed MRIs	4	4	4	5	5	5	5
Weighted Scans per Fixed MRI Unit in the Third Full Fiscal Year following Project Completion							5,400

*Agency calculations based on applicant's weighting factors differs slightly from the weighted volume provided above, and are considered to be rounding differences.

Projected utilization is reasonable and adequately supported based on the following:

- There is a need determination in the 2021 SMFP for a fixed MRI scanner in the New Hanover County MRI service area and this proposed project will meet that need.
- The applicant's projections for interim and the first three years of the project are supported by the historical NHRMC volumes and CAGR for the NHRMC fixed MRI units and the NH Scotts Hill mobile MRI unit.
- The applicant reasonably projects a shift of outpatient and prostate MRI patients from NHRMC Main to NH Scotts Hill and a shift in inpatients from NHRMC Ortho to NH Scotts Hill.
- The applicant adequately demonstrates that NHRMC's existing, approved, and proposed fixed MRI scanners are reasonably expected to perform more than 4,805 weighted MRI procedures in the third year of operation following the completion of the proposed project, as required in 10A NCAC 14C .2703(b)(3).

Access to Medically Underserved Groups

In Section C, pages 73-75, the applicant discusses access to its services and states:

“NHRMC is a not-for-profit organization that does not discriminate against any class of patient based on age, sex, religion, race, handicap, ethnicity, or ability to pay.”

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	3rd FY % of Total Patients
Low income persons	5.3%
Racial and ethnic minorities	9.8%
Women	59.1%
Persons with Disabilities*	
Persons 65 and older	43.6%
Medicare beneficiaries	51.0%
Medicaid recipients	8.9%

Section C, page 75

*Not tracked

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant has historically provided access to services to underserved groups.
- The applicant states that all patients will continue to receive equitable access to all services with the approval of the proposed new hospital, which will host the proposed MRI service.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12126-21/Delaney Radiologist Group/Develop a new diagnostic center by Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

Patient Origin

The 2021 SMFP defines the service area for a fixed MRI scanner as “the same as an Acute Care Bed Service Area as defined in Chapter 5, Acute Care Beds, and shown in Figure 5.1.” Figure 5.1, page 36 of the 2021 SMFP, identifies New Hanover County as an Acute Care Bed Service Area. Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 36, the applicant provides the patient origin for mobile MRI services offered at the proposed fixed MRI location, as summarized below.

County	Mobile MRI at Delaney Radiology-Main Last Full FY CY2020		Mobile MRI at all Delaney Radiology Centers Last Full FY CY2020	
	Patients	% of Total	Patients	% of Total
New Hanover	3,862	60.8%	31,849	56.4%
Brunswick	1,085	17.1%	8,195	14.5%
Onslow	189	3.0%	6,562	11.6%
Pender	619	9.7%	4,302	7.6%
Columbus	276	4.3%	2,015	3.6%
Other*	325	5.1%	3,555	6.3%
Total	6,356	100.0%	56,478	100.0%

*Other includes 198 counties in North Carolina and other states

In Section C, page 37, the applicant provides the projected patient origin for the proposed fixed MRI services and the existing mobile MRI services at the Delaney Radiology-Main facility, as summarized below.

County	First Full FY CY2023		Second Full FY CY2024		Third Full FY CY2025	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
New Hanover	4,210	60.8%	4,261	60.8%	4,313	60.8%
Brunswick	1,183	17.1%	1,197	17.1%	1,212	17.1%
Onslow	206	3.0%	209	3.0%	211	3.0%
Pender	675	9.7%	683	9.7%	691	9.7%
Columbus	301	4.3%	305	4.3%	308	4.3%
Other*	354	5.1%	359	5.1%	363	5.1%
Total^	6,929	100.0%	7,013	100.0%	7,098	100.0%

*The applicant does not provide this information on page 37. On page 36, the applicant states it includes 198 counties in North Carolina and other states

^Includes both the proposed fixed MRI services and the existing mobile MRI services

On page 37, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions on patient origin are reasonable and adequately supported based on the following:

- The applicant's MRI service includes the proposed fixed MRI and the existing mobile MRI services
- The applicant assumes that its fixed MRI patient origin will be similar to the patient origin of the mobile MRI scanners that operate at Delaney Radiology.
- The five-county service area consists of Brunswick, Columbus, New Hanover, Onslow, and Pender counties and represents 94.9% of the MRI patients.

Analysis of Need

In Section C, pages 40-46, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. On page 40, the applicant states that along with the need determination in the 2021 SMFP, the demand for the proposed project is composed of the following factors:

- Population growth trends
- New Hanover County life expectancy
- Expanding services
- Delaney Radiology utilization

Population growth trends (pages 40-41)

The applicant states that based on North Carolina Office of State Budget and Management (NCOSBM) projections, New Hanover County's population grew 5.5% from 2016 through 2021 and is projected to grow by 7.0% between 2021 and 2026, including:

- The population aged 45-64 grew 1.8% from 2016 to 2021 and is expected to increase by an additional 6.3% from 2021 to 2026.
- The population 65 and older grew by 18.3% between 2016 to 2021 and is expected to be the fastest growing population, increasing by 14.9% from 2021 to 2026.

The population in the applicant's proposed five-county, self-defined service area reflects comparable percentage increases.

New Hanover County life expectancy (page 42-43)

The applicant provides data related to the increased life expectancy of New Hanover County residents in all age groups, gender, and race from 1990-1992 and 2017-2019. The applicant states that the increase in life expectancy increases the chance of health conditions requiring an MRI scan.

Delaney expanding services (pages 44-45)

The applicant states that in-house fixed MRI service with the proposed MRI scanner will enhance patient experience over the mobile service, including expanding services for:

- MRI Arthrograms involving injection of contrast

- Bariatric and claustrophobic patients
- Pediatric patients
- Higher clarity and diagnostic strength
- Detection of prostate and rectal cancer
- MRI guided biopsies

New Hanover County MRI utilization (page 46)

The applicant states that MRI scans in New Hanover County increased by 13,297 MRI scans (130.3%) between FY2014 and FY2019, decreasing in FY2020 due only to COVID-19 pandemic and the governmental “stay-at-home” orders.

The information is reasonable and adequately supported based on the following:

- The applicant provides population growth and aging projections for the proposed service area based on data from the NCOSBM.
- The applicant demonstrates the enhanced patient services it plans to provide with the fixed MRI scanner.
- The applicant demonstrates the need for an additional freestanding fixed MRI scanner to provide a full spectrum of freestanding fixed MRI services in New Hanover County.

Projected Utilization

In Section Q Form C.2a, the applicant provides historical and interim utilization for the mobile MRI services at Delaney Radiology-Main, as summarized in the following table.

**Historical/Interim Utilization
 Delaney Radiology-Main**

	Last Full FY	Interim Full FY	Interim Full FY
	CY2020	CY2021	CY2022
# of Fixed MRI scanners	0	0	0
Unweighted Mobile Procedures	6,356	6,7664	6,846
Weighted Procedures	7,451	7,929	8,025

In Section Q Form C.2b and the Assumptions, pages 124-127, the applicant provides projected utilization for the existing mobile MRI service and the proposed fixed MRI scanner at Delaney Radiology-Main, as summarized in the following table.

**Projected Utilization
 Delaney Radiology-Main**

	1st Full Year	2nd Full Year	3rd Full Year
	CY2024	CY2025	CY2026
Total MRI Procedures			
Unweighted Total MRI Procedures	6,929	7,013	7,098
Weighted Total MRI Procedures	8,122	8,220	8,320
Mobile MRI Procedures			
Unweighted Mobile MRI Procedures	2,033	1,811	1,590
Weighted Mobile MRI Procedures	2,417	2,153	1,890
Fixed MRI Procedures			
Unweighted Fixed MRI Procedures	4,896	5,202	5,508
Weighted Fixed MRI Procedures	5,820	6,184	6,548
# of Fixed MRI scanners	1	1	1

The applicant also provides the historical and projected utilization of the other diagnostic services provided at the center on Forms C.2a and C.2b.

In Section Q Utilization Methodology and Assumptions, pages 122-131, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

Step 1. The applicant begins its projections by analyzing six years of historical volumes, resulting in 5-year CAGRs for each service. The following table summarizes the MRI scans from 2016 through 2021 (annualized). (page 122)

Historical Mobile MRI Services							
	2016	2017	2018	2019	2020	2021 Annualized	CAGR
MRI Services	6,369	6,403	6,003	6,577	6,356	6,764	1.2%

Step 2. The applicant projects utilization through CY2025 by applying the calculated 5-year CAGR. The following table summarizes the projected total MRI scans at Delaney Radiology-Main (page 123)

Projected Total MRI Services					
	CAGR	2022	2023	2024	2025
MRI Services	1.2%*	6,846	6,929	7,013	7,098

*The applicant's projection is less than the numbers calculated using the CAGR determined in Step 1

Step 3. The applicant then projects fixed MRI scans and mobile MRI scans based on the number of operational days and the number of MRI scans per day. (page 124)

Assumptions:

- Fixed MRI scanner operates 306 days per year
- Year 1: 16 scans per day, Year 2: 17 scans per day, Year 3: 18 scans per day (Row B)
- Mobile MRI scanner performs the remainder of the projected total scans (Row C)

Projected Delaney Radiology-Main Fixed and Mobile MRI Utilization

	CY2023	CY2024	CY2025	Row
Total Scans (Step 2)	6,929	7,013	7,098	A
Fixed MRI Scans	4,896	5,202	5,508	B
Mobile MRI Scans	2,033	1,811	1,590	C

Step 4. The applicant then projects total weighted fixed MRI scans, as summarized in the table below. (pages 125-126)

Assumptions:

- All MRI scans are outpatient: Row A = fixed MRI scans from Step 3
- Based on 2020 outpatient mobile MRI scan data: Row B = MRI scans without (w/o) contrast = 52.8%; Row C = MRI scans with (w)contrast = 47.2%
- Scans are weighted per the 2021 SMFP defined outpatient MRI weighting: Row D = scan w/o contrast (1.0) and Row E = scans w contrast (1.4)
- Row F = sum of Row D and E
- Row G = # of fixed scanners
- Row H = total weighted fixed MRI scans per scanner

Projected Delaney Radiology-Main Total Fixed Weighted MRI Utilization

		CY2023	CY2024	CY2025	Row
Fixed MRI Scans		4,896	5,202	5,508	A
Fixed MRI Scans w/o Contrast	52.8%	2,585	2,747	2,908	B
Fixed MRI Scans w Contrast	47.2%	2,311	2,455	2,600	C
Weighted MRI Scans w/o Contrast	1.0	2,585	2,747	2,908	D
Weighted MRI Scans w Contrast	1.4	3,235	3,437	3,640	E
Total Weighted Fixed MRI Scans		5,820	6,184	6,548	F
# of Fixed MRI Scanners		1	1	1	G
Total Weighted Fixed MRI Scans per Scanner		5,820	6,184	6,548	H

Step 5. The applicant then projects total weighted mobile MRI scans, as summarized in the table below. (pages 127-128)

Assumptions:

- Row A = mobile MRI scans from Step 3
- Based on 2020 outpatient mobile MRI scan data: Row B = MRI scans without (w/o) contrast = 52.8%; Row C = MRI scans with (w)contrast = 47.2%
- Scans are weighted per the 2021 SMFP defined outpatient MRI weighting: Row D = scan w/o contrast (1.0) and Row E = scans w contrast (1.4)
- Row F = sum of Row D and E
- Row G = # of fixed scanners
- Row H = total weighted fixed MRI scans per scanner

Projected Delaney Radiology-Main Total Mobile Weighted MRI Utilization

		CY2023	CY2024	CY2025	Row
Mobile MRI Scans		2,033	1,811	1,590	A
Mobile MRI Scans w/o Contrast	52.80%	1,073	956	840	B
Mobile MRI Scans w Contrast	47.20%	960	855	750	C
Weighted MRI Scans w/o Contrast	1	1,073	956	840	D
Weighted MRI Scans w Contrast	1.4	1,343	1,197	1,051	E
Total Weighted Mobile MRI Scans		2,417	2,153	1,890	F

Projected utilization is reasonable and adequately supported based on the following:

- The 2021 SMFP identifies the need for one additional fixed MRI scanner in the New Hanover County service area.
- The methodology and assumptions utilized by the applicant are reasonable and well supported. This includes the combination of historical utilization and historical growth rates of the Delaney Radiology MRI service, weighting percentages, and the assumption that the utilization will be split between the proposed fixed scanner and any mobile scanners utilized.

Access to Medically Underserved Groups

In Section C, page 52, the applicant states:

“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.”

On page 52, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	3rd Full FY % of Total Patients
Low income persons	3.6%
Racial and ethnic minorities	13.8%
Women	80.8%
Persons with Disabilities*	
Persons 65 and older	42.2%
Medicare beneficiaries	41.9%
Medicaid recipients	2.6%

Section C, page 52

*Not tracked

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant has historically provided access to services to underserved groups.
- The applicant states that most of the patients served by Delaney Radiology can be classified into one or more categories of under-served persons.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

Patient Origin

The 2021 SMFP defines the service area for a fixed MRI scanner as *“the same as an Acute Care Bed Service Area as defined in Chapter 5, Acute Care Beds, and shown in Figure 5.1.”* Figure 5.1, page 36 of the 2021 SMFP, identifies New Hanover County as an Acute Care Bed Service Area. Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

The following table summarizes the historical patient origin for mobile MRI services at EmergeOrtho-Porters Neck, as shown by the applicant on page 32.

**EmergeOrtho-Porters Neck
 Historical Patient Origin**

County	Mobile MRI Service CY2020	
	Patients	% of Total
New Hanover	285	49.20%
Pender	167	28.88%
Onslow	93	16.04%
Brunswick	12	2.14%
Columbus	6	1.07%
Bladen	3	0.53%
Duplin	3	0.53%
Greene	3	0.53%
Other NC Counties*	6	1.07%
Total	579	100.0%

Source: Section C, page 32

*Other includes all other North Carolina counties, each representing <1% of total patient origin

The table below summarizes the projected patient origin for MRI services at EmergeOrtho-Porters Neck, as shown by the applicant on page 35. On page 34, the applicant provides tables showing the projected patient origin by year of Porters Neck MRI patients and the projected shift of fixed MRI patients from the Shipyard location to the Porters Neck location, resulting in the combined patient origin provided on page 35 and below.

**EmergeOrtho-Porters Neck
 Projected Patient Origin**

County	First Full FY CY2023		Second Full FY CY2024		Third Full FY CY2025	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
New Hanover	1,341	51.0%	1,951	50.9%	2,421	50.9%
Pender	847	32.2%	1,222	31.8%	1,518	31.9%
Onslow	346	13.2%	519	13.5%	641	13.5%
Brunswick	34	1.3%	53	1.4%	65	1.4%
Columbus	17	0.6%	26	0.7%	32	0.7%
Bladen	8	0.3%	13	0.3%	16	0.3%
Duplin	8	0.3%	13	0.3%	16	0.3%
Greene	8	0.3%	13	0.3%	16	0.3%
Other NC Counties*	17	0.6%	26	0.7%	33	0.7%
Total	2,627	100.0%	3,837	100.0%	4,759	100.0%

*Other includes all other North Carolina counties, each representing <1% of total patient origin

In Section C, page 34, and Section Q, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant's projections are based in part on the historical mobile MRI patient origin of EmergeOrtho-Porters Neck.
- The applicant projects a shift of some EmergeOrtho-Shipyard fixed MRI patients to Porters Neck based on patient ZIP codes and includes the origin of those patients in its projections.
- The projections include projected market growth as discussed in Section Q.

Analysis of Need

In Section C, pages 37-54, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, stating that the need is evidenced by the following factors:

- The 2021 SMFP need determination for one additional fixed MRI scanner in New Hanover County (page 38)
- New Hanover County MRI utilization (pages 38-40)
- EmergeOrtho-Shipyard fixed MRI utilization (page 40)
- Need to enhance mobile MRI service at EmergeOrtho-Porters Neck (page 41)
- Demand for additional value-based fixed MRI capacity in New Hanover County (page 42-44)
- New Hanover County demographics (page 44-48)
- Need for improved geographic distribution of fixed MRI scanners within New Hanover County (page 49-53)
- Physician/provider support (page 53-54)

2021 SMFP need determination (page 38)

According to the 2021 SMFP, New Hanover County has the need for one additional fixed MRI scanner, based on the utilization of existing MRI scanners located in New Hanover and the SMFP's methodology for determining need.

New Hanover County MRI utilization (pages 38-40)

The applicant calculates a 10.74% 3-year CAGR (2016-2019) for MRI utilization in New Hanover County based on reported utilization in the respective SMFPs. The applicant also provides data showing that the New Hanover County MRI use rate per 1,000 population is far above the North Carolina MRI use rate.

EmergeOrtho-Shipyard fixed MRI utilization (page 40)

The applicant states that the fixed MRI scanner at Shipyard is well-utilized, with a 2016-2019 CAGR of 4.7%.

Need to enhance mobile MRI service at EmergeOrtho-Porters Neck (page 41)

The applicant states that patients' access to MRI services at EmergeOrtho-Porters Neck is sub-optimal, hindered by the location and the raised platform of the mobile scanner, weather, and the closed bore scanner for obese or claustrophobic patients.

Demand for additional value-based fixed MRI capacity in New Hanover County (page 42-44)

The applicant states that MRI patients of the proposed MRI will benefit directly from EmergeOrtho's focus on lower costs, and indirectly through lower costs to the payors, which in turn results in lower costs to the healthcare system. The applicant provides a table illustrating the differences in the BCBSNC Treatment Cost Estimator for MRI procedures of several area providers, showing that EmergeOrtho was the lower cost MRI provider. The applicant also states that the proposed MRI scanner would be the first and only fixed MRI scanner in northern New Hanover County, and thus will improve accessibility to value-based care.

New Hanover County demographics (page 44-48)

According to data from the NCOSBM, the population in New Hanover County is both growing and aging and supports the ongoing need for access to MRI services. The applicant also provides data on the community health status and risk factors for New Hanover County residents that support the need for the proposed scanner to accommodate obese patients.

Need for improved geographic distribution of fixed MRI scanners within New Hanover County (page 49-53)

The applicant states that all six of the existing New Hanover County fixed MRI scanners are located in central Wilmington. The applicant's proposal would locate the fixed scanner in northeastern New Hanover County, which it states is a growing area of the county that does not host any fixed MRI scanners. The applicant also refers to the congestion at road delays in the urban area of central Wilmington.

Physician/provider support (page 53-54)

The applicant states that as a long-established local healthcare provider, EmergeOrtho has long-standing positive working relationships with the referring physician/provider community in New Hanover County and surrounding counties and anticipates that its network of referring physicians will continue to refer patients to EmergeOrtho for imaging services.

The information is reasonable and adequately supported based on the following:

- The 2021 SMFP identifies the need for one additional fixed MRI scanner in New Hanover County.
- Population growth, aging, demographics and physician/provider relationships support EmergeOrtho's need for the proposed project.
- MRI utilization in New Hanover County and at EmergeOrtho support the need for the applicant's proposed MRI.

Projected Utilization

In Section Q, the applicant provides historical and projected utilization, as summarized in the following tables.

Historical/Interim EmergeOrtho MRI Utilization			
	Last Full FY CY2020	Interim Full FY CY2021	Interim Full FY CY2022
EmergeOrtho-Porters Neck			
# of Mobile MRI scanners	1	1	1
Unweighted Procedures	579	528	576
Weighted Procedures	598	541	597
EmergeOrtho-Shipyard			
# of Fixed MRI scanners	1	1	1
Unweighted Procedures	3,333	4,526	4,935
Weighted Procedures	3,445	4,705	5,107

Source: Section Q, Forms C.2a

Projected EmergeOrtho MRI Utilization			
	1st Full FY CY2023	2nd Full FY CY2024	3rd Full FY CY2025
EmergeOrtho-Porters Neck			
# of Fixed MRI scanners	1	1	1
Unweighted Procedures	2,627	3,837	4,759
Weighted Procedures	2,719	3,972	4,926
EmergeOrtho-Shipyard			
# of Fixed MRI scanners	1	1	1
Unweighted Procedures	4,323	4,504	4,682
Weighted Procedures	4,475	4,662	4,846

Source: Section Q, Forms C.2b

The applicant also provides the historical and projected X-ray utilization at EmergeOrtho-Porters Neck in Forms C.2a and b.

In Section Q, beginning on page 130, the applicant provides the assumptions and methodology used to project utilization, as summarized below.

Step 1. Analyze historical and projected MRI utilization at EmergeOrtho-Shipyard

Historical EmergeOrtho-Shipyard MRI Utilization					
	CY2017	CY2018	CY2019	CY2020*	YTD2021^
MRI Scans (Unweighted)	4,494	4,005	4,384	3,333	2,263
MRI Scans (Weighted)	4,651	4,154	4,545	3,445	2,353
Weighting Ratio	1.035	1.037	1.037	1.034	1.040

*Data reflects the temporary negative impact of COVID

^January through June utilization

Projected EmergeOrtho-Shipyard MRI Utilization

	CY2021*	CY2022	CY2023	CY2024	CY2025	Growth Rate**
MRI Scans (Unweighted)	4,526	4,934	5,380	5,866	6,396	9.03%
MRI Scans (Weighted)	4,705	5,107	5,568	6,071	6,619	
Weighting Ratio^	1.040	1.035	1.035	1.035	1.035	

*CY2021 was calculated by annualizing 2021 YTD

**80% of the calculated 2016-2019 CAGR of 11.28%

^YTD2021 weighting ratio of 1.040 was used for CY2021; all other years use the EmergeOrtho-Shipyard six-year average weighting ratio of 1.035

Step 2. Calculate EmergeOrtho-Wilmington Fixed and Mobile MRI Market Share

Historical and Projected Unweighted New Hanover County MRI Procedures

	2019	2020	2021	2022	2023	2024	2025
New Hanover County Scans*	40,406	29,903	33,930	34,421	34,896	35,368	35,840

*2019 and 2020 as reported in the 2021 and Proposed 2022 SMFPs; 2021-2025 as calculated by applicant based on New Hanover County's 142.9 average MRI use rate for the past five years

EmergeOrtho-Wilmington MRI Market Share in New Hanover County

	2019	2020
Shipyard Scans (Unweighted)	4,384	3,333
Mobile Scans (Unweighted)	498	579
New Hanover County Scans (Unweighted)	40,406	29,903
EmergeOrtho Market Share %	12.08%	13.08%

Projected EmergeOrtho-Porters Neck MRI Market Share

	2019	2020	2021	2022	2023	2024	2025
New Hanover County Scans	40,406	29,903	33,930	34,421	34,896	35,368	35,840
Porters Neck Incremental Market Share %*					4.50%	7.00%	8.50%
MRI Scans (Unweighted)					1,570	2,476	3,046

*Organic MRI market share of 4.50%, 7.00%, and 8.50% for CY2023, CY2024, and CY2025, respectively

Source: Section Q, page 133

Step 3. Shift of MRI Patients from EmergeOrtho-Shipyard to EmergeOrtho-Porters Neck

Based on assumptions relative to patient ZIP code locations and percentage shift in patients ramped by year, the applicant projects the following shift of MRI patients to Porters Neck.

Projected Years	CY20203	CY2024	CY2025
Total Shifted MRI Scans (Unweighted)	1,057	1,361	1,713

Source: Section Q, page 135

Step 4. Total Projected EmergeOrtho-Porters Neck MRI Scans

Projected Years	CY20203	CY2024	CY2025
Porters Neck Incremental Market Share % (Step 2)	1,570	2,476	3,046
Total Shifted MRI Scans from Shipyard (Step 3)	1,057	1,361	1,713
Total Unweighted MRI Scans	2,627	3,837	4,759
Weighting Ratio	1.035	1.035	1.035
Weighted Scans	2,719	3,972	4,926

Source: Section Q, page 136

*Weighting ratio = average weighted EmergeOrtho MRI scans CY2016-CY2021

Step 5. Total Projected EmergeOrtho-Shipyard MRI Scans

Projected Years	CY2021	CY2022	CY20203	CY2024	CY2025
Total Fixed Shipyard MRI Scans (unweighted)	4,526	4,935	5,380	5,866	6,395
Total Shifted MRI Scans from Shipyard (Step 3)			1,057	1,361	1,713
Total Shipyard Unweighted MRI Scans	4,526	4,935	4,323	4,505	4,682
Weighting Ratio*	1.040	1.035	1.035	1.035	1.035
Weighted Scans	4,707	5,108	4,474	4,663	4,846

Source: Section Q, page 136

*Weighting ratios: CY2021- actual, CY2022-2025 – average weighted EmergeOrtho MRI scans CY2016-CY2021

Step 6. Total Combined Weighted EmergeOrtho Fixed MRI Scans

Projected Years	CY2021	CY2022	CY20203	CY2024	CY2025
Total Weighted Shipyard Fixed MRI Scans	4,705	5,107	4,475	4,662	4,846
Total Weighted Porters Neck MRI Scans	541	594	2,719	3,972	4,926
Total Weighted MRI Scans	5,246	5,702	7,194	8,634	9,772
# of Fixed Scanners	1	1	2	2	2
Average Weighted Scans per Scanner	5,246	5,702	3,597	4,317	4,886

Source: Section Q, page 137

Projected utilization is reasonable and adequately supported based on the following:

- There is a need determination in the 2021 SMFP for a fixed MRI scanner in the New Hanover County MRI service area and this proposed project will meet that need.
- The applicant’s projections for interim and the first three years of the project are supported by the historical market trends at EmergeOrtho and in the service area. The applicant applies the historical growth of the existing fixed EmergeOrtho MRI service in New Hanover to project MRI utilization.
- The applicant reasonably projects an incremental market share based on the development of the service, physician recruitment, and the transition from a vendor-owned MRI scanner located outside of the facility to an in-house fixed MRI scanner at Porters Neck.
- The applicant reasonably projects a shift of MRI patients from EmergeOrtho-Shipyard to EmergeOrtho-Porters Neck based on proximity of patients to the facility.

- The applicant adequately demonstrates that EmergeOrtho’s existing, approved, and proposed fixed MRI scanners are reasonably expected to perform more than 4,805 weighted MRI procedures in the third year of operation following the completion of the proposed project, as required in 10A NCAC 14C .2703(b)(3).

Access to Medically Underserved Groups

In Section C, pages 59-60, the applicant states:

“EmergeOrtho does not discriminate based on income, race, ethnicity, creed, color, gender, age, physical or mental handicap, religion, national origin, sexual orientation, or any other factor that would classify a patient as underserved.”

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	3rd FY % of Total Patients
Low income persons	13.0%
Racial and ethnic minorities	22.2%
Women	55.9%
Persons with Disabilities	8.8%
Persons 65 and older	40.7%
Medicare beneficiaries	42.1%
Medicaid recipients	3.6%

Section C, page 60

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant has historically provided access to services to underserved groups.
- The applicant states that MRI services will continue to be available to and accessible by any patient having a clinical need for those services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Wilmington Health at Porters Neck (WH Porters Neck) medical clinic in New Hanover County.

Patient Origin

The 2021 SMFP defines the service area for a fixed MRI scanner as “*the same as an Acute Care Bed Service Area as defined in Chapter 5, Acute Care Beds, and shown in Figure 5.1.*” Figure 5.1, page 36 of the 2021 SMFP, identifies New Hanover County as an Acute Care Bed Service Area. Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

WH Porters Neck does not currently provide fixed MRI services; therefore, there is no historical patient origin.

In Section C, page 39, the applicant provides the projected patient origin for the proposed scanner at WH Porters Neck, as summarized below.

County	First Full FY CY2024		Second Full FY CY2025		Third Full FY CY2026	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
New Hanover	1,709	58.9%	1,983	58.9%	2,302	58.9%
Brunswick	523	18.0%	606	18.0%	704	18.0%
Pender	348	12.0%	403	12.0%	468	12.0%
Onslow	106	3.6%	122	3.6%	142	3.6%
Columbus	83	2.9%	96	2.9%	112	2.9%
Duplin	47	1.6%	54	1.6%	63	1.6%
Other*	87	3.0%	101	3.0%	118	3.0%
Total	2,903	100.0%	3,367	100.0%	3,909	100.0%

*Other includes additional North Carolina counties and other states, as stated by the applicant on page 39

On pages 38-39, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions on patient origin are reasonable and adequately supported based on the following:

- Projected patient origin was based on the historical patient origin for the freestanding fixed MRI at Wilmington Health’s Medical Center Drive location, with each of the two fixed MRI scanners expected to be used at a similar rate.

- The applicant states that the proposed scanner is not expected to result in any change to the patient origin of Wilmington Health's MRI patients.

Analysis of Need

In Section C, pages 41-52, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. On page 41, the applicant states that along with the need determination in the 2021 SMFP, the specific need for the proposed project is composed of the following factors:

- The need for additional fixed MRI capacity in New Hanover County, including the growth and aging of the service area population
- The need for additional freestanding fixed MRI capacity in New Hanover County
- The need for additional freestanding fixed MRI capacity at Wilmington Health

Need for Additional MRI Capacity in New Hanover County (pages 41-44)

The applicant states that the 2021 SMFP determined that there is a need for one additional fixed MRI scanner in New Hanover County, based on 2017 through 2019 fiscal year data and the tiered planning threshold of 4,805 weighted scans. The applicant went on to state that based on NCOSBM data, New Hanover County's population grew 15.1% between 2011 and 2021, adding 31,148 people and is expected to increase another 7.0% between 2021 and 2026. The same database projects the population to age, with the population age 65 and older projected to grow by 14.9% from 2021 through 2026, with one-fifth of New Hanover County residents projected to be age 65 and older. It is expected that the growing demographic of age 65 and older will require increasing access to services in the future, including MRI services, as older residents typically utilize healthcare services more frequently than younger residents.

Need for Freestanding MRI Capacity in New Hanover County (page 45-47)

The applicant states that based on information in the 2021 SMFP, freestanding fixed MRI scanner volumes increased 43.2% annually from fiscal year 2017 through 2019. The applicant also states that outpatient MRI volumes increase 7.0% annually while inpatient volumes increased only 5.8%. The applicant further states that the development of additional freestanding MRI capacity in the county will provide expanded access to outpatient MRI services at non-hospital facilities, giving more patients whose MRI needs can appropriately be met in a freestanding setting another alternative location for convenient, high quality, lower cost outpatient MRI services while allowing the county's hospital-based MRI scanners to retain sufficient capacity to accommodate growth in inpatient MRI scans and those outpatient MRI scans that must be performed in a hospital setting.

Need for Freestanding MRI Capacity at Wilmington Health (pages 48-52)

The applicant demonstrates the growth in MRI utilization at Wilmington Health, showing that MRI scans performed at Wilmington Health locations more than tripled from fiscal year 2017 through 2019, growing 106.2% annually. Wilmington Health offered only mobile services in

FY2017 and began offering fixed MRI services in FY2018; thus, one would expect a large growth in scans during the period the applicant uses to demonstrate growth. The applicant further states that it has contracted mobile services with Alliance since 2000 in order to maintain adequate access to MRI services for its patients.

On page 50, the applicant states that it is one of only two existing freestanding fixed MRI scanner providers in New Hanover County. The applicant states that the other freestanding fixed MRI, operated by EmergeOrtho, is used exclusively for orthopedic and sports medicine patients. Thus, the applicant maintains that Wilmington Health is presently the only MRI service provider that provides a full spectrum of freestanding fixed MRI services in New Hanover County, leaving hospital-based MRI services as the only other option for non-orthopedic patients in New Hanover County to access fixed MRI services.

The information is reasonable and adequately supported based on the following:

- The applicant provides population growth and aging projections for the proposed service area based on data from the NCOSBM.
- The applicant relies on growth trends and historical utilization of its existing MRI scanners located in the service area to justify its need.
- The applicant demonstrates the growth in service demand for outpatient MRI scans.
- The applicant demonstrates the need for an additional freestanding fixed MRI scanner to provide a full spectrum of freestanding fixed MRI services in New Hanover County.

Projected Utilization

In Section Q Form C.2b, the applicant provides projected utilization for the proposed fixed MRI scanner at WH Porters Neck, as illustrated in the following table.

Projected Utilization WH Porters Neck				
	Interim/Partial	1st Full Year	2nd Full Year	3rd Full Year
	2/1/23-12/31/23	CY2024	CY2025	CY2026
# of MRI scanners	1	1	1	1
Unweighted Procedures	2,321	3,668	4,255	4,940
Weighted Procedures	2,717	4,314	5,029	5,866

In Section Q Utilization-Assumptions and Methodology, pages 1-6, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant begins its projections by analyzing the calendar year utilization of its existing fixed MRI scanner at Medical Center Drive from CY2018 through CY2021 (annualized). The applicant then analyzed the utilization of its contracted mobile MRI services for the same period and summed the scans, resulting in the following historical utilization and CAGR.

	CY2018	CY2019	CY2020	CY2021	CAGR
Outpatient with Contrast	836	1,530	1,290	1,885	31.1%
Outpatient without Contrast	1,636	2,680	2,271	2,836	20.1%
Total Scans	2,472	4,210	3,561	4,722	24.1%
Total Weighted Scans*	2,806	4,822	4,077	5,476	25.0%

*Weighted scans based on 1.4 weight for outpatient with contrast and 1.0 weight for outpatient without contrast

- The applicant then projects the utilization of the existing and proposed MRI scanner by utilizing the historical CY2021 annualized utilization to project forward using a CAGR of 19.7% for outpatient with contrast scans and 13.1% for outpatient without contrast, stating that the projected CAGRs are equivalent to about one-half the historical CAGR. The calculations result in the following projected utilization for the two fixed scanners.

	CY2021	CY2022	CY2023	CY2024	CY2025	CY2026	CAGR
Outpatient with Contrast	1,885	2,256	2,700	3,231	3,867	4,628	19.70%
Outpatient without Contrast	2,836	3,208	3,629	4,105	4,643	5,252	13.10%
Total Scans	4,722	5,465	6,329	7,336	8,510	9,880	
Total Weighted Scans*	5,476	6,367	7,409	8,629	10,057	11,731	

*Weighted scans based on 1.4 weight for outpatient with contrast and 1.0 weight for outpatient without contrast

- The applicant proposes that the existing fixed and mobile scanners will perform the projected scans in CY2022 and January of CY2023, with the proposed scanner beginning operations in February of CY2023 and ramping up to perform 40% of Wilmington Health's total projected MRI scans in CY2023, with 60% performed on the existing fixed MRI scanner at Medical Center Drive.

Projected Wilmington Health Fixed MRI Utilization (Partial CY2023-11 Months)

	Porters Neck	Medical Center Drive	Total
Outpatient with Contrast	990	1,484	2,475
Outpatient without Contrast	1,331	1,996	3,327
Total Scans	2,321	3,481	5,802
Total Weighted Scans*	2,717	4,075	6,792

- By the first full fiscal year of operation, CY2024, the applicant assumes that both of its fixed MRI scanners will be used proportionally to provide an equal number of scans, resulting in the following utilization for the Wilmington Health fixed scanners.

Projected Wilmington Health Fixed MRI Utilization Per Scanner

	CY2024	CY2025	CY2026
Number of Scanners	2	2	2
Total Scans	7,336	8,510	9,880
Total Weighted Scans*	8,629	10,057	11,731
Scans per Scanner	3,668	4,255	4,940
Weighted Scans per Scanner	4,314	5,029	5,866

Projected utilization is reasonable and adequately supported based on the following:

- The 2021 SMFP identifies the need for one additional fixed MRI scanner in the New Hanover County service area.
- The methodology and assumptions utilized by the applicant are reasonable and well supported. This includes the combination of historical utilization and historical growth rates of the Wilmington Health MRI service and the assumption that the utilization will be split between the two fixed Wilmington Health MRI scanners.

Access to Medically Underserved Groups

In Section C, page 58, the applicant states:

“Wilmington Health provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment.

...

Moreover, Wilmington Health is committed to ensuring equitable access for persons 65 and older as well as persons with disabilities.”

On page 59, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	3rd FY % of Total Patients
Low income persons*	
Racial and ethnic minorities	17.0%
Women	61.0%
Persons with Disabilities*	
Persons 65 and older	44.8%
Medicare beneficiaries	44.3%
Medicaid recipients	2.1%

Section C, page 59

*Does not maintain #'s of these categories

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant has historically provided access to services to underserved groups.
- The applicant has existing policies for interpretation services, of accepting various insurance plans, including Medicare and Medicaid, and providing financial assistance to patients with financial hardships.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, ... persons [persons with disabilities], and other underserved groups and the elderly to obtain needed health care.

NA-All Applications

None of the applications propose to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

- (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.

CA-All Applications

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

In Section E, pages 86-88, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo – the applicant states that NHRMC’s fixed MRI units are well-utilized, with the Main campus units operating at capacity. The mobile unit at NH Scotts Hill operates 16-hour days, three days a week with no opportunity to add more days. The applicant states that the status quo would continue to constrain existing MRI capacity in New Hanover County as well as in the NHRMC health system and leave

NH Scotts Hill Hospital and the service area residents without adequate access to MRI services. Thus, maintaining the status quo is not an option.

- Add Mobile MRI Days – the applicant states that additional days are not available through Alliance or MedQuest. Further, the demand at NH Scotts Hill supports a full time MRI unit. Moreover, the full-service community hospital, which NHRMC has been approved to build on the Scotts Hill campus will need MRI service 24/7. Thus, this alternative is not an effective alternative.
- Shift Volume to Other MRI Locations – the applicant states that NHRMC-affiliated MRI units as a whole are utilized at 111.8% of the capacity threshold. Without additional capacity, shifting MRI volume from one location to another within a system of MRIs that are already capacity constrained is not a viable alternative.
- Add Capacity at an Existing NHRMC Location – the applicant states that adding another MRI unit at an existing MRI location in Wilmington does not improve geographic access to MRI services, does not offer the opportunity to decompress NHRMC Main and other locations in central Wilmington, does not support the new NH Scotts Hill community hospital, and does not support NHRMC’s strategic master plan. Thus, this option is not an effective alternative.
- Seek the State’s Approval of NHRMC for a New Fixed MRI – the applicant states that the project as proposed is part of a long-term strategic plan to mitigate congestion and scheduling constraints at NHRMC Main and throughout the New Hanover Regional Health System.

On page 87, the applicant states that its proposal is the most effective alternative because:

- The addition of a new fixed MRI at NH Scotts Hill will maximize healthcare value for resources expended in the delivery of health care services.
- The proposed project will increase the quality of care and access to care, enhance the patient experience, improve operational efficiencies, and decrease employee burnout due to overtime and on call hours.
- The proposed project is more cost-effective and efficient because it will support the newly approved NH Scotts Hill Hospital while allowing for additional capacity to shift routine cases away from the congested NHRMC Main campus.

The applicant adequately demonstrates that the alternative proposed in this application is its most effective alternative to meet the need based on the following:

- The applicant states the proposed fixed MRI scanner will address the issue of high utilization and increased demand of NHRMC’s existing MRI scanners.
- The applicant states the proposed fixed MRI scanner will increase geographic accessibility to MRI services.
- The applicant provides reasonable and adequately supported information to explain why it believes the proposed project is the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section E, pages 65-66, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo – the applicant states that operating a mobile MRI service limits the ability to provide access to all patients because of weather, power fluctuations affecting the mobile scanner, availability of the mobile scanner and not being able to accommodate non-ambulatory patients. Therefore, the applicant states that the status quo is not a reasonable alternative.
- Expand mobile MRI service at Delaney Radiology – the applicant states that it has maximized its mobile MRI services and expanding mobile MRI services is not a feasible alternative.
- Locate a fixed MRI scanner at Delaney Radiology – the applicant states that the space within a fixed MRI vault allows for the accommodation of non-mobile patients, is not prone to power fluctuations, allows for workflow efficiencies, will allow for more patients to be seen per day, and allow for urgent MRI scan requests.

On page 66, the applicant states that its proposal is the most effective alternative because the proposed fixed MRI scanner *“will maximize healthcare value for resources expended in the delivery of health care services by ensuring timely access to outpatient MRI services within the service area, increase the quality of care, enhance the patient experience, and improve operational efficiencies.”*

The applicant adequately demonstrates that the alternative proposed in this application is its most effective alternative to meet the need based on the following:

- The applicant states that the proposal meets the need of patients in the service area by providing enhanced imaging in a cost-effective manner.
- The applicant provides reasonable and adequately supported information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

In Section E, pages 71-74, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain status quo - the applicant states that maintaining the status quo would not address the need as determined in the 2021 SMFP for an additional fixed MRI scanner in New Hanover County. In addition, the existing EmergeOrtho fixed scanner at Shipyard is well utilized and contracting mobile MRI services at Porters Neck is a short-term solution to address the need to enhance geographical access to MRI services in New Hanover County. Thus, the applicant determined that maintaining the status quo is not an effective alternative.
- Develop the diagnostic center in another New Hanover County location -the applicant states that it considered placing the new MRI in the Shipyard location; however, it would not satisfy the applicant's desire to provide greater geographical access to freestanding imaging services to the residents of New Hanover County. Thus, the applicant determined that this was not an effective alternative.
- Acquire different MRI equipment -the applicant states that it considered an MRI with a higher strength tesla and a dedicated extremity scanner but determined that the higher strength tesla equipment would be more costly, and the extremity scanner would not be as efficient as the proposed scanner. Thus, the applicant determined that this was not an effective alternative.

On page 74, the applicant states that the project to develop the MRI at EmergeOrtho-Porters Neck, as proposed, is the most effective alternative because:

- The proposed project will increase access to convenient, high quality and cost-effective freestanding MRI imaging services in a northeastern New Hanover County locale that does not currently host a freestanding fixed MRI scanner.
- EmergeOrtho-Shipyard has a busy fixed MRI scanner in central Wilmington and can redirect some patients to a full-time fixed MRI scanner in the proposed location, thus decompressing the scanner at Shipyard.
- The proposed project will provide MRI equipment that is different from the fixed MRI scanner at the Shipyard location, which could be an important consideration for claustrophobic, pediatric, obese or bariatric patients.

The applicant adequately demonstrates that the alternative proposed in this application is its most effective alternative to meet the need based on the following:

- The applicant states it is proposing the most effective alternative because the proposed fixed MRI scanner will be located in an area of New Hanover County that currently has no fixed MRI scanners.
- The applicant provides reasonable and adequately supported information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

In Section E, page 73, the applicant describes the alternative it considered and explains why the alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The only alternative considered was to locate the fixed scanner at a different location.

The applicant states that developing the fixed MRI scanner at Porters Neck allows Wilmington Health to minimize the construction costs of the proposed fixed MRI scanner compared to the cost associated with the construction of an entirely new location to house the scanner. Furthermore, developing it at a different site would not allow for the economies of scale generated by the co-location of the proposed fixed MRI scanner with the existing services provided at WH Porters Neck. The applicant further states that placing the scanner at WH Porters Neck takes advantage of the continuity of care and will generate sufficient capacity to allow Wilmington Health to refer its patients that need MRI services to a low-cost, freestanding Wilmington Health location, without the need to wait for intermittent mobile MRI services to become available.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The applicant states it is proposing its most effective alternative because the proposed fixed MRI scanner will be located in an existing facility and will require minimal renovation.
- The applicant provides reasonable and adequately supported information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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.

C
All Applications

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

Capital and Working Capital Costs

In Section Q Form F.1a Capital Cost, page 137, the applicant projects the total capital cost of the project, as shown in the table below.

Construction Costs, Site Costs, and A&E	\$2,464,121
Medical Equipment	\$2,131,355
Non-medical Equipment /IT/ Furniture	\$154,234
Other (Consultant Fees, Legal Fees, Contingency, Misc.)	\$280,659
Total	\$5,030,369

In Section Q Form F.1a, page 138, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- Construction cost is based on contractor estimate.
- Medical equipment cost is based on vendor quotations.
- Furniture costs and other costs are based on allowances identified by the architect and NHRMC facilities team.

In Section F, pages 90-91, the applicant states there will be no working capital expense.

Availability of Funds

In Section F, page 89, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing	
Type	Novant Health, Inc.
Loans	\$5,030,369
Cash and Cash Equivalents, Accumulated reserves or OE *	\$
Bonds	\$
Other (Specify)	\$
Total Financing	\$5,030,369

* OE = Owner's Equity

In Exhibit F-2.1, the applicant provides a funding letter stating Novant Health's willingness to provide funding for the proposed project and the availability of funds. Exhibit F-2.2 contains the audited financial statements for Novant Health, Inc. documenting the availability of the funds.

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that

revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

NH Scotts Hill Proposed MRI Service

	1st Full FY CY2024	2nd Full FY CY2025	3rd Full FY CY2026
Total MRI Scans	3,685	4,211	4,322
Total Gross Revenues (Charges)	\$18,594,942	\$22,313,673	\$24,043,889
Other Revenue	\$9,044	\$10,542	\$11,035
Deductions from Gross*	\$15,301,733	\$18,474,775	\$20,025,509
Total Net Revenue	\$3,302,254	\$3,849,440	\$4,029,416
Average Net Revenue per Scan	\$896	\$914	\$932
Total Operating Expenses (Costs)	\$1,653,404	\$1,811,690	\$1,874,249
Average Operating Expense per Scan	\$449	\$430	\$434
Net Income	\$1,648,850	\$2,037,750	\$2,155,167

Totals may not sum due to rounding

*Includes Charity Care and Bad Debt as follows:

	CY2024	CY2025	CY2026
Charity Care	\$360,984	\$433,176	\$466,765
Bad Debt	\$483,469	\$580,155	\$625,141

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q Form F.2b Projected Revenues and Net Income Assumptions and Form F.3b Projected Operating Costs Assumptions. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Gross revenue (charges, # of scans, and payor percentages) and operating expenses are projected based on NHRMC historical experience providing MRI service
- Gross revenue per case inflated 5% annually based on NHRMC MRI experience
- Net revenue per case inflated 2% annually based on NHRMC MRI experience
- Other revenue includes Cafeteria/Gift Shop revenue
- Contractual adjustments are projected at 78% of gross revenue based on NHRMC experience
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section Q, Form, F.1a Capital Cost, the applicant projects the total capital cost of the project, as shown in the table below.

Construction/Renovation and A&E	\$898,833
Medical Equipment	\$1,513,276
Non-Medical Equipment, Furniture	\$32,000
Consultant Fees	\$40,000
Total Capital Costs	\$2,484,109

In Section Q and Exhibit F.1, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions.

In Section F, pages 69-70, the applicant states that there will be no start-up or initial operating costs associated with this project.

Availability of Funds

In Section F, page 67, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Delaney Radiologists Group, LLC
Loans	\$2,484,109
Accumulated reserves or OE *	\$0
Bonds	\$0
Other (Specify)	\$0
Total Financing	\$2,484,109

* OE = Owner's Equity

In Exhibit F.2, the applicant provides a letter from the President of Delaney Radiologists Group PLLC, stating its intention to fund the project with a loan through First Citizens Bank. Exhibit F.2 also contains a letter from First Citizens Bank documenting its relationship with the applicant, the proposed amount of the loan, and the bank's willingness to consider the loan.

The applicant adequately demonstrates the availability of sufficient funds for the needs of the project.

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2B Projected Revenues and Net Income for the Delaney Radiology MRI Scanner, the revenues exceed operating expenses in the first three full fiscal years following completion of the project, as summarized in the table below.

**Delaney Radiology-Main MRI Service
 Projected Revenue and Net Income**

	1 st Full FY CY2023	2 nd Full FY CY2024	3 rd Full FY CY2025
Total MRI Scans (Fixed and Mobile)	6,929	7,013	7,098
Total Gross Revenues (Charges)	10,384,434	10,510,160	10,637,407
Deductions from Gross*	5,587,864	5,655,517	5,723,989
Total Net Revenue	4,796,570	4,854,643	4,913,418
Average Net Revenue per Scan	692	692	692
Total Operating Expenses (Costs)	1,288,324	1,303,830	1,319,825
Average Operating Expense per Scan	186	186	186
Net Income	3,508,247	3,550,813	3,593,593

Totals may not sum due to rounding

*Includes Charity Care and Bad Debt as follows:

	CY2023	CY2024	CY2025
Charity Care	27,000	27,326	27,657
Bad Debt	195,227	197,591	199,983

The applicant also provides the Projected Revenues and Net Income for each of the diagnostic center's imaging modalities and for the entire diagnostic center. In Form F.2b Projected Revenues and Net Income for the diagnostic center, the applicant projects that the diagnostic

center's revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as summarized in the table below.

**Delaney Radiology-Main Diagnostic Center
 Projected Revenue and Net Income, including all Imaging Services**

	1st Full FY CY2023	2nd Full FY CY2024	3rd Full FY CY2025
Total Gross Revenues (Charges)	36,413,065	37,125,336	37,867,942
Deductions from Gross	18,961,715	19,398,835	19,854,871
Total Net Revenue	17,451,350	17,726,501	18,013,071
Total Operating Expenses (Costs)	10,124,411	10,491,754	10,736,710
Net Income	7,326,940	7,234,747	7,276,361

Totals may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q and include the revenue and expense of all diagnostic services, including MRI. The applicant adequately demonstrates that the financial feasibility of the proposed MRI project is reasonable and adequately supported based on the following:

- Percentage allocation for each payor mix was based on the payor percentage X scans X average charge
- Contractual adjustments are based on FY2020 contractual adjustment percentages
- The applicant projects a 0.0% average charge inflation per year
- Charity care is based on FY2020 charity care at 0.26% of gross revenue
- Bad debt is based on FY2020 bad debt at 1.88% of gross revenue
- Operating expenses are based on FY2020 increased by an annual inflation rate of 2.5%
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.

- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

Capital and Working Capital Costs

In Section Q Form F.1a Capital Cost, page 139, the applicant projects the total capital cost of the project, as shown in the table below.

Construction Costs, Site Costs, and A&E	\$584,869
Medical Equipment	\$1,368,236
Furniture	\$4,500
Other (Consultant Fees, Financing, Interest during Construction, IT, Contingency, Misc.)	\$116,434
Total	\$2,074,039

In Section Q Form F.1a, page 139, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- Construction costs are based on contractor estimate and includes MRI electrical and shielding.
- Medical equipment cost is based on vendor quotations, plus tax.
- Furniture costs and other costs are based on EmergeOrtho experience.

In Section F, page 78, the applicant states there will be \$8,500 in start-up and \$9,000 initial operating costs for a total working capital of \$17,500. On page 78-79, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- Start-up costs are expenses related to one week of clinical staffing, supply inventory, occupying facility space, and equipment operation.
- For conservatism, the applicant assumes a brief initial operating period of three months.

Availability of Funds

In Section F, page 76, the applicant states its intention to fund the capital cost as shown in the table below.

Sources of Capital Cost Financing	
Type	EmergeOrtho, P.A.
Loans	\$2,074,039
Cash and Cash Equivalents, Accumulated reserves or OE *	\$
Bonds	\$
Other (Specify)	\$
Total Financing	\$2,074,039

* OE = Owner's Equity

In Section F, page 79, the applicant states that the working capital cost will be funded, as shown in the table below.

Sources of Working Capital Cost Financing	
Type	EmergeOrtho, P.A.
Loans	\$17,500
Cash and Cash Equivalents, Accumulated reserves or OE *	\$
Bonds	\$
Other (Specify)	\$
Total Financing	\$17,500

* OE = Owner's Equity

In Exhibit F.2, the applicant provides a funding letter from First Citizens Bank stating its willingness to provide the applicant with a loan up to \$2.6 million for the projected capital and working capital of the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on First Citizens Bank's documentation of its relationship with the applicant and its willingness to consider funding in the form of a loan to EmergeOrtho, P.A.

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

EmergeOrtho-Porters Neck Proposed MRI Service

	1st Full FY CY2023	2nd Full FY CY2024	3rd Full FY CY2025
Total MRI Scans	2,627	3,837	4,759
Total Gross Revenues (Charges)	\$3,259,999	\$4,762,042	\$5,906,110
Deductions from Gross*	\$2,176,496	\$3,183,912	\$3,948,227
Total Net Revenue	\$1,083,503	\$1,578,131	\$1,957,883
Average Net Revenue per Scan	\$412	\$411	\$411
Total Operating Expenses (Costs)	\$930,577	\$1,230,641	\$1,363,652
Average Operating Expense per Scan	\$354	\$321	\$287
Net Income	\$152,926	\$347,491	\$594,231

Totals may not sum due to rounding

*Includes Charity Care and Bad Debt as follows:

	CY2023	CY2024	CY2025
Charity Care	\$48,886	\$71,410	\$88,566
Bad Debt	\$40,750	\$59,526	\$73,826

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q Form F.2/3 Assumptions. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Gross revenue (charges, # of scans, and payor percentages) and operating expenses are projected based on EmmergeOrtho’s experience providing MRI service
- Average charge inflation and annual salary inflation are 0% and 2.75% per year, respectively, based on EmmergeOrtho experience providing MRI service
- Contractual adjustments by payor are based on EmmergeOrtho’s experience providing MRI service
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.

- The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

Capital and Working Capital Costs

In Section Q Form F.1a Capital Cost, the applicant projects the total capital cost of the project, as shown in the table below.

Construction Costs, Site Costs, and A&E	\$655,161
Non-Medical Equipment	\$3,804
Total	\$658,965

In Section Q Form F.1a Assumptions, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- Construction, site, and A&E costs are based on the experience of the project architect with similar projects.
- The proposed MRI scanner will be leased through an operating lease and the cost is included as an operating expense in Form F.3b. As such, it is not included in the capital cost of the proposed project.
- Non-medical equipment costs are based on equipment vendor quotes and include furniture costs.

In Section F, page 77, the applicant states there will be no start-up or initial operating costs because the proposed project does not involve a new service for Wilmington Health.

Availability of Funds

In Section F, page 75, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Wilmington Health, PLLC
Loans	\$
Cash and Cash Equivalents, Accumulated reserves or OE *	\$658,965
Bonds	\$
Other (Specify)	\$
Total Financing	\$658,965

* OE = Owner's Equity

In Exhibit F.2-1, the applicant provides a funding letter from Wilmington Health's Chief Financial Officer attesting to Wilmington Health's intentions to fund the proposed project and the availability of the funds. Exhibit F.2-2 contains Wilmington Health's most recent financial statement (draft copy), as of December 31, 2020, which documents the availability of adequate accumulated reserves to fund the project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on the following:

- Wilmington Health's CFO commits the funding for the project
- The Wilmington Health financial statements document adequate funds for the project

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

Wilmington Health at Porters Neck Proposed MRI Service

	1 st Full FY CY2024	2 nd Full FY CY2025	3 rd Full FY CY2026
Total MRI Scans	3,668	4,255	4,940
Total Gross Revenues (Charges)	\$6,870,311	\$8,247,783	\$9,909,265
Deductions from Gross*	\$4,674,363	\$5,611,555	\$6,741,980
Total Net Revenue	\$2,195,948	\$2,636,228	\$3,167,285
Average Net Revenue per Scan	\$599	\$620	\$641
Total Operating Expenses (Costs)	\$1,317,269	\$1,444,186	\$1,595,482
Average Operating Expense per Scan	\$359	\$339	\$323
Net Income	\$878,679	\$1,192,042	\$1,571,803

Totals may not sum due to rounding

*Includes Charity Care and Bad Debt as follows:

	CY2024	CY2025	CY2026
Charity Care	\$34,313	\$41,193	\$49,491
Bad Debt	\$206,109	\$247,433	\$297,278

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Gross revenue is projected based on Wilmington Health's results providing a similar MRI service
- Average charge inflation is 3% per year
- Contractual adjustments by payor are based on Wilmington Health's CY2020 experience providing MRI services
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
 - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
 - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

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 All Applications

The 2021 SMFP defines the service area for a fixed MRI scanner as “*the same as an Acute Care Bed Service area as defined in Chapter 5, Acute Care Beds, and shown in Figure 5.1. The fixed MRI service area is a single county, except where there is no licensed acute care hospital located within the county.*” Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved fixed MRI scanners located in the New Hanover County service area, summarized from Table 17E-1 of 2021 SMFP.

Fixed MRI Scanners in New Hanover County

Provider	# of Fixed Scanners	Service Type	Total MRI Scans	Adjusted Total
New Hanover Regional Medical Center-Main Campus	2	Hospital-Based	8,761	12,333
New Hanover Regional Medical Center-Medical Mall	1	Hospital-Based	2,173	2,581
New Hanover Regional Medical Center-Orthopedic Hospital	1	Hospital-Based	5,344	6,400
EmergeOrtho PA – Shipyard	1	Freestanding	5,140	5,329
Wilmington Health – Medical Center Drive	1	Freestanding	4,039	4,625

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

In Section G, pages 97-98, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in the New Hanover County service area. The applicant states:

“As previously established, NHRMC proposes to acquire and install an MRI on its Scotts Hill Campus to meet the published need in the 2021 SMFP for one additional MRI in New Hanover County. The proposed project will allow NHRMC to expand geographic access and extend financial access to quality MRI services for New Hanover County residents and to relieve the capacity constraints that currently exist due to a high and growing demand for MRI services. . . . The utilization of NHRMC’s existing MRI units demonstrate the need for additional fixed MRI capacity within the system, and therefore, the project will not result in a duplication of existing services or harm existing providers.”

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area based on the following:

- There is a need determination in the 2021 SMFP for the proposed fixed MRI scanner in the New Hanover County service area.
- The applicant adequately demonstrates the high volume of NHRMC's existing fixed MRI scanners.
- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanners in the service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section G, page 78, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in the New Hanover County service area. The applicant states:

“Delaney Radiology proposes to acquire a fixed MRI scanner and to operate the MRI scanner at an existing outpatient diagnostic center to address high MRI scan demand at Delaney Radiology facilities and to offer patients a low-cost alternative. The GE SIGNA Pioneer 3T MRI scanner will bring new technology to the area.”

The 2021 SMFP identifies the need for one additional fixed MRI scanner in New Hanover County. The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area based on the following:

- There is a need determination in the 2021 SMFP for the proposed fixed MRI scanner in the New Hanover County service area.
- The proposal will address the existing high demand for MRI services at Delaney Radiology.
- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanners in the service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

In Section G, pages 85-86, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in the New Hanover County service area. The applicant states:

“The proposed project will not result in unnecessary duplication of the existing or approved fixed MRI services in New Hanover County. EmergeOrtho does not propose to acquire and operate more fixed MRI scanners than are determined to be needed in the 2021 SMFP. As described throughout this application, particularly in Sections C and N, EmergeOrtho’s proposed project will improve local access for New Hanover County residents to high quality and cost-effective outpatient MRI imaging in a lower cost, geographically convenient, easily accessible freestanding diagnostic imaging setting.”

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area based on the following:

- There is a need determination in the 2021 SMFP for the proposed fixed MRI scanner.
- The current utilization and historic growth of MRI scans warrants the need for access to additional MRI services.
- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanners.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

In Section G, page 85, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in the New Hanover County service area. The applicant states:

“As discussed in Section C.4, the proposed project is in response to a need determination for one additional fixed MRI scanner in the 2021 SMFP for New Hanover County. Currently, four of the six fixed MRI scanners in New Hanover County are hospital-based. As discussed previously in Section C.4, as the demand for outpatient MRI services continues to increase, it is imperative that lower-cost freestanding MRI services be made available, not only to provide convenient and cost-effective MRI service to patients, but also to help lessen capacity constraints on the existing hospital-based services in the region to better serve patients in need of inpatient care.

...

As such, the need for the proposed project is evident and Wilmington Health’s proposal will not only meet the need for additional fixed MRI capacity, but also improve competition and access to high quality, cost-effective freestanding MRI services. As such, Wilmington Health does not believe that the proposed project will result in an unnecessary duplication of the existing and approved health service facilities located in the proposed service area that provide fixed MRI services.”

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area based on the following:

- There is a need determination in the 2021 SMFP for the proposed fixed MRI scanner.
- The current utilization and historic growth of MRI scans warrants the need for access to additional MRI services.

- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanners.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C
All Applications

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

In Section Q Form H Staffing, the applicant provides the projected full-time equivalent (FTE) positions for the proposed service, as summarized below.

Position	Projected FTE Positions Partial FY2023	Projected FTE Positions CY2024-CY2026
MRI Technologists	3.2	6.4

The assumptions and methodology used to project staffing are provided on Form H Staffing. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 99-101, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately demonstrates its methods to recruit staff, which includes recruitment through Novant Health’s relationships with area allied health professional training programs.

- As an existing provider of MRI services, the applicant has existing training and continued education programs in place and provides supporting documentation in Exhibit H.3.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section Q, Form H, the applicant provides current and projected full-time equivalent (FTE) positions for the proposed MRI services, as summarized in the following table.

Position	Current FTE Positions as of 8/1/2021	Projected FTE Positions CY2023-CY2025
Technologists	1.5	3.0

The assumptions and methodology used to project staffing are provided in Section H. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 79-80, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- Delaney Radiology is an existing diagnostic center in New Hanover County.
- The applicant states that it has relationships with colleges in the area and is a significant employer in New Hanover County.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

In Section Q, Form H, the applicant provides current and projected full-time equivalent (FTE) positions for the proposed MRI services, as summarized in the following table.

Position	Current FTE Positions	Projected FTE Positions		
	as of 8/1/2021	CY2023	CY2024	CY2025
MRI Technologists	0.20	1.25	1.75	2.00
Administrator/CEO	0.01	0.05	0.05	0.05
Business Office	0.10	0.75	0.75	0.75
Clerical	0.10	0.75	0.75	0.75
Other (Sales Liaison)	0.01	0.10	0.10	0.10
Other (MRI Tech Asst)	0.20	1.25	1.75	2.00
Total	0.62	4.15	5.15	5.65

The assumptions and methodology used to project staffing are provided in Section H, page 88. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 88-90, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- EmergeOrtho-Porters Neck is an existing provider in New Hanover County.
- The applicant states that it has relationships with colleges in the area and is a significant employer in New Hanover County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

In Section Q Form H, the applicant provides current and projected full-time equivalent (FTE) positions for the proposed service, as summarized in the following table.

Position	Projected FTE Positions CY2024-CY2026
MRI Technologist	2.0

The assumptions and methodology used to project staffing are provided in Section O. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3a. In Section H, pages 87-88, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- Wilmington Health is an existing provider in New Hanover County.
- The applicant states that it has relationships with colleges in the area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (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.

C
All Applications

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

Ancillary and Support Services

In Section I, page 102, the applicant identifies the necessary ancillary and support services for the proposed service and explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is an existing provider of MRI services with ancillary and support services in place.
- The applicant provides a letter from a physician expressing his willingness to serve as medical director for the facilities MRI component.

Coordination

In Section I, page 103, the applicant describes its existing and proposed relationships with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is part of the NHRMC New Hanover County health system and has established relationships with other local healthcare and social service providers.
- NHRMC has established patient transfer agreements with various acute care hospitals, nursing homes, surgery centers, outpatient endoscopy centers, and imaging centers.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section I, pages 82-83, the applicant identifies the necessary ancillary and support services for the proposed service and explains how each ancillary and support service is or will be made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on being a well-established diagnostic imaging center with long-standing ancillary and support services in place.

Coordination

In Section I, pages 84-85, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- Delaney Radiology has established relationships with local health care and social service providers from 30 years of service in the area.
- Delaney Radiology supports the healthcare community by making contributions that promote good will and the health and wellbeing of its neighbors, listing several sponsorships or charitable donations.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

Ancillary and Support Services

In Section I, page 92, the applicant identifies the necessary ancillary and support services for the proposed service. On pages 92-93, the applicant explains how each ancillary and support service is or will be made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the applicant's existing services.

Coordination

In Section I, page 93, the applicant describes its existing relationships with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- EmergeOrtho is a long-standing provider of MRI services in New Hanover County.
- EmergeOrtho physicians have medical staff privileges at local hospitals.
- EmergeOrtho physicians and providers have developed relationships within the broader healthcare community.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

Ancillary and Support Services

In Section I, pages 89-90, the applicant identifies the necessary ancillary and support services for the proposed service. On page 89, the applicant explains how each ancillary and support service is or will be made available and provides documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the facility's ongoing operations and patient services.

Coordination

In Section I, page 90, the applicant describes its existing relationships with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- Wilmington Health providers work with the North Carolina Division of Medical Assistance and local social service agencies to assist in the coordination of care for patients.
- Wilmington Health has an active and ongoing relationship with Community Care of Lower Cape Fear to assist with support for patients in need.
- Wilmington Health is engaged with Blue Cross Blue Shield of North Carolina in an Accountable Care alliance to enhance care and provide greater value for consumers.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA
All Applications

None of the applicants projects to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, none of the applicants projects to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO.

In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA
All Applications

None of the applicants are an HMO. Therefore, Criterion (10) is not applicable to this review.

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C
All Applications

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

In Section K, page 105, the applicant states that the project involves constructing 2,659 square feet of new space. Line drawings are provided in Exhibit K-1.

On page 105, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states that the construction will be planned and directed by an experienced architect and design team.
- The architect and design team coordinated with healthcare contractors experienced in developing hospital facility projects and worked with hospital staff to design the facility to deliver a cost-effective project.

On page 106, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states that the proposed project will alleviate capacity constraints on existing MRIs.
- The applicant states that the proposed project will provide a continuity of care for patients residing in northern New Hanover County, thereby increasing efficiencies.
- The applicant states that the addition of an MRI on an existing campus as part of an approved new hospital will create efficiencies.
- Necessary ancillary and support services are in place to support the proposed MRI and the incremental staffing is minimal.

On pages 106-107, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section K, page 88, the applicant states that the project involves renovating 795 square feet of existing space. Line drawings are provided in Exhibit K.2.

On page 88, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the estimated renovation costs from the applicant's architect.

On page 89, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the applicant's proposal to place the fixed MRI scanner in an existing space needing only minor renovation, as opposed to constructing new space at a higher cost.

On page 89, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

In Section K, page 96, the applicant states that the project involves renovating 1,153 square feet of existing space. Line drawings are provided in Exhibit K.2.

On page, 96-97, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The project involves renovations planned and directed by experienced architect and construction professionals
- The applicant's proposal will represent the most reasonable alternative because of its efforts to avoid renovation of spaces with support walls or columns.

On page 97, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states that the proposed scanner will achieve higher productivity and cost savings with advanced technology, faster imaging and improved scheduling.
- The applicant states that EmergeOrtho will continue to offer MRI charges that are lower compared to hospital-based MRI services, and competitive with all providers in the local marketplace.
- The applicant states that the project will not increase MRI charges to the public, which largely are set by the government or already negotiated with payors.

On pages 97-98, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

In Section K, page 93, the applicant states that the project involves 4,081 square feet of renovations to existing space. Line drawings are provided in Exhibit C.1-1.

On pages 93-94, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states that the installation of the proposed fixed MRI scanner will be done in a resource-responsible manner in existing space.
- The project involves limited renovation to operationalize and is cost-efficient compared to new construction.

On page 94, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states that the development of the MRI in the proposed location will improve convenience and continuity of care for patients.
- The applicant states that the development of the MRI in the proposed location will also generate sufficient capacity to allow Wilmington Health to refer its patients in need of MRI services to a low-cost, freestanding Wilmington Health location.

On page 94, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C
All Applications

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

In Section L, page 110, the applicant provides the historical payor mix during fiscal year 2020 (10/1/2019-9/30/2020) for the proposed services, as shown in the table below.

NH Scotts Hill MRI (mobile) Historical Payor Mix, FY 2020	
Payor Category	MRI Services as Percent of Total
Self-Pay	1.9%
Charity Care	1.0%
Medicare*	49.5%
Medicaid*	4.0%
Insurance*	35.5%
Workers Compensation	0.1%
TRICARE	7.0%
Other (Government and Other)	1.0%
Total	100.0%

*Including any manage care plans.

In Section L, page 111, the applicant provides the following comparison for the last full FY before submission of the application.

NH Scotts Hill Mobile MRI	Percentage of Total Patients Served	Percentage of the Population of the Service Area*
Female	59.1%	51.9%
Male	40.9%	48.1%
Unknown	0.0%	0.0%
64 and Younger	56.4%	80.8%
65 and Older	43.6%	19.2%
American Indian	0.3%	0.6%
Asian	0.2%	1.4%
Black or African-American	7.2%	12.4%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	89.3%	80.2%
Other Race	2.1%	5.3%
Declined / Unavailable	1.0%	0.0%

*The percentages can be found online using the United States Census Bureau's QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's

service area which is medically underserved. Therefore, the application is conforming to this criterion.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section L, page 92, the applicant provides the historical payor mix during fiscal year 2020 (CY2020) for the MRI services at the existing Delaney Radiology location, as summarized in the table below.

Delaney Radiology Historical Payor Mix, CY2020	
Payor Category	MRI Services as Percent of Total
Self-Pay	2.3%
Charity Care	Included in Self-Pay
Medicare*	41.9%
Medicaid*	2.6%
Insurance*	49.4%
Other (Government)	3.8%
Total	100.0%

*Including any manage care plans.

In Section L, page 93, the applicant provides the following comparison for CY2020 for the existing Delaney Radiology services.

Delaney Radiology	Percentage of Total Patients Served	Percentage of the Population of the Service Area*
Female	80.8%	52.4%
Male	19.2%	47.6%
Unknown	0.0%	0.0%
64 and Younger	57.8%	81.6%
65 and Older	42.2%	18.4%
American Indian	0.2%	0.6%
Asian	0.4%	1.6%
Black or African-American	10.5%	13.4%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	77.2%	82.2%
Other Race	2.6%	2.1%
Declined / Unavailable	9.1%	0.0%

*The percentages can be found online using the United States Census Bureau's QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

In Section L, page 105, the applicant provides the historical payor mix for EmergeOrtho during fiscal year 2020 (CY2020), as shown in the table below.

EmergeOrtho-Porters Neck Historical Payor Mix, CY2020	
Payor Category	Percent of Total Patients
Self-Pay	0.5%
Charity Care	0.0%
Medicare*	45.0%
Medicaid*	2.9%
Insurance*	48.8%
TRICARE	2.9%
Other	0.0%
Total	100.0%

*Including any manage care plans.

In Section L, page 106, the applicant provides the following comparison:

EmergeOrtho MRI service	Percentage of Total Patients Served	Percentage of the Population of the Service Area*
Female	55.9%	52.4%
Male	44.1%	47.6%
Unknown	0.0%	0.0%
64 and Younger	40.7%	81.6%
65 and Older	59.3%	18.4%
American Indian	1.2%	0.6%
Asian	0.2%	1.6%
Black or African-American	9.5%	13.4%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	77.8%	77.4%
Other Race	3.3%	6.9%
Declined / Unavailable	7.9%	0.0%

*The percentages can be found online using the United States Census Bureau's QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

In Section L, page 98, the applicant provides the historical payor mix during fiscal year 2020 (CY2020) for the MRI services at the existing Wilmington Health location, as summarized in the table below.

Wilmington Health Historical Payor Mix, CY2020	
Payor Category	MRI Services as Percent of Total
Self-Pay	0.7%
Charity Care [^]	
Medicare*	44.3%
Medicaid*	2.1%
Insurance*	48.4%
Workers Compensation ^{^^}	
TRICARE ^{^^}	
Other (Government) ^{^^}	4.3%
Total	100.0%

*Including any manage care plans.

[^] Wilmington Health’s internal data does not include Charity Care as a payor source

^{^^}TRICARE and Workers Compensation is included in the Other payor category

In Section L, page 99, the applicant provides the following comparison for CY2020 for the existing Wilmington Health MRI:

Wilmington Health	Percentage of Total Patients Served	Percentage of the Population of the Service Area*
Female	61.0%	52.4%
Male	39.0%	47.6%
Unknown	0.0%	0.0%
64 and Younger	55.2%	81.6%
65 and Older	44.8%	18.4%
American Indian	0.2%	0.6%
Asian	0.9%	1.6%
Black or African-American	12.1%	13.4%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	80.1%	82.2%
Other Race	1.3%	2.1%
Declined / Unavailable	5.4%	0.0%

*The percentages can be found online using the United States Census Bureau’s QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and ... persons [with disabilities] to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C
All Applications

**O-12124-21/Novant Health New Hanover Regional Medical Center -
Scotts Hill/Acquire one fixed MRI scanner**

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 112, the applicant states:

“NHRMC fulfilled its Hill-Burton obligation and does not have any related obligation under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and the handicapped.”

In Section L, page 112, the applicant states that no patient civil rights access complaints have been filed against NHRMC in the last five years.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

**O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI
scanner pursuant to the need determination in the 2021 SMFP**

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 94, the applicant states that it has no obligation.

In Section L, page 94, the applicant states that Delaney Radiology has had no patient civil rights access complaints filed against it the 18 months immediately preceding the application deadline.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 107, the applicant states:

“EmergeOrtho has no requirements to provide uncompensated care, community service, or access by minorities and person with disabilities.”

In Section L, page 107, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights equal access complaints have been filed against any EmergeOrtho-Wilmington facilities.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant

to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 100, the applicant states:

“Wilmington Health does not have any obligation to provide a specific uncompensated care amount, community service, or access to care by medically underserved, minorities, or handicapped persons. However, as stated earlier, Wilmington Health does and will continue to provide services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment as demonstrated in Wilmington Health’s Language and Communication Assistance Policy provided in previously referenced Exhibit B.20-4.”

In Section L, page 101, the applicant states that during the last 18 months no patient civil rights access complaints have been filed against any affiliated entity of Wilmington Health located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C
All Applications

**O-12124-21/Novant Health New Hanover Regional Medical Center -
Scotts Hill/Acquire one fixed MRI scanner**

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

In Section L, page 113, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

NH Scotts Hill Fixed MRI Projected Payor Mix, FY2026	
Payor Category	MRI Services as Percent of Total
Self-Pay	3.4%
Charity Care	1.9%
Medicare*	51.0%
Medicaid*	8.9%
Insurance*	29.1%
Workers Compensation	0.6%
TRICARE	3.0%
Other (Government and Other)	2.1%
Total	100.0%

*Including any managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 3.4% of total services will be provided to self-pay patients, 1.9% to charity care patients, 51.0% to Medicare patients and 8.9% to Medicaid patients.

On page 113, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant’s projected payor mix is based on the payor mix for the last full fiscal year, FY2020, for MRI services at existing NHRMC locations.
- Section Q provides the projected payor mix based on gross revenue, while the table above projects payor mix based on patients served.
- The applicant does not anticipate any significant change in payor mix for MRI services associated with the proposed project.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

Based on that review, the Agency concludes that the application is conforming to this criterion based on the reasons stated above.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need

determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section L, page 95, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

Delaney Radiology Projected Payor Mix, CY2025	
Payor Category	MRI Services as Percent of Total
Self-Pay	2.3%
Charity Care	Included in Self-Pay
Medicare*	41.9%
Medicaid*	2.6%
Insurance*	49.4%
Other (Government)	3.8%
Total	100.0%

*Including any manage care plans.

Delaney Radiology Projected MRI Payor Mix, CY2025	
Payor Category	MRI Services as Percent of Total
Self-Pay	1.2%
Charity Care	Included in Self-Pay
Medicare*	39.1%
Medicaid*	3.2%
Insurance*	49.0%
Other (Government)	7.6%
Total	100.0%

*Including any manage care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.2% of total MRI services will be provided to self-pay patients, 39.1% to Medicare patients and 3.2% to Medicaid patients.

On page 95, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant’s projected payor percentages are based on the historical payor mix for the Porters Neck Imaging and Insight Imaging mobile MRI scanners at Delaney Radiology.
- The applicant assumes for purposes of this application that the projected payor mix will be consistent with historical experience.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion based on the reasons stated above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

In Section L, page 95, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

EmergeOrtho-Porters Neck Projected Payor Mix, CY2025	
Payor Category	MRI Services as Percent of Total
Self-Pay	0.75%
Charity Care	0.70%
Medicare*	42.11%
Medicaid*	4.60%
Insurance*	42.96%
Workers Compensation	4.95%
TRICARE	3.78%
Other (Miscellaneous)	0.17%
Total	100.0%

*Including any manage care plans.

EmergeOrtho-Porters Neck Projected MRI Payor Mix, CY2025	
Payor Category	MRI Services as Percent of Total
Self-Pay	0.50%
Charity Care	1.50%
Medicare*	42.14%
Medicaid*	3.55%
Insurance*	43.50%
Workers Compensation	5.45%
TRICARE	3.39%
Other (Miscellaneous)	0.00%
Total	100.00%

*Including any manage care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.5% of total MRI services will be provided to self-pay patients, 42.14% to Medicare patients and 3.55% to Medicaid patients.

On page 107, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant’s projected payor percentages are based on the historical payor mix for the Porters Neck mobile MRI and the Shipyard MRI services.
- The applicant assumes for purposes of this application that the projected payor mix will be consistent with the combined historical experience.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion based on the reasons stated above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

In Section L, page 101, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

Wilmington Health at Porters Neck Projected Payor Mix, CY2026	
Payor Category	MRI Services as Percent of Total
Self-Pay	0.7%
Charity Care [^]	
Medicare*	44.3%
Medicaid*	2.1%
Insurance*	48.4%
Workers Compensation ^{^^}	
TRICARE ^{^^}	
Other (Government) ^{^^}	4.3%
Total	100.0%

*Including any manage care plans.

[^] Wilmington Health’s internal data does not include Charity Care as a payor source

^{^^}TRICARE and Workers Compensation is included in the Other payor category

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.7% of total services will be provided to self-pay patients, 44.3% to Medicare patients and 2.1% to Medicaid patients.

On page 101, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant’s projected payor percentages are based on the CY2020 payor mix for all Wilmington Health MRI patients.
- The applicant assumes for purposes of this application that the payor mix will be consistent with CY2020 experience.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion based on the reasons stated above.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C
All Applications

**O-12124-21/Novant Health New Hanover Regional Medical Center -
Scotts Hill/Acquire one fixed MRI scanner**

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

In Section L, page 115, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

**O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI
scanner pursuant to the need determination in the 2021 SMFP**

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section L, page 96, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

In Section L, pages 109-110, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

In Section L, page 103, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C
All Applications

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

In Section M, page 116, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M-1. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant has established clinical education agreements with area health education programs.
- The applicant's agreements include MRI student rotations.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section M, page 98, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M-1. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- Delaney Radiology has existing education agreements with health professional training programs.
- Delaney Radiology will work collaboratively with any interested health professional training program to establish a clinical training program at the outpatient diagnostic center.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

In Section M, page 111, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- EmergeOrtho currently provides opportunities for training area clinical health services students and has existing relationships with many health professional training programs, as listed on page 111.
- The applicant states that development of a new fixed MRI service location will enhance the clinical training opportunities at EmergeOrtho-Wilmington.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

In Section M, page 104, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the applicant's relationships with area professional training programs.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.

- (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.

C
 All Applications

The 2021 SMFP defines the service area for a fixed MRI scanner as *“the same as an Acute Care Bed Service area as defined in Chapter 5, Acute Care Beds, and shown in Figure 5.1. The fixed MRI service area is a single county, except where there is no licensed acute care hospital located within the county.”* Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved fixed MRI scanners located in the New Hanover County service area, summarized from Table 17E-1 of 2021 SMFP.

Fixed MRI Scanners in New Hanover County

Provider	# of Fixed Scanners	Service Type	Total MRI Scans	Adjusted Total
NHRMC-Main Campus	2	Hospital-Based	8,761	12,333
NHRMC -Medical Mall	1	Hospital-Based	2,173	2,581
NHRMC -Orthopedic Hospital	1	Hospital-Based	5,344	6,400
EmergeOrtho PA	1	Freestanding	5,140	5,329
Wilmington Health	1	Freestanding	4,039	4,625

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 117, the applicant states:

“While there are no other existing hospital-based MRI providers in New Hanover County, the project will foster competition with the existing freestanding MRIs in the service area, mobile MRIs in the service area, and with MRIs in surrounding communities. . . . The proposed location will bring the only fixed MRI unit to northern New Hanover County, greatly increasing access to care for this local area and surrounding communities, which in turn will increase competition.”

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 117-118, the applicant states:

“Implementing the proposed MRI on an existing campus and as part of a newly approved hospital, will result in highly cost-effective operations. . . . Very minimal incremental staff will be needed. The proposed project cost effectively meets multiple needs by addressing capacity constraints experienced by the Scotts Hill mobile MRI and the NHRMC – Main Campus MRI.”

See also Sections B, C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 118, the applicant states:

“NHRMC prides itself on its quality care, and the proposed NHRMC-Scotts Hill fixed MRI will serve to enhance and expand access to this level of care by addressing MRI capacity constraints . . .”

See also Sections B and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 118, the applicant states:

“The new MRI service will also provide access to medically underserved groups at a rate that is consistent with NHRMC’s historical experience.”

See also Sections B, L and C of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant’s representations about how it will ensure the quality of the proposed services.
- 3) Medically underserved groups will have access to the proposed services based on the applicant’s representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described above.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 100, the applicant states:

“Delaney Radiology expects the acquisition of a new MRI scanner to have a positive effect on competition in the service area because it will increase the current capacity of MRI scanner services in the service area.”

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 100-101, the applicant states:

“The lower freestanding-based MRI charge will lead to decreased insurer payments, patient deductible payments, and copayments, which will lead to lower healthcare expenditures and hopefully result in lower health insurance premiums.”

See also Sections B, C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 101-102, the applicant states:

“Delaney Radiology is committed to developing and carrying out a performance improvement plan to ensure safety and quality.

...

Delaney Radiology strives for excellence and any score below excellent is followed up on to see how improvements can be made.”

See also Sections B, C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 102-103, the applicant states:

“Delaney Radiology attempts to address the barriers to access in its daily operation. Delaney Radiology does not discriminate against any class of patient based on age, sex, religion, race, handicap, ethnicity, or ability to pay.”

See also Section B, C and L of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described above.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 113, the applicant states:

“With this project to acquire one fixed MRI scanner, EmergeOrtho, as an experienced diagnostic imaging provider, is expecting to enhance competition in the service area by augmenting the medical diagnostic imaging services it currently offers in New Hanover County, and promoting improved patient access to quality, cost-effective, and accessible diagnostic imaging.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 114, the applicant states:

“EmergeOrtho is committed to and will continue to be actively involved in efforts to contain costs in its MRI service. . . . As an existing MRI provider, EmergeOrtho will leverage its existing MRI ancillary and support services for economies of scale in operating the new fixed MRI scanner. Outpatient diagnostic imaging services at EmergeOrtho-Porters Neck will contribute to cost-effective patient care because the services have a charge structure less costly than hospital-based diagnostic services.”

See also Sections B, C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 114-115, the applicant states:

“EmergeOrtho is an experienced local provider of healthcare and diagnostic imaging services, and is dedicated to ensuring quality and patient safety through compliance with all applicable regulatory standards established regarding diagnostic imaging. Patient safety and quality will be incorporated into all aspects of the project, including equipment selection and installation, facility renovation, staff credentialing and education, patient selection and scheduling, and continuous quality measures and patient satisfaction surveys.”

See also Sections B and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 115, the applicant states that the proposed EmergeOrtho-Porters Neck project will:

“. . . enable improved access to freestanding MRI diagnostic services for medically underserved groups in New Hanover County.

. . .

EmergeOrtho will continue to provide all services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, or any other factor that would classify a patient as underserved.”

See also Section B, L and C of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant’s representations about how it will ensure the quality of the proposed services.

- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described above.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 105, the applicant states:

“The proposed project is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to freestanding MRI services in New Hanover County.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 105, the applicant states:

“Please see Section B.20c for a detailed discussion of Wilmington Health’s commitment to maximizing the healthcare value for resources expended in the delivery of freestanding MRI services and the positive impact that its proposed project will have on the cost effectiveness of the proposed services.”

See also Sections C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 105, the applicant refers to Section B.20.a for the discussion of Wilmington Health’s commitment to promoting safety and quality in the delivery of freestanding MRI services and the positive impact it will have on the quality of the proposed services.

See also Section O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 105, the applicant refers to Section B.20.a for the discussion of Wilmington Health's commitment to promoting equitable access in the delivery of freestanding MRI services and the positive impact it will have on the quality of the proposed services.

See also Sections L and C of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described above.

- (19) Repealed effective July 1, 1987.

- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C
All Applications

O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP.

In Section Q Form O Facilities, the applicant identifies hospitals and diagnostic centers located in North Carolina owned, operated or managed by the applicant or a related entity which provide MRI services. The applicant identifies a total of 34 of this type of facility located in North Carolina.

In Section O, page 121, the applicant states that Novant Health-affiliated facilities, including NHRMC, have not been found in noncompliance by CMS, the Division of Health Service Regulation, or the accrediting body for any incidents resulting in immediate jeopardy during the 18 months immediately preceding the submittal of the application. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care resulted in immediate jeopardy at any of the facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 34 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County.

In Section Q, Form O, the applicant identifies three diagnostic centers located in North Carolina owned, operated or managed by the applicant or a related entity.

In Section O, the applicant provides information regarding the quality of its services and provides supporting documentation in Exhibit O.3. On page 108, the applicant states that Delaney Radiology has not been found by the Division of Health Service Regulation or CMS to have had any incidents resulting in a finding of immediate jeopardy during the 18-month look-back period. After reviewing and considering the quality of care provided at all three facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County.

In Section Q Form O Facilities, page 150, the applicant identifies the diagnostic centers in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of five diagnostic center located in North Carolina.

In Section O, page 120, the applicant states that, each of the EmergeOrtho diagnostic imaging centers listed on Form O has provided quality care and operated in compliance with Medicare Conditions of Participation during the 18 months immediately preceding the submittal of the application. The application provides supporting documentation on Exhibit O.3.3. After reviewing and considering information provided by the applicant, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP

The applicant proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Porters Neck medical clinic in New Hanover County.

In Section Q, Form O, the applicant identifies diagnostic centers located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of two of this type of facility located in North Carolina.

In Section O, page 109, the applicant states that, during the 18 months immediately preceding the submittal of the application, its two existing diagnostic facilities have provided quality care during the 18 months immediately preceding the application. After reviewing and considering information provided by the applicant and considering the quality of care provided at both diagnostic facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

G.S. 131E-183(b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical

center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C-All Applications

The Criteria and Standards for Magnetic Resonance Imaging Scanners, promulgated in 10A NCAC 14C .2700, are applicable to this review.

SECTION .2700 - CRITERIA AND STANDARDS FOR MAGNETIC RESONANCE IMAGING SCANNER

10A NCAC 14C .2703 PERFORMANCE STANDARDS

- (a) *An applicant proposing to acquire a mobile magnetic resonance imaging (MRI) scanner shall:*
- (1) *demonstrate that each existing mobile MRI scanner which the applicant or a related entity owns a controlling interest in and operates in the mobile MRI region in which the proposed equipment will be located, except temporary MRI scanners, performed 3,328 weighted MRI procedures in the most recent 12 month period for which the applicant has data [Note: This is not the average number of weighted MRI procedures performed on all of the applicant's mobile MRI scanners.]; with the exception that in the event an existing mobile MRI scanner has been in operation less than 12 months at the time the application is filed, the applicant shall demonstrate that this mobile MRI scanner performed an average of at least 277 weighted MRI procedures per month for the period in which it has been in operation;*
 - (2) *demonstrate annual utilization in the third year of operation is reasonably projected to be at least 3328 weighted MRI procedures on each of the existing, approved and proposed mobile MRI scanners owned by the applicant or a related entity to be operated in the mobile MRI region in which the proposed equipment will be located [Note: This is not the average number of weighted MRI procedures performed on all of the applicant's mobile MRI scanners.]; and*
 - (3) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule*

-NA- All Applications- None of the applicants proposes to acquire a mobile MRI scanner. Therefore, this Rule is not applicable to this review.

- (b) *An applicant proposing to acquire a fixed magnetic resonance imaging (MRI) scanner, except for fixed MRI scanners described in Paragraphs (c) and (d) of this Rule, shall:*
- (1) *demonstrate that the existing fixed MRI scanners which the applicant or a related entity owns a controlling interest in and locates in the proposed MRI service area performed an average of 3,328 weighted MRI procedures in the most recent 12 month period for which the applicant has data;*

-C- Novant Health, Inc. NHRMC-affiliated facilities own and operate four existing fixed MRI units located in New Hanover County. On page 77, the applicant adequately demonstrates that

the affiliated fixed MRIs performed more than 3,328 weighted MRI procedures in FY2020, the most recent 12-month period.

- C- **Delaney Radiologists Group, PLLC.** In Section C, page 56, the applicant states that it does not own a fixed MRI scanner.
- C- **EmergeOrtho, PA.** EmergeOrtho owns and operates an existing fixed MRI scanner in the proposed MRI service area located at EmergeOrtho-Shipyard. The applicant adequately demonstrates that the fixed MRI performed more than 3,328 weighted MRI procedures in the most recent 12-month period, as shown on page 62 of the application.
- C- **Wilmington Health, PLLC.** In Section C, page 63, the applicant states that it owns and operates an existing fixed MRI scanner at its Medical Center Drive location in New Hanover County. During the most recent 12-month period (August 1, 2020 – July 31, 2021) an average of 3,934 weighted MRI procedures were performed which exceeds the required average of 3,328 weighted MRI procedures per scanner in this performance standard.
 - (2) *demonstrate that each existing mobile MRI scanner which the applicant or a related entity owns a controlling interest in and operates in the proposed MRI service area except temporary MRI scanners, performed 3,328 weighted MRI procedures in the most recent 12 month period for which the applicant has data [Note: This is not the average number of weighted MRI procedures performed on all of the applicant's mobile MRI scanners.];*
- C- **Novant Health, Inc.** In Section C, page 78, the applicant states that neither NHRMC nor an entity related to NHRMC owns a controlling interest in and operates a mobile MRI scanner in the proposed MRI service area.
- C- **Delaney Radiologists Group, PLLC.** In Section C, page 56, the applicant states that Delaney Radiology is a joint venture member with Novant Health New Hanover Regional Medical Center in Porters Neck Imaging, LLC, which owns and operates a mobile MRI; however, neither member has a controlling interest in the mobile MRI scanner.
- C- **EmergeOrtho, PA.** In Section C, page 62, the applicant states that no EmergeOrtho related entity owns, has a controlling interest in, or operates an owned mobile MRI scanner in the service area.
- C- **Wilmington Health, PLLC.** In Section C, page 63, the applicant states that Wilmington Health does not own and operate any mobile MRI scanners in New Hanover County.
 - (3) *demonstrate that the average annual utilization of the existing, approved and proposed fixed MRI scanners which the applicant or a related entity owns a controlling interest in and locates in the proposed MRI service area are reasonably expected to perform the following number of weighted MRI procedures, whichever is applicable, in the third year of operation following completion of the proposed project:*

- (A) *1,716 weighted MRI procedures in MRI service areas in which the SMFP shows no fixed MRI scanners are located,*
- (B) *3,775 weighted MRI procedures in MRI service areas in which the SMFP shows one fixed MRI scanner is located,*
- (C) *4,118 weighted MRI procedures in MRI service areas in which the SMFP shows two fixed MRI scanners are located,*
- (D) *4,462 weighted MRI procedures in MRI service areas in which the SMFP shows three fixed MRI scanners are located, or*
- (E) *4,805 weighted MRI procedures in MRI service areas in which the SMFP shows four or more fixed MRI scanners are located;*

The 2021 SMFP shows that there are six fixed MRI scanners located in the New Hanover MRI service area. Therefore, each applicant must demonstrate that the average annual utilization for the existing, approved and proposed fixed MRI scanners which the applicant or a related entity owns and locates in New Hanover County will be at least 4,805 weighted MRI procedures in the third operating year.

- C- **Novant Health, Inc.** In Section Q Form C.2a, the applicant demonstrates that it projects to perform 5,427 weighted MRI procedures on the proposed fixed scanner in FY2026 (the project's third full fiscal year following project completion) and an average of 5,400 weighted procedures on the total five existing, approved and proposed NHRMC fixed MRI scanners, which exceeds the required average of 4,805 weighted MRI procedures per scanner in this performance standard. The discussion regarding projected utilization in Criterion (3) is incorporated herein by reference.
 - C- **Delaney Radiologists Group, PLLC.** In Section Q, the applicant demonstrates that it projects to perform 6,548 weighted procedures on the proposed fixed scanner in CY2025 (the project's third full fiscal year following project completion), which exceeds the required average of 4,805 weighted MRI procedures per scanner in this performance standard. The discussion regarding projected utilization in Criterion (3) is incorporated herein by reference.
 - C- **EmergeOrtho, PA.** In Section Q, the applicant demonstrates that it projects to perform 4,926 weighted MRI procedures on the proposed fixed scanner in CY2025 (the project's third full fiscal year following project completion), which exceeds the required average of 4,805 weighted MRI procedures per scanner in this performance standard. The discussion regarding projected utilization in Criterion (3) is incorporated herein by reference.
 - C- **Wilmington Health, PLLC.** In Section Q, the applicant demonstrates that it projects to perform 5,866 weighted procedures in CY2026 (the project's third full fiscal year following project completion) and 5,098 weighted MRI procedures during the third operating year of the proposed project on both its existing and proposed fixed MRI scanner, which exceeds the required average of 4,805 weighted MRI procedures per scanner in this performance standard. The discussion regarding projected utilization in Criterion (3) is incorporated herein by reference.
- (4) *if the proposed MRI scanner will be located at a different site from any of the existing or approved MRI scanners owned by the applicant or a related entity, demonstrate that*

the annual utilization of the proposed fixed MRI scanner is reasonably expected to perform the following number of weighted MRI procedures, whichever is applicable, in the third year of operation following completion of the proposed project:

- (A) *1,716 weighted MRI procedures in MRI service areas in which the SMFP shows no fixed MRI scanners are located,*
- (B) *3,775 weighted MRI procedures in MRI service areas in which the SMFP shows one fixed MRI scanner is located,*
- (C) *4,118 weighted MRI procedures in MRI service areas in which the SMFP shows two fixed MRI scanners are located,*
- (D) *4,462 weighted MRI procedures in MRI service areas in which the SMFP shows three fixed MRI scanners are located, or*
- (E) *4,805 weighted MRI procedures in MRI service areas in which the SMFP shows four or more fixed MRI scanners are located;*

- C- **Novant Health, Inc.** The proposed MRI scanner will be located at a different site from any of the existing or approved MRI scanners currently owned by the applicant or related entity. Therefore, pursuant to the Rule, the applicant must demonstrate that the annual utilization of the proposed fixed MRI scanner is reasonably expected to perform 4,805 weighted MRI procedures in the third year following completion of the proposed project. In Section Q Form C.2a, the applicant states that it projects to perform 5,427 weighted MRI procedures on its proposed fixed MRI scanner during the third year following completion of the proposed project which exceeds the requirement of 4,805 weighted MRI procedures per scanner in this performance standard. The discussion regarding projected utilization in Criterion (3) is incorporated herein by reference.
- C- **Delaney Radiologists Group, PLLC.** In Section C, page 56, the applicant states that it owns no other fixed MRI scanners.
- C- **EmergeOrtho, PA.** The proposed MRI scanner will be located at a different site from the existing MRI scanner currently owned by the applicant or related entity. Therefore, pursuant to the Rule, the applicant must demonstrate that the annual utilization of the proposed fixed MRI scanner is reasonably expected to perform 4,805 weighted MRI procedures in the third year following completion of the proposed project. In Section Q Form C, the applicant states that it projects to perform 4,926 weighted MRI procedures on its proposed fixed MRI scanner during the third year following completion of the proposed project which exceeds the requirement of 4,805 weighted MRI procedures per scanner in this performance standard. The discussion regarding projected utilization in Criterion (3) is incorporated herein by reference.
- C- **Wilmington Health, PLLC.** The proposed MRI scanner will be located at a different site from any of the existing or approved MRI scanners currently owned by the applicant or related entity. Therefore, pursuant to the Rule, the applicant must demonstrate that the annual utilization of the proposed fixed MRI scanner is reasonably expected to perform 4,805 weighted MRI procedures in the third year following completion of the proposed project. In Section Q Form C, the applicant states that it projects to perform 5,098 weighted MRI procedures on its proposed fixed MRI scanner during the third year following completion of the proposed project which exceeds the requirement of 4,805 weighted MRI procedures per

scanner in this performance standard. The discussion regarding projected utilization in Criterion (3) is incorporated herein by reference.

- (5) *demonstrate that annual utilization of each existing, approved and proposed mobile MRI scanner which the applicant or a related entity owns a controlling interest in and locates in the proposed MRI service area is reasonably expected to perform 3,328 weighted MRI procedures in the third year of operation following completion of the proposed project [Note: This is not the average number of weighted MRI procedures to be performed on all of the applicant's mobile MRI scanners.]; and*
- C- **Novant Health, Inc.** In Section C, page 78, the applicant states that neither NHRMC nor an entity related to NHRMC owns a controlling interest in and operates a mobile MRI scanner in the proposed MRI service area.
- C- **Delaney Radiologists Group, PLLC.** In Section C, page 56, the applicant states that Delaney Radiology is a joint venture member with Novant Health New Hanover Regional Medical Center in Porters Neck Imaging, LLC, which owns and operates a mobile MRI; however, neither member has a controlling interest in the mobile MRI scanner.
- C- **EmergeOrtho, PA.** In Section C, page 62, the applicant states that EmergeOrtho does not own and operate any mobile MRI scanners in New Hanover County.
- C- **Wilmington Health, PLLC.** In Section C, page 63, the applicant states that Wilmington Health does not own and operate any mobile MRI scanners in New Hanover County.
- (6) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule.*
- C- **Novant Health, Inc.** The applicant's assumptions and data supporting the methodology used for each projection required by this Rule are described in Section Q.
- C- **Delaney Radiologists Group, PLLC.** The applicant's assumptions and data supporting the methodology used for each projection required by this Rule are described in Section Q.
- C- **EmergeOrtho, PA.** The applicant's assumptions and data supporting the methodology used for each projection required by this Rule are described in Section Q.
- C- **Wilmington Health, PLLC.** The applicant's assumptions and data supporting the methodology used for each projection required by this Rule are described in Section Q.
- (c) *An applicant proposing to acquire a fixed dedicated breast magnetic resonance imaging (MRI) scanner for which the need determination in the State Medical Facilities Plan was based on an approved petition for an adjustment to the need determination shall:*
- (1) *demonstrate annual utilization of the proposed MRI scanner in the third year of operation is reasonably projected to be at least 1,664 weighted MRI procedures which*

*is .80 times 1 procedure per hour times 40 hours per week times 52 weeks per year;
and*

- (2) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule.*

-NA- All Applications- None of the applicants proposes to acquire a fixed dedicated breast scanner. Therefore, this Rule is not applicable to this review.

(d) *An applicant proposing to acquire a fixed extremity MRI scanner for which the need determination in the State Medical Facilities Plan was based on an approved petition for an adjustment to the need determination shall:*

- (1) *demonstrate annual utilization of the proposed MRI scanner in the third year of operation is reasonably projected to be at least 80 percent of the capacity defined by the applicant in response to 10A NCAC 14C .2702(f)(7); and*
- (2) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule.*

-NA- All Applications- None of the applicants proposes to acquire a fixed extremity MRI scanner. Therefore, this Rule is not applicable to this review.

(e) *An applicant proposing to acquire a fixed multi-position MRI scanner for which the need determination in the State Medical Facilities Plan was based on an approved petition for a demonstration project shall:*

- (1) *demonstrate annual utilization of the proposed multi-position MRI scanner in the third year of operation is reasonably projected to be at least 80 percent of the capacity defined by the applicant in response to 10A NCAC 14C .2702(g)(7); and*
- (2) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule.*

-NA- All Applications- None of the applicants proposes to acquire a fixed multi-position MRI scanner. Therefore, this Rule is not applicable to this review.

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2021 State Medical Facilities Plan, no more than one fixed MRI scanner may be approved for New Hanover County in this review. Because the four applications in this review collectively propose to develop four additional fixed MRI scanners to be located in New Hanover County, all the applications cannot be approved for the total number of fixed MRI scanners proposed. Therefore, after considering all the information in each application and reviewing each application individually against all applicable statutory and regulatory review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved.

Below is a brief description of each project included in this review.

- **Project ID #O-12124-21/Novant Health New Hanover Regional Medical Center - Scotts Hill/Acquire one fixed MRI scanner**
Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC, collectively referred to as Novant Health, NHRMC, or “the applicant”, proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at Novant Health New Hanover Regional Medical Center Emergency Department North / Scotts Hill Hospital (NH Scotts Hill). Novant Health and NHRMC own and/or operate four fixed hospital-based MRIs and operate multiple mobile MRI scanners throughout New Hanover County. The applicant proposes to perform 5,427 weighted procedures on the proposed fixed scanner during its third full year of operation following completion of the project.
- **Project ID #O-12126-21/Delaney Radiologist Group/Acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**
Delaney Radiologists Group, PLLC, referred to as Delaney Radiology or “the applicant”, proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing diagnostic center, Delaney Radiology-Main in New Hanover County. Porters Neck Imaging, LLC and Delaney Radiology own and operate a mobile MRI (Project ID #O-7254-05) at Porters Neck Imaging, 2800 Ashton Drive and at Delaney Radiology-Main, 1025 Medical Center Drive, both locations in Wilmington, NC. The applicant proposes to perform 6,548 weighted procedures on the proposed fixed scanner during its third full year of operation following completion of the project.
- **Project ID #O-12127-21/EmergeOrtho-Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP**
EmergeOrtho, P.A., referred to as EmergeOrtho or “the applicant”, proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing EmergeOrtho-Porters Neck medical clinic in New Hanover County. EmergeOrtho owns and

operates a fixed MRI (Project ID #O-7529-05) at EmergeOrtho-Shipyard, its existing diagnostic center located in Wilmington. The applicant proposes to perform 4,926 weighted procedures on the proposed fixed scanner during its third full year of operation following completion of the project.

- **Project ID #O-12139-21/ Wilmington Health at Porters Neck/Develop a new diagnostic center by acquiring one new fixed MRI scanner pursuant to the need determination in the 2021 SMFP**
Wilmington Health, PLLC, referred to as Wilmington Health or “the applicant”, proposes to develop a new diagnostic center by acquiring one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing Wilmington Health at Porters Neck (WH Porters Neck) medical clinic in New Hanover County. Wilmington Health owns and operates a fixed MRI (Project ID #O-11063-15) at its existing diagnostic center located at 1202 Medical Center Drive in Wilmington. The applicant proposes to perform 5,866 weighted procedures on the proposed fixed scanner during its third full year of operation following completion of the project.

In the following comparatives, where utilization of MRI scans is a consideration, to be consistent with regard to MRI Performance Standards, weighted MRI scans is the comparison factor considered.

Conformity with Statutory and Regulatory Review Criteria

An application that is not conforming or conforming as conditioned with all applicable statutory and regulatory review criteria cannot be approved. All applications in this review are conforming or conditionally conforming to all applicable statutory and regulatory review criteria. Therefore, regarding this comparative factor, all applications are equally effective alternatives.

Scope of Services

Generally, the application proposing to provide the broadest scope of services is the more effective alternative with regard to this comparative factor. With regard to scope of services, all applications submitted are in response to the 2021 State Medical Facilities Plan (SMFP) which includes a need determination for one fixed MRI scanner. Three of the applicants: Delaney Radiologists, EmergeOrtho, and Wilmington Health propose to acquire and operate a fixed MRI scanner in a freestanding diagnostic center offering outpatient MRI services only. Novant Health proposes to operate the proposed fixed MRI first at its Scotts Hill emergency department for outpatient and ED MRI services and then at its newly approved, and undeveloped NH Scotts Hill Hospital, where the applicant states it will provide more complex inpatient and Cancer Center MRI services, as well as outpatient MRI services. Thus, Novant Health is the more effective alternative for this comparative factor.

Historical Utilization

None of the applicants currently provide fixed MRI services at the facilities proposed in this review. However, each of the applicant/providers have a history of providing MRI services in New Hanover County. NH Scotts Hill currently provides MRI services on a contracted Alliance mobile MRI. In addition, Novant Health and NHRMC provide well-utilized fixed and mobile MRI services at numerous locations throughout New Hanover County. Delaney Radiology owns and operates a mobile MRI scanner in New Hanover County. EmergeOrtho and Wilmington Health both own and operate a freestanding fixed MRI scanner in another location in New Hanover County. The following table demonstrates the FY2019 MRI services for each of the applicants, as summarized from Table 17E-1 of 2021 SMFP.

Applicants' Existing MRI Services in Facilities in New Hanover County

Provider	MRI Service Type
NH Scotts Hill (NHRMC-North Campus) *	Contracted Mobile
Delaney Radiology	Owned Mobile
EmergeOrtho – Shipyard	Freestanding Fixed
Wilmington Health – Medical Center Drive	Freestanding Fixed

As the table above illustrates, each applicant is an existing provider of MRI services in the proposed service area, though none of the applicants currently provide fixed MRI services at the location proposed in its application. Therefore, regarding this comparative factor, the applications are equally effective.

Geographic Accessibility (Location within the Service Area)

The 2021 SMFP identifies the need for one fixed MRI scanner in the New Hanover County service area. The following table identifies the location of the existing and proposed fixed MRI scanners in New Hanover County.

Existing and Proposed Fixed MRI Scanners in New Hanover County

Facility	# of Fixed Scanners	Service Type	Location
Existing Fixed Scanners			
NHRMC-Main Campus	2	Hospital-Based	Central New Hanover County
NHRMC-Medical Mall	1	Hospital-Based	Central New Hanover County
NHRMC-Orthopedic Hospital	1	Hospital-Based	Central New Hanover County
EmergeOrtho PA	1	Freestanding	Central New Hanover County
Wilmington Health	1	Freestanding	Central New Hanover County
Proposed Fixed Scanners			
NHRMC Scotts Hill	1	Hospital-Based	Northern New Hanover County
Delaney Radiology-Main	1	Freestanding	Central New Hanover County
EmergeOrtho-Porters Neck	1	Freestanding	Northern New Hanover County
Wilmington Health-Porters Neck	1	Freestanding	Northern New Hanover County

The existing fixed MRI scanners are located in Central New Hanover County. Delaney Radiology proposes to locate its proposed MRI scanner in Wilmington in Central New Hanover County. The other three applicants propose to locate the proposed MRI scanner in Northern New Hanover County. Therefore, the applications proposing to locate the fixed MRI scanner in Northern New Hanover County are more effective and the proposal by Delaney Radiology is less effective.

Access by Service Area Residents

The 2021 SMFP defines the service area for a fixed MRI scanner as *“the same as an Acute Care Bed Service area as defined in Chapter 5, Acute Care Beds, and shown in Figure 5.1. The fixed MRI service area is a single county, except where there is no licensed acute care hospital located within the county.”* Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area. In fact, the methodology used to determine the need for an additional MRI scanner in New Hanover County does not include a consideration for where the patients originate, only where they are served.

The following table illustrates access by service area residents during the third full fiscal year following project completion.

**New Hanover County Residents
Projected to be Served PY3**

Applicant	New Hanover County Residents Served as a % of Total Patients
NHRMC	37.4%
Delaney Radiology	60.8%
EmergeOrtho	50.9%
Wilmington Health	58.9%

As shown in the table above, New Hanover County residents are projected to represent a significant portion of each applicant's total utilization: from 37% to 61%. Delaney Radiology is projected to serve the highest percentage of service area residents. Therefore, regarding projected service to residents of the service area, Delaney Radiology's proposal is the more effective alternative and the other three proposals are less effective.

Competition (Access to a New or Alternate Provider)

Generally, the application proposing to increase competition in the service area is the more effective alternative with regard to this comparative factor. The introduction of a new provider in the service area would be the most effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality or lower costs in order to compete for patients. However, all applicants and/or related entities are existing providers of MRI services in the service area of New Hanover County; therefore, none of the applicants would qualify as a new or alternative provider in the service area. Thus, with regard to this comparative factor, the proposals are equally effective.

Access by Underserved Groups

Underserved groups are defined in G.S. 131E-183(a)(13) as follows:

“Medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority.”

For access by underserved groups, applications are compared with respect to three underserved groups: charity care patients, Medicare patients and Medicaid patients. Access by each group is treated as a separate factor.

The Agency may use one or more of the following metrics to compare the applications:

- Total charity care, Medicare or Medicaid patients
- Charity care, Medicare or Medicaid patients as a percentage of total patients
- Charity care, Medicare or Medicaid patients per procedure
- Total charity care, Medicare or Medicaid dollars

- Charity care, Medicare or Medicaid dollars as a percentage of total gross or net revenues
- Charity care, Medicare or Medicaid dollars per procedure

Which of the above metrics the Agency uses is determined by whether or not the applications included in the review provide data that can be compared as presented above and whether or not such a comparison would be of value in evaluating the alternative factors.

Projected Charity Care

Generally, the application proposing to provide the most charity care is the more effective alternative with regard to this comparative factor. Each applicant provided charity care as a component of contractual allowances on Form F.2b.

Projected Charity Care – 3rd Full FY

Applicant	Projected Charity Care	Charity Care per Weighted MRI Scan	Charity Care as a % of Gross MRI Revenue
NHRMC	\$466,765	\$86.01	1.9%
Delaney Radiology	\$27,657	\$3.32	0.3%
EmergeOrtho	\$88,566	\$17.98	1.5%
Wilmington Health	\$49,491	\$8.44	0.5%

NHRMC provides the largest dollar amount of charity care, the most charity care per weighted MRI scan and the highest charity care as a percentage of gross MRI patient revenue.

However, two of the applicants, NHRMC Scotts Hill and EmergeOrtho, include “professional fees” which cover professional interpretation of MRI studies by radiologists in their pro forma financial statements. Delaney Radiology and Wilmington Health do not include professional fees in their pro forma financial statements. These differences in billing, which impact revenue (both gross and net) and expenses, does not allow for an effective comparison between the applications. Thus, the result of this analysis is inconclusive.

Projected Medicare

The following table shows projected Medicare revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicare revenue is the more effective alternative with regard to this comparative factor to the extent the Medicare revenue represents the number of Medicare patients served.

Projected Medicare Revenue – 3rd Full FY

Applicant	Projected Total Medicare Revenue	Medicare Revenue per Weighted MRI Scan	Medicare as a % of Gross MRI Revenue
NHRMC	\$ 12,560,525	\$ 2,314	52.2%
Delaney Radiology	\$ 4,158,162	\$ 500	39.1%
EmergeOrtho	\$ 2,488,072	\$ 505	42.1%
Wilmington Health	\$ 4,394,199	\$ 749	44.3%

Source: Form F.2 for each applicant

As shown in the table above, NHRMC projects the largest dollar amount of Medicare revenue, the highest Medicare revenue per weighted MRI scan, and the highest Medicare revenue as a percent of gross MRI patient revenue in the third full fiscal year following project completion for each project.

However, two of the applicants, NHRMC Scotts Hill and EmERGEOrtho, include “professional fees” which cover professional interpretation of MRI studies by radiologists in their pro formas. Delaney Radiology and Wilmington Health do not include professional fees in their pro formas. These differences in billing, which impact revenue (both gross and net) and expenses, does not allow for an effective comparison between the applications. Thus, with regard to this comparative, the result of the analysis is inconclusive.

Projected Medicaid

The following table shows projected Medicaid revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicaid revenue is the more effective alternative with regard to this comparative factor to the extent the Medicaid revenue represents the number of Medicaid patients served.

Projected Medicaid Revenue – 3rd Full FY

Applicant	Projected Total Medicaid Revenue	Medicaid Revenue per Weighted MRI Scan	Medicaid as a % of Gross MRI Revenue
NHRMC	\$ 2,106,658	\$ 388	8.8%
Delaney Radiology	\$ 336,142	\$ 40	3.2%
EmergeOrtho	\$ 209,687	\$ 43	3.6%
Wilmington Health	\$ 211,609	\$ 36	2.1%

Source: Form F.2 for each applicant

As shown in the table above, NHRMC projects the largest dollar amount in Medicaid revenue, the highest Medicaid revenue per weighted MRI scan, and the highest Medicaid revenue as a percent of gross MRI patient revenue in the third full fiscal year following project completion for each project.

However, two of the applicants, NHRMC Scotts Hill and EmergeOrtho, include “professional fees” which cover professional interpretation of MRI studies by radiologists in their pro formas. Delaney Radiology and Wilmington Health do not include professional fees in their pro formas. These differences in billing, which impact revenue (both gross and net) and expenses, does not allow for an effective comparison between the applications. Thus, with regard to this comparative, the result of the analysis is inconclusive.

Projected Average Net Revenue per MRI procedure

The following table shows the projected average net revenue per weighted MRI scan in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average net revenue per scan is the more effective alternative with regard to this comparative factor to the extent the average reflects a lower cost to the patient or third-party payor.

Projected Average Net Revenue per Scan – 3rd Full FY			
Applicant	Total # of Weighted MRI Scans	Net MRI Revenue	Average Net Revenue per Weighted MRI Scan
NHRMC	5,427	\$ 4,029,416	\$ 742
Delaney Radiology*	8,320	\$ 4,913,418	\$ 591
EmergeOrtho	4,926	\$ 1,957,883	\$ 397
Wilmington Health	5,866	\$ 3,167,285	\$ 540

Source: Form F.2 for each applicant

*Total scans include both fixed and mobile scans in the development of the pro forma financials

As shown in the table above, EmergeOrtho, projects the lowest average net revenue per MRI procedure in the third full fiscal year following project completion. However, two of the applicants, NHRMC Scotts Hill and EmergeOrtho, include “professional fees” which cover professional interpretation of MRI studies by radiologists in their pro formas. Delaney Radiology and Wilmington Health do not include professional fees in their pro formas. These differences in billing, which impact revenue (both gross and net) and expenses, does not allow for an effective comparison between the applications. Thus, with regard to this comparative, the result of the analysis is inconclusive.

Projected Average Operating Expense per MRI Procedure

The following table shows the projected average operating expense per weighted MRI scan in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average operating expense per MRI scan is the more effective alternative with regard to this comparative factor to the extent it reflects a more cost-effective service which could also result in lower costs to the patient or third-party payor.

Projected Average Operating Expense per Scan – 3rd Full FY			
Applicant	Total # of Weighted MRI Scans	Operating Expense MRI Services	Average Operating Expense per Weighted MRI Scan
NHRMC	5,427	\$ 1,874,249	\$ 345
Delaney Radiology *	8,320	\$ 1,319,825	\$ 159
EmergeOrtho	4,926	\$ 1,363,652	\$ 277
Wilmington Health	5,866	\$ 1,595,482	\$ 272

Source: Form F.2 for each applicant

*Total scans include both fixed and mobile scans in the development of the pro forma financials

As shown in the table above, Delaney Radiology projects the lowest average operating cost per procedure in the third full fiscal year following project completion. However, two of the applicants, NHRMC Scotts Hill and EmergeOrtho, include “professional fees” which cover professional interpretation of MRI studies by radiologists in their pro formas. Delaney Radiology and Wilmington Health do not include professional fees in their pro formas. These differences in billing, which impact revenue (both gross and net) and expenses, does not allow for an effective comparison between the applications. Thus, with regard to this comparative, the result of the analysis is inconclusive.

SUMMARY

The following table lists the comparative factors and indicates whether each application was more effective, less effective or equally effective for each factor. The comparative factors are listed in the same order they are discussed in the Comparative Analysis which should not be construed to indicate an order of importance.

Comparative Factor	NHRMC	Delaney Radiology	EmergeOrtho	Wilmington Health
Conformity with Statutory and Regulatory Review Criteria	Equally Effective	Equally Effective	Equally Effective	Equally Effective
Scope of Services	More Effective	Less Effective	Less Effective	Less Effective
Historical Utilization	Equally Effective	Equally Effective	Equally Effective	Equally Effective
Geographic Accessibility (in the Service Area)	More Effective	Less Effective	More Effective	More Effective
Access by Service Area Residents	Less Effective	More Effective	Less Effective	Less Effective
Competition (Access to a New Provider)	Equally Effective	Equally Effective	Equally Effective	Equally Effective
Access to Charity Care	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Access by Medicare Patients	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Access by Medicaid Patients	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Projected Average Net Revenue per MRI Scan	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Projected Average Operating Expense per MRI Scan	Inconclusive	Inconclusive	Inconclusive	Inconclusive

All of the applications are conforming to all applicable statutory and regulatory review criteria, and thus all of the applications are approvable standing alone. However, collectively they

propose a total of four fixed MRI scanners, but the need determination is for only one fixed MRI scanner. Therefore, only one fixed MRI scanner can be approved.

As shown above in the summary of the Comparative Analysis, NHRMC was determined to be a more effective alternative for Scope of Services and Geographic Accessibility.

EmergeOrtho and Wilmington Health were also determined to be more effective alternatives for Geographic Accessibility. Delaney Radiology was determined to be a more effective alternative for Access by Service Area Residents.

DECISION

Based upon the independent review of each application and the Comparative Analysis, the Agency determined that the application submitted by **Novant Health, Inc. and New Hanover Regional Medical Center, LLC** is the most effective alternative proposed in this review for the development of one additional fixed MRI scanner.

While all three of the other applications are approvable standing alone, the approval of any of them would result in the approval of more fixed MRI scanners than are determined to be needed, and therefore, the applications submitted by **Delaney Radiologist Group PLLC, EmergeOrtho, P.A. and Wilmington Health, PLLC** are denied.

Novant Health, Inc. and New Hanover Regional Medical Center, LLC proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing New Hanover Regional Medical Center Emergency Department North / Scotts Hill Hospital. The application submitted by **Novant Health, Inc. and New Hanover Regional Medical Center, LLC**, is approved subject to the following conditions:

1. **Novant Health, Inc. and New Hanover Regional Medical Center, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
2. **The certificate holder shall acquire one fixed MRI scanner pursuant to the need determination in the 2021 SMFP, to be located at its existing New Hanover Regional Medical Center Emergency Department North and New Hanover Regional Medical Center Scotts Hill Hospital upon its completion, for a total of one fixed MRI scanner.**
3. **Upon completion of the project, the certificate holder shall be licensed for no more than one fixed MRI scanner at New Hanover Regional Medical Center Emergency Department North / Scotts Hill Hospital.**
4. **Progress Reports:**
 - a. **Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form**

- provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.
- b. The certificate holder shall complete all sections of the Progress Report form.
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.
 - d. Progress reports shall be due on the first day of every third month. The first progress report shall be due on September 1, 2022. The second progress report shall be due on December 1, 2022 and so forth.
5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.
6. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:
- a. Payor mix for the services authorized in this certificate of need.
 - b. Utilization of the services authorized in this certificate of need.
 - c. Revenues and operating costs for the services authorized in this certificate of need.
 - d. Average gross revenue per unit of service.
 - e. Average net revenue per unit of service.
 - f. Average operating cost per unit of service.
7. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.