

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: June 28, 2024

Findings Date: June 28, 2024

Project Analyst: Gregory F. Yakaboski

Co-Signer: Gloria C. Hale

COMPETITIVE REVIEW

Project ID #: P-12478-24

Facility: Seashore Imaging Cedar Point

FID #: 240131

County: Carteret

Applicant: Seashore Imaging, LLC

Project: Acquire no more than one fixed MRI scanner pursuant to the 2024 SMFP need determination

Project ID #: P-12495-24

Facility: EmergeOrtho

FID #: 240137

County: Carteret

Applicant(s): EmergeOrtho, P.A.

Project: Acquire no more than one fixed MRI scanner pursuant to the 2024 SMFP need determination

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

Seashore-Cedar Point

NC

EmergeOrtho

Need Determination

The 2024 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 2024 SMFP identified a need for one fixed MRI scanner in the Carteret County fixed MRI scanner service area. Two 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 two fixed MRI scanners. However, pursuant to the need determination, only one fixed MRI scanner may be approved in this review.

Policies

There are two policies in the 2024 SMFP applicable to this review: *Policy GEN-3: Basic Principles*, and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy GEN-3: Basic Principles, on page 29 of the 2024 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: Energy Efficiency and Sustainability for Health Service Facilities, on page 30 of the 2024 SMFP, states:

“Any person proposing a capital expenditure greater than \$4 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.”

Policy GEN-3 applies to both applications.

Policy GEN-4 applies to one of the applications: Project ID# P-12478-24. Policy GEN-4 does not apply to the other application: Project ID# P-12495-24.

Project ID# P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner
Seashore Imaging, LLC (hereinafter referred to as “Seashore, LLC” or “the applicant”) proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP to be located at 1165 Cedar Point Boulevard, Cedar Point, Carteret County.

The facility will be known as Seashore Imaging Cedar Point (Seashore-Cedar Point). For reference, in the application and exhibits, the facility is also referred to as Seashore Imaging and Seashore Imaging West. The facility will be in leased space in an existing medical office building (MOB) that will be renovated. The applicant is a joint venture between ERI Holdings, LLC and Carteret County General Hospital Corporation (Carteret Health).

The applicant, Seashore, LLC, currently owns and operates an existing fixed MRI scanner at Seashore Imaging in Morehead City, Carteret County referred to as Seashore-Morehead City. Carteret Health is a related entity to the applicant. Carteret Health owns and operates an existing fixed MRI scanner at the hospital’s main campus in Morehead City.

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

Policy GEN-3. In Section B, pages 26-28, the applicant provides information to show its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is approximately \$4.06 million. In Section B, page 29, and in Section K, page 91, 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.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- 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 the following reasons:

- The applicant does not propose to develop more fixed MRI scanners than are 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 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of fixed MRI services in Carteret County; and
 - The applicant adequately documents how the project will promote equitable access to fixed MRI services in Carteret County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

EmergeOrtho, P.A., (hereinafter referred to as "EmergeOrtho, P.A." or "the applicant") proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP to be located at its existing medical clinic in Morehead City, Carteret County.

EmergeOrtho is an orthopedic physician practice with over 55 locations in 22 North Carolina counties. EmergeOrtho has offered leased mobile MRI scanner services in Carteret County for many years. The applicant states, in Section C, page 28, that if this application is approved, the leased mobile MRI scanner service will either be discontinued by EmergeOrtho or will be relocated to a different EmergeOrtho clinic located in a different county.

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

Policy GEN-3. In Section B, pages 25-26, the applicant explains why it believes its application is conforming to Policy GEN-3.

However, the applicant does not adequately demonstrate how its projected volumes incorporate the concept of maximizing healthcare value for resources expended. The applicant does not adequately demonstrate the need to acquire a fixed MRI scanner and does not adequately demonstrate that acquiring a fixed MRI scanner would not be an unnecessary duplication of existing and approved services. The discussions regarding projected utilization and unnecessary duplication found in Criterion (3) and Criterion (6), respectively, are incorporated herein by reference. An applicant that does not demonstrate the need for the proposed project because projected utilization is not reasonable or adequately supported cannot demonstrate that the proposed project is not an unnecessary duplication of existing and approved health care services in the service area and cannot demonstrate that it will maximize healthcare value for resources expended in meeting the need identified in the 2024 SMFP. Thus, the application is not consistent with Policy GEN-3.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the following reasons:

- The applicant does not adequately demonstrate the need to acquire a fixed MRI scanner or that acquiring a fixed MRI scanner would not be an unnecessary duplication of existing and approved health care services.
 - Therefore, the applicant does not adequately demonstrate how its projected volumes incorporate the concept of maximum healthcare value for resources expended as required in Policy GEN-3 because the applicant does not adequately demonstrate that its' projected utilization is based on reasonable or adequately supported assumptions.
- (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.

**NC
 EmergeOrtho**

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

Patient Origin

The 2024 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 on page 36 of the 2024 SMFP shows Carteret County as a single county Acute Care Bed Service area. Therefore, for the purpose of this review, the fixed MRI service area is Carteret County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin.

County	Seashore-Cedar Point					
	1 st Full FY		2 nd Full FY		3 rd Full FY	
	CY2026		CY2027		CY2028	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
28570 Newport, Carteret	431	27.6%	653	27.6%	877	27.6%
28584 Swansboro, Carteret	556	35.5%	840	35.5%	1,129	35.5%
28594 Emerald Isle, Carteret	154	9.9%	233	9.9%	314	9.9%
28539 Hubert, Onslow	247	15.8%	374	15.8%	502	15.8%
28555 Maysville, Onslow	66	4.2%	100	4.2%	134	4.2%
28582 Stella, Onslow	30	1.9%	46	1.9%	62	1.9%
Other*	78	5.0%	118	5.0%	159	5.0%
Total**	1,563	100.0%	2,364	100.0%	3,178	100.0%

Source: Section C, page 40, of the application.

*Other includes the remainder of Carteret and Onslow counties, all other NC counties, and other states.

**Note: The total patients for the 1st Full FY and the 3rd Full FY should read 1,562 and 3,177 respectively. The project analyst notes that this could be a rounding issue.

In Section C.3, pages 38-40, and in Section Q, the applicant provides the assumptions and methodology used to project its patient origin. The applicant states that patients will come from six ZIP codes in western Carteret County and adjacent Onslow and Jones counties that have been historically served by Seashore Imaging Morehead and Carteret Health.

The applicant’s assumptions are reasonable and adequately supported based on the following:

- The majority of each ZIP code is within a 20-minute drive time of the proposed facility.
- There are no fixed MRI scanners in the applicant’s catchment area.

Analysis of Need

In Section C.4, pages 42-52, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below

- Geography of Carteret County (pages 43-45).

- Seasonal traffic congestion (page 45).
- Importance of equitable access to multi-specialty (comprehensive) MRI services (page 45).
- Social determinants of health in the Seashore-Cedar Point catchment area such as cancer incidence rates higher than the State’s, and disease risk factors that are higher than the county as a whole (pages 45-50).
- Lower cost of using a physician office-based MRI scanner which is important for a catchment area with some residents living below the poverty level and many without health insurance (pages 50-52).
- Steady growth of permanent housing in the catchment area (pages 44-45).
- Because it will be the only MRI in the catchment area, patients need an MRI scanner that offers a full range of scans, including breast, prostate, brain, neurological and abdominal scans (pages 43 and 45).

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

- The 2024 SMFP identifies a need for one additional fixed MRI scanner in Carteret County. The proposed project meets that identified need.
- Age of the population in the identified service area.
- Age and health status of the population in the identified service area.
- Increasing MRI use rates.
- Increasing statewide MRI use rate.
- Transportation challenges.
- The applicant provides reasonable and adequately supported information to support its projected utilization including physician support.

Projected Utilization for the proposed fixed MRI scanner

In Section Q, the applicant provides projected utilization, as illustrated in the following table.

Seashore -Cedar Point: Projected MRI Utilization

	OY1 CY 2026	OY2 CY 2027	OY3 CY 2028
# of MRI scanners	1	1	1
Unadjusted Procedures	1,834	2,774	3,729
Adjusted Procedures	1,906	2,883	3,875

Source: Section Q, page 115, and Form C.2a.

In Section Q, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Overview:

The applicant presents the data in calendar years. The first three full project years are CY2026, CY2027 and CY2028. The proposed project start date is July 1, 2025, which results in a 6-month partial year. The Project Analyst notes that the term “weighted” and “adjusted” have the same meaning.

Forecast Need

Step 1. *Determine the Catchment Area Population to be Served* (pages 116-118).

Per the 2024 SMFP the service area for the proposed fixed MRI scanner is Carteret County. The applicant has defined a catchment area of six ZIP codes in western Carteret County and the adjacent Onslow and Jones counties, the majority of which are within a 20-minute drive of the proposed Seashore-Cedar Point facility. These areas have historically been served by Seashore Imaging Morehead and Carteret Health. Demographics of the catchment area have more people with health risk factors. Population of the catchment area was determined using Claritas data for the years 2024-2029. The applicant calculated a compound annual growth rate (CAGR) from 2024-2029. To be conservative only 50% of ZIP code 28570 was included as that particular ZIP code extends to the far eastern portion of Carteret County. It assumes at least 50 percent of residents can be served at either Seashore Imaging Morehead or Carteret Health. The applicant assumed that CAGR interpolations of intervening years provide reasonable estimates.

The applicant determined the population within the catchment area by using data from Claritas for the years 2024 and 2029. The applicant calculated a compound annual growth rate (“CAGR”) from 2024 to 2029 and interpolated data for the years 2025 through 2029 for each zip code. The applicant assumed that Claritas' forecasts adequately represent calendar years.

Seashore Imaging Cedar Point Catchment Area ZIP Code Population, 2024-2029

Zip	City	County	CY24	CY25	CY26	CY27	CY28	CY29	CAGR
28570	Newport	Carteret	11,302	11,373	11,444	11,516	11,588	11,661	0.6%
28584	Swansboro	Carteret	14,337	14,498	14,661	14,826	14,992	15,161	1.1%
28594	Emerald Isle	Carteret	4,023	4,055	4,088	4,121	4,154	4,187	0.8%
28539	Hubert	Onslow	19,304	19,462	19,620	19,781	19,942	20,105	0.8%
28555	Maysville	Onslow	5,279	5,279	5,278	5,278	5,277	5,277	0.0%
28582	Stella	Onslow	2,301	2,344	2,388	2,432	2,478	2,524	1.9%
Total			56,546	57,010	57,480	57,953	58,432	58,915	0.8%

Source: Claritas Pop Facts Premier, Age Sex Race Population Data, accessed January 2024.

Seashore Imaging Cedar Point Catchment Area ZIP Code Populations as a Percent of Total, 2024-2029

Zip	City	County	CY24	CY25	CY26	CY27	CY28	CY29	CY26 - CY28 Avg
28570	Newport	Carteret	20.0%	19.9%	19.9%	19.9%	19.8%	19.8%	19.9%
28584	Swansboro	Carteret	25.4%	25.4%	25.5%	25.6%	25.7%	25.7%	25.6%
28594	Emerald Isle	Carteret	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
28539	Hubert	Onslow	34.1%	34.1%	34.1%	34.1%	34.1%	34.1%	34.1%
28555	Maysville	Onslow	9.3%	9.3%	9.2%	9.1%	9.0%	9.0%	9.1%
28582	Stella	Onslow	4.1%	4.1%	4.2%	4.2%	4.2%	4.3%	4.2%
Total			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Calculation: ZIP code population by year / total catchment area population by year.

Step 2. *Estimate the FY2022 Statewide MRI Scan Use Rate per 1,000 Population* (page 119).

The Carteret County average annual MRI scan use rate was calculated using 2019 through 2022 Population Estimates from NCOSBM and total unadjusted MRI Scans from the 2021 through 2024 State Medical Facilities Plans patient origin data tables, see Exhibit C.5, page 9. From this, the applicant calculated the Carteret County average annual MRI scan use rates for procedures per 1,000 population.

Carteret County Resident MRI Scan Use Rate per 1,000 Population, 2019-2022

Notes	Metric	FFY19	FFY20	FFY21	FFY22
a	Total Population	67,856	67,739	68,284	68,813
b	Total Unadjusted MRIs	6,188	5,516	6,713	6,954
c*	Carteret County MRIs per 1,000 Pop	91.19	81.43	98.31	101.06

*b/a x 1000. The Project Analyst notes that in Step 2 the applicant calculated the Carteret County average annual MRI scan use rate for FFY19 – FFY22, not the Statewide annual MRI scan use rate.

Step 3. *Estimate the Number of Unduplicated MRI Scans Needed in the Catchment Area, 2024-2029* (page 120).

The applicant multiplied the population in Step 1 by the Carteret County FY22 annual MRI use rate of 101.06 per 1,000 residents from Step 2 and divided by 1,000.

Estimated Number of Unadjusted MRI Scans Needed by Catchment Area at FY22 State Use Rate, 2024-2029

Seashore Imaging Cedar Point Catchment Area	CY24	CY25	CY26	CY27	CY28	CY29
Total Estimated Unadjusted Scans	5,714	5,761	5,809	5,857	5,905	5,954

Calculation: Catchment area population Step 1 * Carteret County FY22 MRI use rate Step 2 / 1,000.

Step 4. *Estimate the Carteret County FY22 MRI Weighting Factor* (page 121).

Statewide Annual MRI Scan Weighting Factor

Notes	Metric	FFY19	FFY20	FFY21	FFY22
a	Total Unadjusted MRIs	948,320	885,496	975,892	1,019,922
b	Total Adjusted MRIs	1,119,502	1,067,906	1,175,168	1,227,973
c*	Estimated Weighting Factor	1.18	1.21	1.20	1.20

*Row B/ Row A.

The applicant used FY22 statewide rate to determine the ratio of unadjusted to adjusted MRI scans in a general population. The applicant obtained the total unadjusted and adjusted MRI procedures in North Carolina from 2020 through 2024 using Table 15E-1 in the 2024 SMFP to calculate the weighting factor.

Step 5. *Estimate the Number of Adjusted MRI Scans Needed in the Target Area, 2024-2029* (page 122).

Estimated Number of Adjusted MRI Scans Seashore Imaging Cedar Point catchment area at State FY22 Use Rate, 2024-2029

Seashore Imaging Cedar Point Catchment Area	CY24	CY25	CY26	CY27	CY28	CY29
Total Estimated Adjusted Scans*	6,850	6,906	6,963	7,020	7,078	7,137

Calculation: Total unadjusted scans Step 3 * statewide FY22 weighting factor Step 4.

*The Project Analyst corrected this to read “Adjusted” as opposed to “Unadjusted”.

Note: The applicant used the weighting factor for FY2022 for all projected years to be conservative and account for the impact of the COVID-19 pandemic.

Step 6. Calculate the Number of Fixed MRIs Needed in the Target Area, 2024-2029 (page 123).

Estimated Number of Fixed MRIs Needed to Serve Target Service Area, 2024 - 2029

	Metric	CY24	CY25	CY26	CY27	CY28	CY29
a.	CA Adjusted Scans	6,850	6,906	6,963	7,020	7,078	7,137
b.	Planning Threshold	4,992	4,992	4,992	4,992	4,992	4,992
c.	Scanners Needed	1.4	1.4	1.4	1.4	1.4	1.4
d.	Fixed MRIs in CA	-	-	-	-	-	-
e.	Surplus / (Deficit)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)

- Row A: Adjusted MRI procedures Step 5.
- Row B: Carteret County fixed MRI adjusted scan planning threshold per 2024 SMFP page 336. (4,992)
- Row C: a / b.
- Row D: Table 15E-1, 2024 SMFP and Google Search for location addresses; see detail in Exhibit G.1.
- Row E: d – c.

Forecast Utilization: Seashore-Cedar Point

Step 7. Forecast Seashore Imaging Cedar Point unadjusted MRI scans by year at a market share of catchment area unadjusted MRI scans, 2025-2028 (pages 124-125).

Estimated Seashore Imaging Cedar Point Catchment Area Unadjusted MRI Scans, CY25 - CY28

	Metric	CY24	Jan – Jun CY25	Jul – Dec CY25	CY26	CY27	CY28
a.	Total catchment area scans	5,714	5,761	5,809	5,857	5,905	5,954
b.	Est. Seashore Imaging Cedar Point market share catchment area scans			60.0%	60.0%	60.0%	60.0%
c.	Growth ramp factor			25.0%	50.0%	75.0%	100.0%
d.	Est. Seashore Imaging Cedar Point catchment area unadjusted scans			864	1,743	2,635	3,543

- Row A: Unadjusted catchment area MRI scans Step 3.
- Row B: Estimated Seashore Imaging Cedar Point market share of catchment area scans.
- Row C: Estimated Seashore Imaging Cedar Point growth ramp.
- Row D: a * b * c.

The applicant expects to capture 60 percent of the estimated unadjusted MRI scans in the catchment area.

The applicant assumes MRI scan volume will grow at a rate of 25 percent each year.

To forecast unadjusted MRI scans, the applicant multiplied the available catchment area MRI scans from Step 3 by 60 percent market share then by the annual growth ramp factor.

CY2025 as a split year to reflect the July 1 opening date. The applicant assumes that MRI scans available in the catchment area will be distributed evenly between the first and second half of the year.

Step 8. *Estimate in-migration of MRI scans from outside the catchment area to Seashore Imaging Cedar Point, 2025-2029* (page 126).

Estimated Seashore Imaging Cedar Point Catchment Area Unadjusted MRI Scans, CY25 - CY28

	Metric	CY24	Jan – Jun CY25	Jul – Dec CY25	CY26	CY27	CY28
a.	Est. Seashore Imaging Cedar Point catchment area unadjusted scans			864	1,743	2,635	3,543
b.	Est. percent in-migration			5.0%	5.0%	5.0%	5.0%
c.	Total est. Seashore Imaging Cedar Point unadjusted scans			910	1,834	2,774	3,729
d.	Est. Seashore Imaging Cedar Point in- migration unadjusted scans			45	92	139	186

- Row A: Estimated Seashore Imaging Cedar Point catchment area unadjusted scans, Step 7, Table 8, row d.
- Row B: Estimated Seashore Imaging Cedar Point percent in-migration.
- Row C: $a / (1 - \text{in-migration percentage})$.
- Row D: $c - a$.

Carteret County is both a tourist destination and a rural community. Based on these factors, as well as the experience of applicant members who operate MRI services in Carteret County, Seashore Imaging assumes five percent of all patients will come from outside the catchment area. This in-migration includes the remainder of Carteret, Onslow, and Jones counties, other North Carolina counties, and other states. By 2028, in- migration will account for approximately 186 annual unadjusted scans.

The applicant expects Seashore Imaging Cedar Point to operate similarly to Seashore Imaging Morehead. Seashore Imaging Morehead has a 4-county primary service area which includes Carteret, Craven, Jones, and Onslow Counties. Its 4-year average in-migration is 2.4 percent. Because Seashore Imaging Cedar Point does not include all of Carteret, Jones or Onslow counties' ZIPs, nor does it include any Craven County ZIPs in its catchment area, it is reasonable to assume that Seashore Imaging Cedar Point's in-migration will be double that of Seashore Imaging Morehead.

Step 9. *Determine adjusted MRI scan weighting factor at Seashore Imaging [Morehead], 2020-2023* (page 127).

To estimate the number of adjusted scans performed at Seashore Imaging Cedar Point, Seashore Imaging Morehead’s adjusted scan weighting factor was calculated by evaluating the historical ratio of base and complex scans at its existing Seashore Imaging Morehead MRI service location.

The following table details Seashore Imaging Morehead’s historical ratio of base and complex scans. Additional details are in Exhibit C.5, page 6.

Estimated Seashore Imaging Morehead Adjusted MRI Scan Adjusting Factor, CY20 - CY23

Metric	CY20	CY21	CY22	CY23	4-Yr Total
Unadjusted Base Outpatient Scans	2,095	2,270	2,639	2,870	9,874
Adjusting Factor Outpatient Base	1.00	1.00	1.00	1.00	1.00
Adjusted Outpatient Base Scans	2,095	2,270	2,639	2,870	9,874
Unadjusted Complex Outpatient Scans	511	517	555	647	2,230
Weighting Factor Outpatient Complex	1.21	1.21	1.21	1.21	1.21
Adjusted Complex Outpatient Scans	619	627	673	784	2,703
Total Unadjusted Scans	2,605	2,787	3,194	3,517	12,103
Total Adjusted Scans	2,714	2,897	3,312	3,654	12,576
Average Adjusting Factor	1.04	1.04	1.04	1.04	1.04

Source: Seashore Imaging internal files and Exhibit C.5, page 6, Scans by Contrast Type.

Step 10. *Forecast Seashore Imaging Cedar Point’s adjusted MRI scan volume, 2025-2028* (page 128).

Estimated Adjusted MRI Scans at Seashore Imaging Cedar Point, CY25 - CY28

Metric	Jan – Sept CY25	Oct – Dec CY25	CY26	CY27	CY28
Total Est. Unadjusted Scans		910	1,834	2,774	3,729
Weighting Factor		1.04	1.04	1.04	1.04
Total Est. Adjusted Scans		945	1,906	2,883	3,875

Calculation: Total Unadjusted Scans by year Step 8 * Weighting Factor Step 9.

To forecast Seashore Imaging Cedar Point’s adjusted scan volume, the applicant multiplied the total estimated unadjusted scans in Step 8 by the 4-year average Seashore Imaging Morehead weighting factor in Step 9.

The applicant also assumed the distribution will remain constant at Seashore Imaging’s four-year average (2020-2023) through 2028.

Projected Utilization: Seashore Imaging Morehead and Carteret Health

In Section Q, Form C.2a, pages 113-114, the applicant provides projected utilization for the applicant’s existing fixed MRI scanner at Seashore-Morehead City and for the existing fixed MRI scanner owned and operated by Carteret Health, a related entity, as illustrated in the following tables.

Seashore-Morehead City: Projected MRI Utilization

	OY1 CY 2026	OY2 CY 2027	OY3 CY 2028
# of MRI scanners	1	1	1
Unadjusted Procedures	3,611	3,637	3,664
Adjusted Procedures	3,752	3,780	3,807

Source: Section Q, page 114, and Form C.2a.

Carteret Health: Projected MRI Utilization

	OY1 CY 2026	OY2 CY 2027	OY3 CY 2028
# of MRI scanners	1	1	1
Unadjusted Procedures	4,536	4,568	4,601
Adjusted Procedures	5,872	5,914	5,957

Source: Section Q, page 113, and Form C.2a.

In Section Q, the applicant provides the assumptions and methodology used to project the number of adjusted MRI scans to be performed at both Seashore-Morehead City and Carteret Health, which is summarized below.

Assumptions and Methodology: Projected Utilization for Seashore-Morehead City and Carteret Health

Step 11. *Determine Seashore Imaging Morehead and Carteret Health’s MRI scan history, 2020-2023 (page 129).*

Total Unadjusted MRI Scans at Seashore Imaging Morehead and Carteret Health, CY20-CY23

Metric	CY20	CY21	CY22	Annualized CY23*
Seashore Imaging Morehead	2,605	2,787	3,194	3,517
Carteret Health	3,167	4,318	4,564	4,406

Source: Seashore Imaging and Carteret Health internal data provided December 2023, see Exhibit C.5, page 2.

*CY 2023 is annualized from eleven months of data. This is a reasonable proxy for total scans in 2023.

Step 12. *Determine historical patient origin for Seashore Imaging Morehead and Carteret Health, 2020-2023 (page 130).*

Percent Distribution of Scans by County, Seashore Imaging Morehead and Carteret Health, 2020-2023

Seashore Imaging Morehead

Metric	CY20	CY21	CY22	Annualized CY23
Carteret County	77.2%	78.1%	77.5%	81.3%
Craven County	16.2%	15.1%	16.1%	13.1%
Jones County	0.1%	0.0%	0.0%	0.0%
Onslow County	4.2%	3.8%	3.8%	3.7%
4-County Total	97.7%	97.0%	97.4%	98.0%

Source: Seashore Imaging internal data provided December 2024; see Exhibit C.5, page 2.

Carteret Health

Metric	CY20	CY21	CY22	Annualized CY23
Carteret County	80.4%	66.4%	66.4%	70.9%
Craven County	10.7%	22.0%	23.2%	19.1%
Jones County	0.1%	0.1%	0.0%	0.0%
Onslow County	5.4%	5.8%	5.3%	6.0%
4-County Total	96.5%	94.4%	94.9%	96.1%

Source: Carteret Health internal data provided December 2024; see Exhibit C.5, page 2.

Step 13. *Determine population growth of four primary service area counties for Seashore Imaging Morehead and Carteret Health, 2024-2028 (page 131).*

Seashore Imaging Morehead and Carteret Health 4-County Primary Service Area Population, 2024-2028

County	CY24	CY25	CY26	CY27	CY28	CAGR
Carteret	69,747	70,182	70,601	71,020	71,431	0.6%
Craven	102,233	102,307	102,367	102,416	102,456	0.1%
Jones	9,195	9,196	9,193	9,195	9,194	0.0%
Onslow	214,478	216,897	219,312	221,723	224,136	1.1%
Total	395,653	398,582	401,473	404,354	407,217	0.7%

Source: NCOSBM Age Sex Race Population Data, accessed December 2024.

Utilizing population data from the NCOSBM the applicant determined the CAGR for the population of the four primary service area counties of Seashore Imaging Morehead and Carteret Health. Data show that between 2024 and 2028, this area will grow at a rate of 0.7 percent annually.

Step 14. *Forecast unadjusted MRI scans at Seashore Imaging Morehead and Carteret Health at the population growth rate of four primary service area counties, 2024-2028 (pages 132-133).*

Seashore Imaging Morehead and Carteret Health Forecast Unadjusted MRI Scans, 4-County Primary Service Area, 2024-2028

County	4-County Pop CAGR	Actual CY23	Forecast				
			CY24	CY25	CY26	CY27	CY28
	a	b	c				
Seashore Imaging Morehead	0.7%	3,448	3,473	3,498	3,524	3,549	3,575
Carteret Health	0.7%	4,234	4,264	4,295	4,326	4,358	4,389

Column a: Step 13, Table 14.

Column b: Total MRI scans from the 4-county primary service area counties performed at each provider location.

Exhibit C.5, page 2.

Column c: previous year unadjusted MRI scans * (1 + population CAGR).

The applicant grew historical scans at the annual population growth rate for 2024-2028, 0.7 percent.

Using population CAGR as a growth factor is conservative. Internal MRI scan data show that both Seashore Imaging Morehead and Carteret Health have grown significantly faster than the population over the last four years.

Seashore Imaging Morehead and Carteret Health Annual Unadjusted MRI Scans 4- County Primary Service Area, 2020-2023

Provider	CY20	CY21	CY22	Ann CY23	CAGR
Seashore Imaging Morehead	2,605	2,787	3,194	3,517	10.5%
Carteret Health	3,167	4,318	4,564	4,406	11.6%

Source: Seashore Imaging and Carteret Health internal data provided November 2023; 2023 is annualized from eleven months of data; see Exhibit C.5 for detail.

The applicant cites patient origin data from NCDHSR showing in FY2022 that 33.5 percent of Carteret County residents left Carteret County for MRI services. With the additional access in the county created by Seashore Imaging Cedar Point, the applicant states that it is reasonable to assume that some Carteret County residents will return to seek services from in-county providers.

Carteret County MRI Patient Destination by County, FY22

County of Service	No. Patients	Percent of Total
Carteret	4,625	66.5%
Craven	938	13.5%
Onslow	471	6.8%
Other NC County	920	13.2%
Total	6,954	100.0%

Source: NCDHSR patient origin tables; see Exhibit C.5, page 2.

The applicant states that there is some population overlap between the four-county primary service area for Seashore Imaging Morehead and Carteret Health, and the Seashore Imaging Cedar Point catchment area ZIP codes.

Seashore Imaging Cedar Point does not expect to take 100 percent of the market share of the catchment area ZIP codes. This allows Seashore Imaging Morehead and Carteret Health to capture patients from the catchment area ZIP codes as well as the remainder of Carteret, Onslow, and Jones counties.

Step 15. *Estimate in-migration of unadjusted MRI scans at Seashore Imaging Morehead and Carteret Health, 2024-2029* (pages 134-135).

Seashore Imaging Morehead and Carteret Health 4-Year Average In-Migration, 2020-2024

Metric	CY20	CY21	CY22	Annualized CY23	4-Year Average
Seashore Imaging Morehead	2.3%	3.0%	2.6%	2.0%	2.4%
Carteret Health	3.5%	5.6%	5.1%	3.9%	4.6%

Source: Seashore Imaging and Carteret Health internal data provided November 2024; 2023 is annualized from eleven months of data; see Exhibit C.5 for detail.

To project in-migration, the applicant determined the four-year average in-migration percentage for each MRI scanner as shown in the table above.

For the tables below, the applicant utilized the following assumptions and methodology:

- Row a: Estimated 4-county unadjusted scans, Step 14, Table 15
- Row b: Estimated 4-year average percent in-migration, Table 18
- Row c: $a / (1 - \text{in-migration percentage})$
- Row d: $c - a$

Estimated Seashore Imaging Morehead and Carteret Health Total Unadjusted MRI Scans, CY25 - CY28 due to In-Migration

Seashore Imaging Morehead

	Metric	CY24	CY25	CY26	CY27	CY28
a	Est. Seashore Imaging Morehead 4-County Primary Service Area Unadjusted MRI Scans	3,473	3,498	3,524	3,549	3,575
b	Est. Seashore Imaging Morehead In-Migration Percentage	2.4%	2.4%	2.4%	2.4%	2.4%
c	Est. Total Seashore Imaging Morehead Unadjusted MRI Scans	3,560	3,585	3,611	3,637	3,664
d	Estimated Seashore Imaging Morehead In-Migration Unadjusted MRI Scans	86	87	88	88	89

Carteret Health

	Metric	CY24	CY25	CY26	CY27	CY28
a	Est. Carteret Health 4-County Primary Service Area Unadjusted MRI Scans	4,264	4,295	4,326	4,358	4,389
b	Est. Carteret Health In- Migration Percentage	4.6%	4.6%	4.6%	4.6%	4.6%
c	Est. Total Carteret Health Unadjusted MRI Scans	4,471	4,503	4,536	4,568	4,601
d	Estimated Carteret Health In- Migration Unadjusted MRI Scans	206	208	209	211	212

Step 16. *Determine adjusted MRI scan weighting factors at Seashore Imaging Morehead and Carteret Health, 2020-2024 (pages 136-137).*

The applicant calculated each provider’s adjusted scan weighting factor by evaluating their historical ratio of base and complex scans.

Estimated Seashore Imaging Morehead and Carteret Health Adjusted MRI Scan Average Adjusting Factors, CY20 - CY23

Seashore Imaging Morehead

Metric	CY20	CY21	CY22	CY23	4-Yr Total
Unadjusted Base Outpatient Scans	2,095	2,270	2,639	2,870	9,874
Adjusting Factor Outpatient Base	1.00	1.00	1.00	1.00	1.00
Adjusted Outpatient Base Scans	2,095	2,270	2,639	2,870	9,874
Unadjusted Complex Outpatient Scans	511	517	555	647	2,230
Adjusting Factor Outpatient Complex	1.21	1.21	1.21	1.21	1.21
Adjusted Complex Outpatient Scans	619	627	673	784	2,703
Total Unadjusted Scans	2,605	2,787	3,194	3,517	12,103
Total Adjusted Scans	2,714	2,897	3,312	3,654	12,576
Average Adjusting Factor	1.04	1.04	1.04	1.04	1.04

Source: Seashore Imaging internal files and Exhibit C.5, page 6, Scans by Contrast Type.

Carteret Health

Metric	CY20	CY21	CY22	CY23	4-Yr Total
Unadjusted Base Outpatient Scans	1,297	2,108	2,138	1,807	7,350
Weighting Factor Outpatient Base	1.00	1.00	1.00	1.00	1.00
Adjusted Base Inpatient Scans	1,297	2,108	2,138	1,807	7,350
Unadjusted Base Inpatient Scans	485	586	673	788	2,532
Adjusting Factor Inpatient Base	1.82	1.82	1.82	1.82	1.82
Adjusted Inpatients Base Scans	882	1,065	1,224	1,432	4,603
Unadjusted Complex Outpatient Scans	1,023	1,257	1,389	1,384	5,053
Adjusting Factor Outpatient Complex	1.21	1.21	1.21	1.21	1.21
Adjusted Complex Inpatient Scans	1,240	1,524	1,684	1,678	6,125
Unadjusted Complex Inpatient Scans	362	367	364	428	1,521
Adjusting Factor Inpatient Complex	2.12	2.12	2.12	2.12	2.12
Adjusted Inpatients Complex Scans	768	778	772	907	3,226
Total Unadjusted Scans	3,167	4,318	4,564	4,406	16,455
Total Adjusted Scans	4,187	5,476	5,817	5,824	21,303
Average Weighting Factor	1.32	1.27	1.27	1.32	1.29

Source: Carteret Health internal files and Exhibit C.5, page 6, Scans by Contrast Type.

Step 17. *Forecast adjusted MRI scan volume at Seashore Imaging Morehead and Carteret Health, 2024-2029 (page 138).*

To forecast Seashore Imaging Morehead and Carteret Health’s adjusted scan volume, the applicant multiplied each provider’s total estimated unadjusted scans in Step 15 by their own 4-year average weighting factor in Step 16 to project both Seashore Imaging Morehead and Carteret Health’s adjusted scan volume as shown in the tables below. The applicant assumed that distribution of scans will remain constant at the 4-year average through 2028.

Projected Adjusted MRI Scans at Seashore Imaging Morehead and Carteret Health, 2024-2029

Seashore Imaging Morehead

Metric	CY24	CY25	CY26	CY27	CY28
Total Est. Unadjusted Scans	3,560	3,585	3,611	3,637	3,664
Adjusting Factor	1.04	1.04	1.04	1.04	1.04
Total Est. Adjusted Scans	3,699	3,726	3,752	3,780	3,807

Carteret Health

Metric	CY24	CY25	CY26	CY27	CY28
Total Est. Unadjusted Scans	4,471	4,503	4,536	4,568	4,601
Adjusting Factor	1.29	1.29	1.29	1.29	1.29
Total Est. Adjusted Scans	5,788	5,830	5,872	5,914	5,957

Calculation: Total Unadjusted Scans by year Step 15 * Weighting Factor Step 16.

Step 18. *Performance Standard Summary* (page 139).

Performance Standard Test, Seashore Imaging Cedar Point, Seashore Imaging Morehead, and Carteret Health Fixed MRI Scanners, CY24 - CY28

	Metric	CY24	Jan-Jun CY25	Jul-Dec CY25	CY26	CY27	CY28
a	Estimated Adjusted MRI Scans at Seashore Imaging Morehead	3,699	1,863	1,863	3,752	3,780	3,807
b	Estimated Adjusted MRI Scans at Carteret Health	5,788	2,915	2,915	5,872	5,914	5,957
c	Estimated Adjusted MRI Scans at Seashore Imaging Cedar Point	-	-	945	1,906	2,883	3,875
d	Total Estimated Adjusted MRI Scans	9,487	4,778	5,723	11,530	12,576	13,639
e	Total applicant MRI Scanners	2.0	2.0	3.0	3.0	3.0	3.0
f	Average Annual Adjusted MRI Scans per MRI Scanner	4,743	2,389	1,908	3,843	4,192	4,546
G	Performance Standard per MRI Scanner	3,494	3,494	3,494	3,494	3,494	3,494

- Row a: Step 17, Table 21, Seashore Imaging Morehead.
- Row b: Step 17, Table 21, Carteret Health.
- Row c: Step 10, Table 11.
- Row d: a + b + c.
- Row e: Total number of MRI scanners owned / operated by applicant or related entity in Carteret County service area.
- Row f: d / e.

In the table above the applicant documents that the three fixed MRI scanners (two existing fixed MRI scanners at Seashore Imaging Morehead and Carteret Health and the proposed fixed MRI scanner Seashore-Cedar Point) will exceed the performance standard of 3,494 adjusted MRI scans per fixed MRI scanner by 2028.

Patient Origin

Step 19. *Determine the weighted average percent distribution of population, Seashore Imaging Cedar Point catchment area, 2024* (pages 140-141).

Seashore Imaging Cedar Point Catchment Area ZIP Adjusted Average Population
 Percent Distribution

Zip	City	County	CY26-CY28 Avg	Distribution Factor	% Distribution	Adjusted Average
a			b	c	d	e
28570	Newport	Carteret	19.9%	3.0	59.6%	29.1%
28584	Swansboro	Carteret	25.6%	3.0	76.7%	37.4%
28594	Emerald Isle	Carteret	7.1%	3.0	21.3%	10.4%
28539	Hubert	Onslow	34.1%	1.0	34.1%	16.6%
28555	Maysville	Onslow	9.1%	1.0	9.1%	4.4%
28582	Stella	Onslow	4.2%	1.0	4.2%	2.0%
Total			100.0%		205.1%	100.0%

Row a: Seashore Imaging Cedar Point catchment area ZIP codes, towns, counties.

Row b: Three-year average percent distribution of catchment area population, 2026-2028; see Step 1, Table 2.

Row c: The applicant expects to serve twice as many Carteret County scans as Onslow County.

Row e: b * c.

Row d: ZIP code column d / Total column d.

The applicant expects Seashore Imaging Cedar Point to operate similarly to Seashore Imaging Morehead. Seashore Imaging Morehead is a freestanding outpatient MRI provider. It provides multi-specialty MRI scan services. Eastern Radiologists, Inc. read and interpret all Seashore Imaging Morehead's MRI images. Physicians who currently refer to Seashore Imaging Morehead will also refer to Seashore Imaging Cedar Point, see Exhibit I.2.

The applicant projects that Seashore-Cedar Point will serve less than the historic ratio of approximately four times as many patients from Carteret County than the other counties in the catchment area. Historically, 78.7 percent of Seashore Imaging Morehead scans have originated from Carteret County, compared to 18.9 percent from Craven, Jones, or Onslow counties. This means that Seashore Imaging Morehead is 4 times more likely to serve a Carteret County resident compared to any of its other three primary service area county residents ($78.7\% / 18.9\% = 4.16$).

Step 20. *Determine Seashore Imaging Cedar Point unadjusted MRI scans by weighted average percent distribution of catchment area ZIP code population, 2025-2028 (page 142).*

The applicant multiplied the adjusted average population percent distribution from Step 19 by the total catchment area unadjusted scans in Step 7 to determine unadjusted scans by catchment area ZIP code.

Estimated Seashore Imaging Cedar Point Catchment Area Unadjusted MRI Scans, CY25 - CY28

	Zip	City	County	Adjusted Average	Jul – Dec CY25	CY26	CY27	CY28
a	<i>Est. unadjusted catchment area MRI scans</i>				864	1,743	2,635	3,543
b	28570	Newport	Carteret	29.1%	251	506	766	1,030
	28584	Swansboro	Carteret	37.4%	323	652	986	1,326
	28594	Emerald Isle	Carteret	10.4%	90	181	274	368
	28539	Hubert	Onslow	16.6%	144	290	439	590
	28555	Maysville	Onslow	4.4%	38	77	117	157
	28582	Stella	Onslow	2.0%	18	36	54	72
c	In-Migration				45	92	139	186
d	Total unadjusted scans				910	1,834	2,774	3,729

Row a: Total estimated catchment area unadjusted MRI scans; Step 7, Table 8, row d.

Row b: Catchment area ZIP code adjusted averages, Step 19, Table 23.

Row c: Estimated in-migration, unadjusted MRI scans; Step 8, Table 9, row c.

Row d: b + c.

Step 21. *Determine Seashore Imaging [Morehead] average unadjusted MRI scans per patient, 2020-2024 (page 143).*

The applicant calculated Seashore Imaging-Morehead average scans per patient by evaluating patient data at its existing Seashore Imaging Morehead MRI service location.

Seashore Imaging Morehead Adjusted MRI Scan Weighting Factor, CY20 - CY23

Metric	CY20	CY21	CY22	CY23	4-Yr Total
Unique MRI Patients	2,215	2,351	2,714	3,033	10,312
Total Unadjusted MRI Scans	2,605	2,787	3,194	3,517	12,103
MRI Scans per Patient	1.18	1.19	1.18	1.16	1.17

Source: Seashore Imaging internal files and Exhibit C.5, page 6.

Step 22. *Estimate total Seashore Imaging Cedar Point MRI patients by catchment area ZIP code, 2025-2028 (page 144).*

As shown in the table below, the applicant projected Seashore-Cedar Point’s MRI patients by catchment area ZIP code by dividing the total estimated unadjusted MRI scans by catchment area ZIP code in Step 20 by the 4-year average MRI scans per patient in Step 21.

Estimated Seashore Imaging Cedar Point Catchment Area Unadjusted MRI Scans, CY25 - CY28

Zip	City	County	Jul – Dec CY25		CY26		CY27		CY28	
			No. Pt.	% Ttl	No. Pt.	% Ttl	No. Pt.	% Ttl	No. Pt.	% Ttl
28570	Newport	Carteret	214	27.6%	431	27.6%	653	27.6%	877	27.6%
28584	Swansboro	Carteret	275	35.5%	556	35.5%	840	35.5%	1,129	35.5%
28594	Emerald Isle	Carteret	77	9.9%	154	9.9%	233	9.9%	314	9.9%
28539	Hubert	Onslow	123	15.8%	247	15.8%	374	15.8%	502	15.8%
28555	Maysville	Onslow	33	4.2%	66	4.2%	100	4.2%	134	4.2%
28582	Stella	Onslow	15	1.9%	30	1.9%	46	1.9%	62	1.9%
In-Migration			39	5.0%	78	5.0%	118	5.0%	159	5.0%
Est. total MRI patients			775	100.0%	1,563	100.0%	2,364	100.0%	3,178	100.0%

Calculation: Total estimated MRI scans by ZIP code / 4-year average MRI scans per patient.

The performance standard in 10A NCAC 14C .2703(a) requires the applicant to project utilization in terms of adjusted MRI scans for all MRI scanners owned or operated (proposed, approved or existing) by the applicant or related parties in the service area. The applicant, Seashore Imaging, LLC currently owns and operates one fixed MRI scanner at Seashore-Morehead City and, in this application, proposes to acquire a fixed MRI scanner for Seashore-Cedar Point. In addition, Carteret Health, a related entity, owns and operates a fixed MRI scanner at the main hospital campus. Neither the applicant nor any related entities have been approved for a fixed MRI scanner that is not yet developed.

Carteret County, the service area, has a total of two existing fixed MRI scanners. Pursuant to the performance standard promulgated in 10A NCAC 14C .2703(7)(a) the applicant must project 3,494 adjusted MRI procedures per MRI scanner in the third full fiscal year of operation following project completion. If approved, the applicant and its related entities project to have a total of three fixed MRI scanners (2 existing and 1 proposed). Thus, at a minimum, the applicant must project a total of 10,482 [3,494 x 3 = 10,482] adjusted MRI procedures for all three fixed MRI scanners combined. In the last full year with historical data (CY2023) the two existing fixed MRI scanners performed 9,478 adjusted MRI procedures. Therefore, even if no additional growth is projected for the two existing fixed MRI scanners only an additional 1,004 adjusted MRI scans [10,482 – 9,478 = 1,004] would be needed by CY2028 (the projected third fiscal year following completion of the project) assuming no growth to meet the performance standard set forth in the Rule.

The Project Analyst notes that in addition to the assumptions and methodology used to project utilization set forth above, the applicant also provided, in Exhibit I.2, physician support letters projecting to refer, in total, between 4,020 and 4,812 MRI scans to Seashore-Cedar Point (referred to as Seashore Imaging West in the referral letters).

The historical, interim and projected utilization for the proposed fixed MRI scanner and the two existing fixed MRI scanners owned and operated by Seashore-Morehead City and Carteret Health are summarized in the tables below.

Summary table: Historical, Interim and Projected Utilization

Historical and Interim

	Historic CY2022	Historic CY2023	Interim CY2024	Interim CY2025
Carteret Health				
# of MRI scanners	1	1	1	1
Unadjusted Procedures	4,564	4,406	4,471	4,504
Adjusted Procedures	5,817	5,824	5,788	5,830
Seashore – Morehead City				
# of MRI scanners	1	1	1	1
Unadjusted Procedures	3,194	3,517	3,560	3,586
Adjusted Procedures	3,312	3,654	3,699	3,726
Seashore-Cedar Point				
# of MRI scanners	na	na	na	na
Unadjusted Procedures	na	na	na	na
Adjusted Procedures	na	na	na	na
Total Fixed MRI Scanners	2	2	2	2
Total Adjusted Procedures	9,129	9,478	9,487	9,556
Average Adjusted Procedures per Scanner	4,564.5	4,739	4,743.5	4,778

Projected

	OY1 CY 2026	OY2 CY 2027	OY3 CY 2028
Carteret Health			
# of MRI scanners	1	1	1
Unadjusted Procedures	4,536	4,568	4,601
Adjusted Procedures	5,872	5,914	5,957
Seashore – Morehead City			
# of MRI scanners	1	1	1
Unadjusted Procedures	3,611	3,637	3,664
Adjusted Procedures	3,752	3,780	3,807
Seashore-Cedar Point			
# of MRI scanners	1	1	1
Unadjusted Procedures	1,834	2,774	3,729
Adjusted Procedures	1,906	2,883	3,875
Total Fixed MRI Scanners	3	3	3
Total Adjusted Procedures	11,530	12,577	13,639
Average Adjusted Procedures per Scanner	3,843	4,192	4,546

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

- There is a need determination in the 2024 SMFP for a fixed MRI scanner in Carteret County and this proposed project will meet that identified need.
- Projected utilization is supported by historical utilization of the existing fixed MRI scanners in Carteret County owned and operated by related entities to the applicant which related entities are both owners of the applicant.
- The applicant relied on historical data from the service area, including population data and MRI scan use rates.
- The applicant provided physician support letters with estimates of the number of MRI scans they would refer to Seashore-Cedar Point totaling between 4,020 and 4,812 MRI scans.

Access to Medically Underserved Groups

In Section C.6, page 57, the applicant states,

“Seashore Imaging has a long history of meeting the needs of low-income individuals. ... Seashore Imaging serves all patients, regardless of payor. Seashore Imaging serves Medicare beneficiaries and Medicaid recipients. ... Seashore Imaging does not discriminate against any persons, including, but not limited to, racial and ethnic minorities. ... For persons with disabilities, Seashore Imaging Cedar Point’s facility will meet all requirements of the North Carolina Building Code, the Americans with Disabilities Act, any other applicable federal accessibility laws, and any local ordinances.”

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

Medically Underserved Groups	Percentage of Total Patients
Low-income persons	8.4%
Racial and ethnic minorities	18.4%
Women	59.9%
Persons with Disabilities*	14.0%
Persons 65 and older	40.4%
Medicare beneficiaries	43.6%
Medicaid recipients	8.0%

Source: Table on page 58 of the application.

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:

- Percentage of Low-income persons: The applicant combined projected Medicaid and Self-Pay from Section Q, Form F.2 Income Statement and related assumptions from Section L.4a;
- Percentage of racial and ethnic minorities: The applicant states that it does not keep statistics on this metric. The applicant based its estimated percentage on national demographer Claritas, 18.4 percent of the catchment area identify as a racial or ethnic minority, Exhibit C.4, page 28;
- Percentage of women: The applicant used a percent equal to Seashore Imaging's historical percentage of female patients (CY2023);
- Percentage of persons with disabilities: The applicant states that it does not keep statistics on this metric. The applicant based its estimated percentage on national statistics, approximately 14.0 percent of patients in the catchment area may have identified disabilities (CY2019), Exhibit C.4, page 28,
- Percentage of persons 65 and older: The applicant used a percent equal to Seashore Imaging's historical percentage of patients over age 65 (CY2023);
- Percentage of Medicare beneficiaries: The applicant based its estimated percentage from projected payor mix in Section Q, Form F.2 Income Statement and related assumptions; and,
- Percentage of Medicaid recipients: The applicant based its estimated percentage from projected payor mix in Section Q, Form F.2 Income Statement and related assumptions; assume Medicaid is primary payor for dual eligible.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- 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.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

Patient Origin

The 2024 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 on page 36 of the 2024 SMFP shows Carteret County as a single county Acute Care Bed Service area. Therefore, for the purpose of this review, the fixed MRI service area is Carteret County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates the projected patient origin for the proposed fixed MRI scanner.

County	EmergeOrtho-Morehead City					
	1 st Full FY		2 nd Full FY		3 rd Full FY	
	CY2026		CY2027		CY2028	
	Patients	% of Total	Patients*	% of Total	Patients*	% of Total
Carteret	3,146	65.87%	3,177	65.87%	3,209	65.87%
Pender	680	14.24%	687	14.24%	694	14.24%
Onslow	758	15.87%	766	15.87%	773	15.87%
Duplin	175	3.66%	177	3.66%	179	3.66%
Other NC Counties	12	0.25%	12	0.25%	12	0.25%
Other States	5	0.10%	5	0.10%	5	0.10%
Total	4,776	100.00%	4,824	100.00%	4,872	100.00%

Source: Section C, page 33, of the application.

*Project Analyst rounded to nearest whole.

In Section C.3, pages 31-33, the applicant provides historical patient origin for the mobile MRI services provided by EmmergeOrtho utilizing a leased mobile MRI scanner. On pages 32-33, the applicant states, “*EmmergeOrtho projects patient origin based on the historical experience of EmmergeOrtho’s Carteret-based physicians, which includes periods pre-dating EmmergeOrtho’s presence in the market, and (2) the projected shift of some Morehead City MRI patients from EmmergeOrtho’s existing leased mobile MRI unit as shown in the following tables. EmmergeOrtho assumes that the projected organic market share of MRI patients at EmmergeOrtho-Morehead City will represent the same zip codes as historically served in Morehead City.*”

However, in Section Q, the applicant did not provide any assumptions and methodologies used to project utilization of the proposed fixed MRI scanner for the first three project years. The project analyst cannot find the assumptions and methodology used to project utilization for the proposed fixed MRI scanner in any part of the application or the exhibits. As to projected utilization Section Q only includes a Form C.2a, page 121, showing the number of MRI procedures at EmmergeOrtho-Morehead City for CY2023 and a Form C.2b, page 123, showing projected MRI procedures for the first three project years (CY2026 – CY2028).

However, the applicant's patient origin for MRI service for the last full FY (CY2023) for EmergeOrtho-Morehead City, on page 31, lists Carteret, Onslow and Craven counties. The applicant's projected patient origin table for EmergeOrtho-Morehead City on page 33 also includes Pender and Duplin counties. The applicant does not explain why it projects to serve patients from Pender and Duplin counties when it is unclear if any from these counties were served historically. The applicant does not specify whether Pender and Duplin counties were included in "other NC counties." Moreover, the project analyst notes that while Onslow and Craven Counties are adjacent to Carteret County, Pender and Duplin Counties are not adjacent to Carteret County. In the third project year (CY2028) the applicant is projecting 693 patients (14.24% of the total) from Pender County and 178 patients (3.66% of the total) from Duplin County. Patients from Pender and Duplin counties are not documented as being historically served at EmergeOrtho-Morehead City or by EmergeOrtho Carteret-based physicians. The applicant did not provide any discussion, documentation or analysis supporting significant numbers of patients originating from Pender or Duplin counties. Furthermore, the distance from Pender and Duplin counties to Carteret County, and the congestion of the traffic corridor in Carteret County, especially seasonal traffic congestion, to get to Morehead City from Pender and Duplin counties make the projection of significant numbers of patients from these two counties questionable.

Therefore, the applicant's projected patient origin is not reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 34-42, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below

- The need determination for one additional fixed MRI scanner in Carteret County (page 35).
- Robust and increasing MRI utilization in Carteret County (pages 35-36).
- MRI scanner utilization at EmergeOrtho-Morehead City (page 36).
- Need to enhance mobile MRI service at EmergeOrtho-Morehead City (pages 36-37).
- Demand for additional value-based fixed MRI scanner capacity in Carteret County (pages 37-39).
- Carteret County demographics (pages 39-41).
- Physician/provider support (pages 41-42).

However, the applicant does not adequately demonstrate that the need the projected population has for the proposed service is reasonable and adequately supported because the applicant has not adequately identified the patient population projected to utilize the proposed services and has not provided the assumptions and methodology to project

utilization of the proposed services. See the discussion regarding projected utilization below, which is incorporated herein by reference. Therefore, projected need, which is based in part on projected utilization, is also questionable.

Projected Utilization

In Section Q, page 123, the applicant provides projected utilization, as illustrated in the following table.

	OY1 CY 2026	OY2 CY 2027	OY3 CY 2028
# of MRI scanners	1	1	1
# of Procedures*	4,776	4,824	4,872
# of Adjusted Procedures	42	42	43

Source: Section Q, Form C.2b, page 123.

*# of procedures include adjusted procedures based on the Project Analyst’s conservative determination that the number of MRI procedures identified in the line “# of adjusted procedures” were included in the line identified as “# of procedures” which, in turn, represent the total number of procedures, both unadjusted and adjusted.

However, the applicant did not provide the assumptions and methodology used to project utilization. Therefore, projected utilization is not reasonable and adequately supported

Access to Medically Underserved Groups

In Section C.6, page 47, 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	Percentage of Total Patients
Low-income persons	12.60%
Racial and ethnic minorities	12.90%
Women	54.80%
Persons with Disabilities	8.40%
Persons 65 and older	45.50%
Medicare beneficiaries	36.10%
Medicaid recipients	3.76%

Source: Table on page 48 of the application.

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 reasons:

- Low-Income persons and racial and ethnic minorities: Estimates are based on the most recently available U.S. Census Bureau demographics for Carteret County, sourced as of March 2023. EmergeOrtho states that it does not track either income demographics or disability status of its patients.
- Remaining categories of medically underserved groups: projections are based on the historical access to MRI services by these medically underserved groups at EmergeOrtho during CY2022.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is not 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

Both Applications

Neither of the applicants 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.

C Seashore-Cedar Point

NC EmergeOrtho

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section E, pages 68, 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 there is a need determination in the 2024 SMFP for an additional fixed MRI scanner in Carteret County. The population in the county is growing and aging and in need of increased access to reasonably priced MRI services. Without increased MRI capacity patient wait times could increase. Maintaining the status quo would not address the need determination nor would it meet patient needs. Thus, the applicant determined that maintaining the status quo is not an effective alternative.
- Develop the proposed fixed MRI scanner at a different location – The applicant states that all current MRI services are concentrated in Morehead City closer to the population concentration on the eastern side of Carteret County. However, traffic increases due to population growth which is exacerbated during tourist season when the population almost doubles, make accessing Morehead City challenging. Developing a site in western Carteret County increases access for Carteret County residents and, because of the major transportation corridors in the area, also increases access to residents of adjacent counties. Thus, the applicant determined that developing the proposed fixed MRI scanner at an alternate location is not an effective alternative to meet patient needs.

- Acquire different MRI equipment – The applicant considered acquiring a different MRI scanner than the one proposed but determined that the proposed fixed MRI scanner would more effectively meet patient needs than a higher strength magnet and this is the industry standard. Thus, the applicant determined that acquiring different equipment would not be an effective alternative to meet patient needs.

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 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
- Comments
- Remarks made at the public hearing

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

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section E, pages 58-60, 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 there is a need determination in the 2024 SMFP for an additional fixed MRI scanner in Carteret County. The population in the county is growing and aging, and Morehead City is a hub of medical services. Additionally, the mobile scanner with which the applicant contracts does not meet patient needs in terms of availability and space constraints. Thus, maintaining the status quo is not an effective alternative.

- Develop the proposed fixed MRI scanner at a different location – The Morehead City location offers a large collection of healthcare providers. Morehead City is the largest municipality in Carteret County. The proposed location is central and convenient to major traffic corridors. Thus, the applicant determined that developing the proposed fixed MRI scanner at an alternate location is not an effective alternative to meet patient needs.
- Acquire different MRI equipment – The applicant considered acquiring a different MRI scanner than the one proposed but determined that the proposed fixed MRI scanner would more effectively meet patient needs than a lesser strength magnet or a dedicated extremity scanner. Thus, the applicant determined that acquiring different equipment would not be an effective alternative to meet patient needs.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The applicant did not adequately demonstrate the need it has for the proposed project because the applicant did not demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference. A proposal that is not needed by the population proposed to be served cannot be the most effective alternative.
- The applicant did not demonstrate in the application as submitted that it was conforming with the Criteria and Standards for Magnetic Resonance Imaging Scanners promulgated in 10A NCAC 14C .2703(a). The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference. A proposal that cannot meet required performance standards cannot be the most effective alternative.
- Because the applicant did not demonstrate the need to develop the proposed project, the applicant cannot demonstrate that it needs to acquire a fixed MRI scanner. The discussion regarding unnecessary duplication found in Criterion (6) is incorporated herein by reference. A project that is unnecessarily duplicative cannot be the most effective alternative.
- Because the applicant did not demonstrate the need to acquire a fixed MRI scanner, it cannot demonstrate that any enhanced competition in the service area includes a positive impact on the cost-effectiveness of the proposed services. An applicant that did not demonstrate the need for a proposed project cannot demonstrate the cost-effectiveness of the proposed project. The discussion regarding demonstrating 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, found in Criterion (18a), is incorporated herein by reference. A project that cannot show a positive impact on the cost-effectiveness of the proposed services as the result of any enhanced competition cannot be the most effective alternative.

- The application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Comments
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not 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.

**CA
Seashore-Cedar Point**

**NC
EmergeOrtho**

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 145, the applicant projects the total capital cost of the project, as shown in the table below.

Construction Costs	\$2,141,755
Medical Equipment	\$1,516,088
Miscellaneous Costs	\$404,992
Total	\$4,062,835

In Section F.1, page 70, Section Q, Exhibit F.1 and Form F.1a, 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 including:

- Construction related, design and furnishing costs are based on the construction estimate from The East Group (See Exhibit F.1). The costs are reduced by the \$58,245 tenant upfit allowance (See Exhibit C.1).
- Medical Equipment costs are based on the quotes from Philips. (See Exhibit F.1).
- Furniture and non-medical equipment are based on ERI's experience.
- Contingency is estimated at 5% of the furniture and non-medical equipment cost estimates.

In Section F.3, page 73, the applicant projects that start-up costs will be \$32,901 and initial operating expenses will be \$103,737 for a total working capital of \$136,638. On page 73, and Forms F.2b and F.3b, 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:

- The type of start-up costs the applicant identified on page 73 of the application.
- The assumptions and data in Forms F.2b and F.3b.
- The projected four-month initial operating period.

Availability of Funds

In Section F.2, page 70, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Seashore Imaging, LLC	Total
Loans	\$0	\$0
Cash and Cash Equivalents, Accumulated reserves or OE *	\$4,062,835	\$4,062,835
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$4,062,835	\$4,062,835

* OE = Owner's Equity

In Section F.3, page 74, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital (Seashore Imaging, LLC)	Amount
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$136,638
Lines of credit	\$0
Bonds	\$0
Total	\$136,638

The applicant is part of a joint venture between ERI Holdings, LLC and Carteret Health. In Exhibit F.2, ERI Holdings, LLC commits to provide \$2.0 million and Carteret Health commits to provide \$2.1 million for the capital and working capital costs of the proposed project. In addition, the applicant, Seashore Imaging, LLC, commits to provide up to \$150,000 in cash reserves from Seashore Imaging, LLC.

ERI Holdings, LLC

Exhibit F.2 contains a letter dated January 31, 2024, from the Senior Vice President of First Citizens Bank attesting that ERI Holdings, LLC has access to up to \$2.0 million in accumulated cash and/or loans to commit to the project.

Exhibit F.2 also contains a letter dated February 1, 2024, from the manager of ERI Holdings, LLC stating that he had authority to commit funds of up to \$2.0 million from cash reserves and/or a loan to capital investments for Seashore Imaging, LLC.

Carteret Health

Exhibit F.2 contains a copy of the audited financial statement for Carteret Health as of September 30, 2023. Carteret Health had cash and cash equivalents of \$58.8 million and a total net position of \$348.8 million.

Exhibit F.2 also contains a letter dated February 7, 2024, from the CFO/Vice President Fiscal Service of Carteret Health Care stating that she had the authority to commit funds up to \$2.1 million from cash reserves to capital investments for Seashore Imaging, LLC.

Seashore Imaging, LLC

Exhibit F.2 also contains a letter dated February 7, 2024, from the Chief Financial Officer of Seashore Imaging, LLC stating that she has authority to commit funds for the proposed project of up to \$4.1 million from the joint venture members ERI Holdings, LLC and Carteret General Hospital Corporation and “*up to \$150,000 in cash reserves from Seashore Imaging, LLC.*”

However, the applicant does not provide documentation of the availability of \$150,000 in cash reserves from for Seashore Imaging, LLC.

Projected capital costs are \$4,062,835 and projected working capital is \$136,638 for a total of \$4,199,473. ERI Holdings, LLC and Carteret Health have committed and provided documentation of available funds in the amount of only \$4,100,000. Therefore, there is a shortfall of \$99,473 [$\$4,199,473 - \$4,100,000 = \$99,473$] in documentation of available funding for the proposed project. The \$150,000 in cash reserves from Seashore Imaging, LLC would cover this amount, however, documentation of these funds from Seashore Imaging, LLC was not provided.

Therefore, as conditioned, the applicant shall provide the Agency with documentation of the availability of cash reserves from Seashore Imaging, LLC to ensure the total projected capital and working capital costs of the proposed project can be funded prior to being issued a Certificate of Need for this proposed 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 operating expenses will exceed revenues in each of the first two full fiscal years and revenues will exceed operating expenses in the third full fiscal year of operation, as shown in the table below.

	Project Year 1 CY 2026	Project Year 2 CY 2027	Project Year 3 CY 2028
Total MRI Scans*	3,752	3,780	3,807
Total Gross Revenues (Charges)	\$3,058,196	\$4,625,102	\$6,217,715
Total Net Revenue	\$911,234	\$1,378,116	\$1,852,658
Average Net Revenue per MRI Scan	\$243	\$365	\$487
Total Operating Expenses (Costs)	\$1,213,594	\$1,477,763	\$1,781,457
Average Operating Expense per MRI Scan	\$323	\$391	\$468
Net Income	(\$302,360)	(\$99,647)	\$71,161

Totals may not sum due to rounding

Source: Form F.2b.

*MRI Scans represent adjusted scans. See Form C.2b, page 114.

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q of the application. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable and adequately supported, including projected utilization, costs and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is conditionally 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.
- The applicant will adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal as conditioned.
- 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 costs and charges.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 135, the applicant projects the total capital cost of the project, as shown in the table below.

Site Preparation	\$7,749
Construction Costs	\$1,068,387
Medical Equipment	\$1,397,056
Miscellaneous Costs	\$289,036
Total	\$2,762,228

In Section F.1, page 61, and Section Q, and Exhibits F.1, K.3, and Form F.1a, the applicant provides the assumptions used to project the capital cost.

In Section F.3, page 63, the applicant projects that start-up costs will be \$11,080 and initial operating expenses will be \$50,316.75 for a total working capital of \$61,396.75. On pages 63-64, 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.

Availability of Funds

In Section F.2, page 61, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	EmergeOrtho, P.A.	Total
Loans	\$1,397,056	\$1,397,056
Cash and Cash Equivalents, Accumulated reserves or OE *	\$1,365,172	\$1,365,172
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$2,762,228	\$2,762,228

* OE = Owner's Equity

In Section F.3, page 64, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital (EmergeOrtho, P.A.)	Amount
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner’s Equity	\$61,396.75
Lines of credit	\$0
Bonds	\$0
Total *	\$61,396.75

Exhibit F.2 contains a letter dated February 9, 2024, from the Market President of Truist Bank documenting that a loan in the amount of \$2.5 million will be made available for the capital and working capital costs of the project. The letter also states,

“EmergeOrtho currently has excess deposits and cash flow which are far in excess of the current project costs.

...

Separately and previously, the bank has already approved an Equipment Finance Line of Credit that is fully in place and ready to fund equipment purchases for EmergeOrtho up to \$5 million.”

Exhibit F.2.2 also contains a letter dated February 15, 2024, from the Chief Financial Officer of EmergeOrtho, P.A. authorizing the commitment of the funds for capital costs in the estimated amount of \$1,365,172 and working capital costs of \$61,397.

The applicant adequately demonstrates the availability of sufficient funds for the capital 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, the applicant projects that revenues will exceed operating expenses in each of the first three full fiscal years of operation, as shown in the table below.

	Project Year 1 CY 2026	Project Year 2 CY 2027	Project Year 3 CY 2028
Total MRI Scans*	4,776	4,824	4,872
Total Gross Revenues (Charges)	\$5,738,299	\$5,795,682	\$5,853,639
Total Net Revenue	\$1,913,095	\$1,922,252	\$1,940,023
Average Net Revenue per MRI Scan	\$401	\$398	\$398
Total Operating Expenses (Costs)	\$1,402,542	\$1,479,885	\$1,522,203
Average Operating Expense per MRI Scan	\$294	\$307	\$312
Net Income	\$510,553	\$442,368	\$417,820

Totals may not sum due to rounding

Source: Form F.2b, page 137

*# of procedures include adjusted procedures based on the Project Analyst’s conservative determination that the number of MRI procedures identified in the line “# of adjusted procedures” were included in the line identified as “# of procedures” which, in turn, represent the total number of procedures, both unadjusted and adjusted.

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, Form F. However, the applicant does not adequately demonstrate that the financial feasibility of the proposal is reasonable and adequately supported because projected utilization is not based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference. Therefore, projected revenues and operating expenses, which are based in part on projected utilization, are also questionable.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate 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.

Seashore-Cedar Point

NC EmergeOrtho

The 2024 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 on page 36 of the 2024 SMFP shows Carteret County as a single county Acute Care Bed Service area. Therefore, for the purpose of this review, the fixed MRI service area is Carteret 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 currently located in the Carteret County service area, summarized from Table 15E-1, page 341 of the 2024 SMFP.

Carteret County Fixed MRI Scanners

Provider/Owner	# of Fixed Scanners	Service Type	Total MRI Scans	Adjusted Total
Carteret Health Care	1	Hospital Fixed	4,621	5,493
Seashore Imaging	1	Freestanding Fixed	3,454	3,651

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section G, page 79, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved fixed MRI services in the Carteret County fixed MRI service area. On page 79 the applicant states:

“This project is a response to a Need Determination in the 2024 SMFP for one new fixed MRI in Carteret County. This proposal will not result in unnecessary duplication of existing MRI services in the service area. Seashore Imaging does not propose to acquire or operate more fixed MRI scanners than are determined to be needed in the 2024 SMFP.”

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 2024 SMFP for a fixed MRI scanner in the Carteret County fixed MRI service area.

- 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
- Remarks made at the public hearing
- 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.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section G, pages 70-71, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved fixed MRI services in the Carteret County fixed MRI scanner service area. On page 71 the applicant states:

“EmergeOrtho does not propose to acquire and operate more fixed MRI scanners than are determined to be needed in the 2024 SMFP. ... EmergeOrtho’s proposed project will improve local access for Carteret County residents to high quality and cost-effective outpatient MR imaging in a lower cost, geographically convenient, easily accessible freestanding diagnostic imaging setting.”

However, the applicant does not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because the applicant does not adequately demonstrate that the proposed fixed MRI scanner is needed, in addition to the existing or approved fixed MRI scanners in Carteret County. See the discussion regarding projected utilization found in Criterion (3) which is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- 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
Both Applications

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section Q, Form H Staffing, the applicant provides the projected FTE positions for the proposed fixed MRI service for the first three full FYs, CYs 2026-2028 as summarized below:

	1st Full FY (CY2026)	2nd Full FY (CY2027)	3rd Full FY (CY2028)
Radiology Technologists	1.00	1.00	2.00
Business Office	0.05	0.05	0.05
Clerical	1.00	1.00	1.00
Other (Clinical Assistant)	1.00	1.00	1.00
Total*	3.00 [3.05]	3.00 [3.05]	4.00 [4.05]

*The Project Analyst notes that the correct totals for the first three full fiscal years are 3.05, 3.05 and 4.05 respectively.

The assumptions and methodology used to project staffing are provided in and Form H. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 82-83, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. See also Exhibit H.3.

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 intent to recruit and retain qualified staff for the FTE positions it proposes.
- The applicant adequately demonstrates its methods to train and retain staff, as well as its methods to ensure staff will acquire and maintain appropriate certification.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

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

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section Q Form H Staffing, the applicant provides the projected FTE positions for the proposed fixed MRI service for the first three full FYs, CYs 2026-2028 as summarized below:

	1st Full FY (CY2026)	2nd Full FY (CY2027)	3rd Full FY (CY2028)
Radiology Technologists	1.25	1.75	2.00
Administrator/CEO	0.05	0.05	0.05
Business Office	0.75	0.75	0.75
Clerical (Scheduler)	0.75	0.75	0.75
Other (Sales Liaison)	0.05	0.05	0.05
Other (MRI Tech Asst.)	1.25	1.75	2.00
Total	4.10	5.10	5.60

The assumptions and methodology used to project staffing are provided in Section H, page 73, and Form H. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 73-76, 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:

- The applicant adequately demonstrates its intent to recruit and retain qualified staff for the FTE positions it proposes.
- The applicant adequately demonstrates its methods to train and retain staff, as well as its methods to ensure staff will acquire and maintain appropriate certification.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

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 Both Applications

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

Ancillary and Support Services

In Section I, page 84, the applicant identifies the necessary ancillary and support services for the proposed MRI services. On pages 85-86, the applicant explains how each ancillary and support service will be made available and provides supporting documentation in Exhibits F.1 and I-1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant provides a letter dated January 17, 2024, from the manager of Seashore Imaging, LLC that documents ancillary and support services for the proposed project.
- The applicant provides detailed information as to each service to be provided and how it will be provided.

Coordination

In Section I, page 86, the applicant describes its efforts to develop 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:

- Exhibit I.2 contains letters of support from physicians.
- The applicant states Seashore-Cedar Point will have access to both ERI Holdings' and Carteret Health's vast network of relationships with local healthcare and service providers.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

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

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

Ancillary and Support Services

In Section I, page 77, the applicant identifies the necessary ancillary and support services for the proposed MRI services. On pages 77-78, the applicant explains how each ancillary and support service will be made available and provides supporting documentation in Exhibits I-1 and I.2. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant provides a letter dated February 6, 2024, from the existing medical director at EmergeOrtho Coastal Region that documents his intent to serve as medical director of the proposed project.
- The applicant currently provides ancillary and support services for its existing MRI services (provided through a leased mobile MRI scanner) and documents that those services will continue to be provided.

Coordination

In Section I, pages 78-79, the applicant describes its efforts to develop 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:

- Exhibit I.2 contains letters of support from physicians.
- The applicant states it is a long-standing provider of MRI services and as such, has existing professional relationships within the broader healthcare community, which will continue following project completion.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

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 Both Applications

Neither of the applicants project 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, the applicants do not project 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
Both Applications

Neither 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
Both Applications

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section K, page 89, the applicant states the project involves renovating 3,188 square feet of existing space in a leased facility. Line drawings are provided in Exhibit K.2

On pages 90, 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 a comprehensive architecture and engineering firm, with extensive experience in healthcare facility development, will manage the design.
- The building will include other tenants and thus gain economies of scale regarding common waste treatment, water, power and critical support spaces.
- The site location is appropriately zoned for MRI services with adequate access to power, water and sewer.
- The applicant provides a detailed line drawing in Exhibit K.2.
- A radiology physician's office will also be located in the building and associated with the MRI services.

On page 90, 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 it has learned how to operate facilities efficiently so it can keep costs low during start-up years. Low operating costs will support low charges to the public.
- The applicant states the projected volume is sufficient to keep costs low.
- The building will also house Carteret Health Clinic, staffed with physicians and nurses, which will allow the applicant to maximize staff efficiency and for contrast studies to be scheduled at any time.

On page 91, the applicant identifies any applicable energy saving and water conservation features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

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

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section K, page 81, the applicant states the project involves renovating 1,680 square feet of existing space in its existing leased facility, EmergeOrtho-Morehead City. Line drawings are provided in Exhibit K.2

On pages 81-82, 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 proposes to renovate existing space to house the proposed fixed MRI scanner, which the applicant states will keep construction costs low.
- The applicant provides a detailed construction cost estimate in Exhibit K.3.

On page 82, 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 the project will not increase costs of providing diagnostic services because the applicant will obtain competitive market quotes from equipment vendors and negotiate the scanner acquisition.
- The applicant states the project will increase productivity, patient safety and scheduling efficiency and help contain costs.
- The project will not increase MRI charges to the public, which are already negotiated with payors or set by the government.

On pages 82-83, the applicant identifies any applicable energy saving and water conservation features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

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;

NA
Seashore-Cedar Point

C
EmergeOrtho

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

Seashore-Cedar Point is not an existing facility. Therefore, Criterion (13a) is not applicable to this review.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

In Section L, page &87, the applicant provides the historical payor mix during CY 2023 for the proposed services, as shown in the table below.

EmergeOrtho-Morehead City (MRI)

Payor Category	Percentage of Total Patients Served
Self-Pay	1.0%
Medicare*	32.0%
Medicaid*	4.0%
Insurance*	56.0%
Workers Compensation	2.0%
TRICARE	5.0%
Total	100.0%

Source: Table on page 87 of the application.

*Including any managed care plans.

In Section L, page 87, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	23.0%	50.8%
Male	7.0%	47.7%
Unknown	70.0%	1.5%
64 and Younger		72.7%
65 and Older	35.0%	27.3%
American Indian		0.7%
Asian	0.0%	1.2%
Black or African American	5.0%	5.2%
Native Hawaiian or Pacific Islander	0.0%	0.2%
White or Caucasian	92.0%	78.5%
Other Race		6.2%
Declined / Unavailable	2.0%	0.0%

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information which was 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;

NA
Seashore-Cedar Point

C
EmergeOrtho

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

Seashore-Cedar Point is not an existing facility. Therefore, Criterion (13b) is not applicable to this review.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 88, the applicant states

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

In Section L, page 88, the applicant states that *“In the past 18 months no one has filed any court actions or other formal complaints alleging patient civil rights equal access violations against any EmergeOrtho Coastal Region facilities.”*

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information which was 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.

- (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

NA
Seashore-Cedar Point

NC
EmergeOrtho

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

In Section L.3, page 98, the applicant projects the following payor mix for the proposed facility during third full fiscal year [1/1/2028 to 12/31/2028] of operation following completion of the project, as shown in the table below.

Seashore-Cedar Point	
Payor Category	Percentage of Total Patients Served
Self-Pay	0.4%
Medicare*	43.6%
Medicaid*	8.0%
Insurance*	35.3%
Other (VA, TRICARE, WC)	12.7%
Total	100.0%

Source: Table on page 98 of the application.

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.4% of total services will be provided to self-pay patients, 43.6% to Medicare patients and 8.0% to Medicaid patients.

On pages 98-99, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on historical payor mix of its existing Seashore-Morehead City facility, Carteret County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at public hearing

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

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

In Section L.3, page 90, the applicant projects the following payor mix for the fixed MRI scanner for the proposed facility during third full fiscal year of operation, CY2028, following completion of the project, as shown in the table below.

Payor Category	Percentage of Total Patients Served
Self-Pay	0.63%
Charity Care	1.50%
Medicare *	36.12%
Medicaid *	3.76%
Insurance *	48.99%
Workers Compensation	2.25%
TRICARE	6.43%
Other (liability, SNF, correctional)	0.30%
Total	100.0%

Source: Table on page 89 of the application.

* Including any managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.63% of total services will be provided to self-pay patients, 36.12% to Medicare patients and 3.76% to Medicaid patients.

On pages 89-90, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation, CY2028, following completion of the project. The projected payor mix is not reasonable and adequately supported based on the following:

- The assumptions and methodology described in Section L.3b, page 88, do not describe the assumptions and methodology for the proposed project but instead are the assumptions and methodology for a different project, the proposed EmergeOrtho project for the 2023 fixed MRI scanner need determination in New Hanover County for which EmergeOrtho submitted an application, EmergeOrtho-Wilmington Porters Neck. See Project ID# O-12374-23, page 104.
- The projected payor mix in Section L, pages 89-90, is the payor mix for EmergeOrtho-Wilmington Porters Neck, Project ID# O-12374-23, page 105, submitted as part of the 2023 New Hanover MRI Review.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not 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
Both Applications

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section L, page 100, the applicant adequately describes the range of means by which patients will have access to the proposed services.

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.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section L, page 91, the applicant adequately describes the range of means by which patients will have access to the proposed services.

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.

- (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 Both Applications

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section M, page 101, 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 states it has relationships with training programs and schools to both support training and facilitate staff recruiting.
- In Exhibit M.1, the applicant provides copies agreements with Pitt Community College and Edgecombe Community College.

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.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section M, pages 93-94, 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 states that it currently provides opportunities for training area clinical health services. The applicant further states, that if approved, it will offer its fixed MRI scanner to clinical training programs and schools for clinical training rotations.
- In Exhibit M.1, the applicant provides a copy of the clinical training affiliation agreement with Carteret Community College.

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.

- (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
Seashore-Cedar Point

NC
EmergeOrtho

The 2024 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 on page 36 of the 2024 SMFP shows Carteret County as a single county Acute Care Bed Service area. Therefore, for the purpose of this review, the fixed MRI service area is Carteret 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 currently located in the Carteret County service area, summarized from Table 15E-1, page 341 of the 2024 SMFP.

Carteret County Fixed MRI Scanners

Provider/Owner	# of Fixed Scanners	Service Type	Total MRI Scans	Adjusted Total
Carteret Health Care	1	Hospital Fixed	4,621	5,493
Seashore Imaging	1	Freestanding Fixed	3,454	3,651

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 102, the applicant states it will enhance competition in several ways, including state-of-the-art equipment with fast through-put, contrast available at any time, and providing a western Carteret County office-based freestanding MRI unit that it states will pressure other providers to match performance, cost and charges.

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 103, the applicant states:

“The organization and design of the facility supports a low-charge, low-reimbursement structure. ... Seashore Imaging Cedar Point’s MRI will contain administrative costs of offering services by sharing overhead with Seashore Imaging.”

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 103, the applicant states:

“The applicant will pursue American College of Radiology accreditation for the proposed MRI scanner. This third party, peer reviewed oversight will provide transparency to the proposed project’s technical quality.”

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 104, the applicant states:

“All of the proposed catchment area is rural.

...

The facility will accept referred patients without regard to source of payment. It will accept most third-party commercial payors, including the State Employees Medical plan, Tricare for military veterans, Medicaid and Medicare.”

In Section C.6, page 57, the applicant states *“Seashore Imaging does not discriminate against any persons, including, but not limited to, racial and ethnic minorities. Please see Exhibit C.6 for Seashore Imaging’s non-discrimination policy.”*

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 and the applicant’s record of providing quality care in the past.
- 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
- Remarks made at the public hearing
- 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.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 95, the applicant states:

“The proposed project will promote cost effective, high quality and accessible MRI services 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 part-time MR imaging services it currently offers in Carteret County, and promoting improved patient access to quality, cost-effective, and accessible diagnostic imaging.”

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

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 95-96, the applicant states:

“EmergeOrtho will develop the Morehead City fixed MRI scanner project in a cost-effective manner. ... As a dedicated outpatient center, EmergeOrtho offers affordable prices on imaging exams, and for most patients the simplicity of one bill with no additional facility or radiologist fee.

...

The development of the fixed MRI service in Morehead City represents an efficient use of an existing building that can be accomplished in a timely and cost-effective manner. And as an existing location, EmergeOrtho-Morehead City has all necessary ancillary and support services available.”

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

Regarding the impact of the proposal on quality, in Section N, pages 96-97, 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. ... EmergeOrtho will pursue ACR accreditation for the Porters Neck [sic] fixed MRI scanner within one year of commencement of services. American College of Radiology (ACR) Accreditation is recognized as the gold standard in medical imaging...”

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 96, the applicant states:

“EmergeOrtho has historically provided care and services to all medically underserved populations. EmergeOrtho does not discriminate based on income, race, ethnicity, creed, color, age, religion, national origin, gender, physical or mental handicap, sexual orientation, or any other factor that would classify a patient as underserved.

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. EmergeOrtho is a participating Medicare and Medicaid provider serving the elderly and medically indigent populations in Carteret County and surrounding communities. EmergeOrtho is a participating Medicare and Medicaid provider serving the elderly and medically indigent populations in Carteret County and surrounding communities.”

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

However, the applicant does not adequately demonstrate how any enhanced competition in the service area will have a positive impact on the cost-effectiveness of the proposed services. The applicant did not adequately demonstrate the need the population to be served has for the proposed fixed MRI scanner or that the project is the least costly or most effective alternative. The discussions regarding projected utilization and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference. A project that cannot demonstrate the need for the services proposed and a project that cannot demonstrate it is the least costly or most effective alternative cannot demonstrate how any enhanced competition will have a positive impact on the cost-effectiveness of the proposal.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is not 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 Both Applications

Project ID #P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

In Section Q, Form O, page 162, the applicant identifies the 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.

Exhibit I.1 contains a letter dated January 17, 2024, from the manager of Seashore Imaging, LLC stating *“This letter serves as confirmation that all Seashore Imaging locations provided quality care during the 18-months preceding submission of this application.”*

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.

Project ID# P-12495-24 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP.

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

In Section O, page 117, the applicant states: *“Diagnostic centers are not licensed facilities, therefore there are no Division of Health Service Regulation license requirements. However, EmergeOrtho has never had its Medicare or Medicaid provider agreement terminated. 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 this application.”*

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.

(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
Seashore-Cedar Point

NC
EmergeOrtho

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 .2701 DEFINITIONS

The following definitions shall apply to all rules in this Section:

- (1) "Adjusted MRI procedure" shall have the same meaning as defined in the annual State Medical Facilities Plan in effect as of the first day of the review period.
- (2) "Approved MRI scanner" means a magnetic resonance imaging (MRI) scanner that was issued a certificate of need but is not being used to provide services as of the application deadline for the review period.
- (3) "Existing MRI scanner" means an MRI scanner that is being used to provide services as of the application deadline for the review period.
- (4) "Fixed MRI scanner" means an MRI scanner that is not a mobile MRI scanner.
- (5) "Fixed MRI scanner service area" shall have the same meaning as defined in the annual State Medical Facilities Plan in effect as of the first day of the review period.
- (6) "Host site" means the location where the mobile MRI scanner provides services.
- (7) "Magnetic resonance imaging (MRI) scanner" shall have the same meaning as defined in G.S. 131E-176(14m).
- (8) "Mobile MRI scanner" means an MRI scanner that is moved weekly to provide services at two or more host sites.
- (9) "Mobile MRI scanner service area" shall have the same meaning as defined in the annual State Medical Facilities Plan in effect as of the first day of the review period.
- (10) "Proposed MRI scanner" means the MRI scanner proposed in the application under review.

10A NCAC 14C .2703 PERFORMANCE STANDARDS

- (a) *An applicant proposing to acquire a fixed MRI scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period shall:*
- (1) *identify the existing fixed MRI scanners owned or operated by the applicant or a related entity and located in the proposed fixed MRI scanner service area;*

The fixed MRI scanner service area for this review is Carteret County. The definition of a related entity is contained in 10A NCAC 14C .0202 (10):

"Related entity" means a person that:

- (a) shares the same parent corporation or holding company with the applicant;
- (b) is a subsidiary of the same parent corporation or holding company as the applicant; or
- (c) participates with the applicant in a joint venture that provides the same type of health services proposed in the application.

-C- Seashore-Cedar Point. The applicant, Seashore Imaging, LLC, owns and operates a fixed MRI scanner at Seashore-Morehead City. In addition, Carteret Health is a related entity which owns and operates a fixed MRI scanner in Morehead City at the Carteret Health main hospital campus.

-NA- EmergeOrtho. Neither the applicant nor any related entity has a fixed MRI scanner that it owns or operates in the proposed fixed MRI scanner service area.

- (2) *identify the approved fixed MRI scanners owned or operated by the applicant or a related entity and located in the proposed fixed MRI scanner service area;*

-NA- Seashore-Cedar Point. As of the first day of the review period for this review, neither the applicant nor any related entity has been approved to own or operate a fixed MRI scanner to be located in the proposed fixed MRI scanner service area.

-NA- EmergeOrtho. Neither the applicant nor any related entity has been approved to own or operate a fixed MRI scanners to be located in the proposed fixed MRI scanner service area.

- (3) *identify the existing mobile MRI scanners owned or operated by the applicant or a related entity that provided mobile MRI services at host sites located in the proposed fixed MRI scanner service area during the 12 months before the application deadline for the review period;*

-NA- Seashore-Cedar Point. In Section C, page 60, the applicant states that neither the applicant nor any related entity owns or operates a mobile MRI scanner that provided mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

-NA- EmergeOrtho. In Section C, page 50, the applicant the applicant states that neither the applicant nor any related entity owns or operates a mobile MRI scanner that provided mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

(4) identify the approved mobile MRI scanners owned or operated by the applicant or a related entity that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area;

-NA- Seashore-Cedar Point. In Section C, page 60, the applicant states that neither the applicant nor any related entity has been approved to own or operate a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

-NA- EmergeOrtho. In Section C, page 50, the applicant states that neither the applicant nor any related entity has been approved to own or operate a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

(5) provide projected utilization of the MRI scanners identified in Subparagraphs (a)(1) through (a)(4) of this Paragraph and the proposed fixed MRI scanner during each of the first three full fiscal years of operation following completion of the project;

-C- Seashore-Cedar Point. In Section Q, Form C.2a, pages 113-115, the applicant provides projected utilization for its proposed fixed MRI scanner and the two fixed MRI scanners identified in Subparagraphs (a)(1) through (a)(4) during each of the first three full fiscal years of operation following project completion.

-NC- EmergeOrtho. In Section C, page 50, the applicant states that this Rule is not applicable. The applicant is incorrect as this Rule directs the applicant to, “*provide projected utilization of the proposed fixed MRI scanner during each of the first three full fiscal years following completion of the project.*” The applicant is proposing a fixed MRI scanner, therefore, this Rule applies to the EmergeOrtho application.

In Section Q, Form C.2b, page 123, the applicant provides projected utilization for its proposed fixed MRI scanner during each of the first three full fiscal years of operation following project completion. However, the applicant does not adequately demonstrate that projected utilization is reasonable and adequately supported. The discussion

regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming with this Rule.

(6) *provide the assumptions and methodology used to project the utilization required by Subparagraph (5) of this Paragraph;*

-C- Seashore-Cedar Point. In Section Q, pages 116-144, the applicant provides the assumptions and methodology used to project utilization required by Subparagraph (5).

-NC- EmergeOrtho. The applicant does not provide the assumptions and methodology used to project utilization of its proposed fixed MRI scanner.

(7) *project that the fixed MRI scanners identified in Subparagraphs (1) and (2) of this Paragraph and the proposed fixed MRI scanner shall perform during the third full fiscal year of operation following completion of the project as follows:*

- (a) *3,494 or more adjusted MRI procedures per fixed MRI scanner if there are two or more fixed MRI scanners in the fixed MRI scanner service area;*
- (b) *3,058 or more adjusted MRI procedures per fixed MRI scanner if there is one fixed MRI scanner in the fixed MRI scanner service area; or*
- (c) *1,310 or more adjusted MRI procedures per fixed MRI scanner if there are no existing fixed MRI scanners in the fixed MRI scanner service area; and*

According to Table 15E-1, page 341 of the 2024 SMFP, there are currently two existing fixed MRI scanners in the Carteret County fixed MRI scanner service area. There are no approved, but undeveloped, fixed MRI scanners in the service area. Therefore, Subparagraph (a) applies to this review.

-C- Seashore-Cedar Point. In Section Q, Form C.2a, pages 113-115, the applicant projects that the fixed MRI scanners identified in Subparagraph (1) and the proposed fixed MRI scanner shall perform a total of 13,639 adjusted MRI procedures, or 4,546 adjusted MRI procedures per the three fixed MRI scanners (2 existing and 1 proposed) during the third full fiscal year of operation following project completion which exceeds the 3,494 adjusted MRI procedures per MRI scanner required by this Rule. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-NC- EmergeOrtho. In Section Q, Form C.2b, page 123, the applicant projects to provide 4,872 adjusted MRI procedures during the third full fiscal year (CY2028) of operation following project completion which exceeds the 3,494 MRI procedures in the third full fiscal year of operation following project completion required by this Rule. However, the applicant does not adequately demonstrate that projected utilization is reasonable and adequately supported. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming with this Rule.

(8) *Project that the mobile MRI scanners identified in Subparagraphs (3) and (4) of this Paragraph shall perform 3,120 or more adjusted MRI procedures per mobile MRI scanner during the third full fiscal year of operation following completion of the proposed project.*

-NA- Seashore-Cedar Point. No mobile MRI scanners were identified in Subparagraphs (3) and (4) of this Paragraph.

-NA- EmergeOrtho. No mobile MRI scanners were identified in Subparagraphs (3) and (4) of this Paragraph.

(b) *An applicant proposing to acquire a mobile MRI scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period shall:*

- (1) *identify the existing mobile MRI scanners owned or operated by the applicant or a related entity that provided mobile MRI services at host sites located in the proposed mobile MRI scanner service area during the 12 months before the application deadline for the review period;*
- (2) *identify the approved mobile MRI scanners owned or operated by the applicant or a related entity that will provide mobile MRI services at host sites located in the proposed mobile MRI scanner service area;*
- (3) *identify the existing fixed MRI scanners owned or operated by the applicant or a related entity that are located in the proposed mobile MRI scanner service area;*
- (4) *identify the approved fixed MRI scanners owned or operated by the applicant or a related entity that will be located in the proposed mobile MRI scanner service area;*
- (5) *identify the existing and proposed host sites for each mobile MRI scanner identified in Subparagraphs (1) and (2) of this Paragraph and the proposed mobile MRI scanner;*
- (6) *provide projected utilization of the MRI scanners identified in Subparagraphs (1) through (4) of this Paragraph and the proposed mobile MRI scanner during each of the first three full fiscal years of operation following completion of the project;*
- (7) *provide the assumptions and methodology used to project the utilization required by Subparagraph (6) of this Paragraph;*
- (8) *project that the mobile MRI scanners identified in Subparagraphs (1) and (2) of this Paragraph and the proposed mobile MRI scanner shall perform 3,120 or more adjusted MRI procedures per MRI scanner during the third full fiscal year of operation following completion of the project; and*
- (9) *project that the fixed MRI scanners identified in Subparagraphs (3) and (4) of this Paragraph shall perform during the third full fiscal year of operations following completion of the project as follows:*

- (A) *3,494 or more adjusted MRI procedures per fixed MRI scanner if there are two or more fixed MRI scanners in the fixed MRI scanner service area;*
- (B) *3,058 or more adjusted MRI procedures per fixed MRI scanner if there is one fixed MRI scanner in the fixed MRI scanner service area; or*
- (C) *1,310 or more adjusted MRI procedures per MRI scanner if there are no fixed MRI scanners in the fixed MRI scanner service area.*

-NA- Seashore-Cedar Point. The applicant does not propose to acquire a mobile MRI scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period.

-NA- EmergeOrtho. The applicant does not propose in this application to acquire a mobile MRI scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period.

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2024 State Medical Facilities Plan, no more than one fixed MRI scanner may be approved for the Carteret County MRI fixed scanner service area in this review. Because the applications in this review collectively propose to develop two additional fixed MRI scanners to be located in the Carteret County fixed MRI scanner service area, both of the applications cannot be approved. 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 both proposals to decide which proposal should be approved.

Below is a brief description of each project included in this review:

- **Project ID# P-12478-24/ Seashore Imaging, LLC/ Acquire one fixed MRI scanner**

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP, to be located in leased space at 1165 Cedar Point Boulevard, Cedar Point, Carteret County.

- **Project ID# P-12495-24/ EmergeOrtho, P.A./ Acquire one fixed MRI scanner**

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2024 SMFP to be located at 534 N 35th Street, Morehead City, Carteret County.

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. The Seashore-Cedar Point application is either conforming or conditionally conforming to all applicable and regulatory review criteria. However, the EmergeOrtho application is not conforming with all applicable statutory and regulatory review criteria, therefore, it is not approvable. Therefore, regarding this comparative factor, the application submitted by Seashore-Cedar Point is the more effective alternative.

Scope of Services

The following table compares the scope of services to be offered. Generally, the application offering the greater scope of services is the more effective alternative for this comparative factor.

Facility	Type of Facility	Proposed Scope of Services
Seashore-Cedar Point	Radiology Physician Office	Full range of MRI scans, including prostate, breast, cancers, vascular, liver, orthopedic, and neurologic.
EmergeOrtho	Clinic	Primarily orthopedic spine, pain management, physical medicine and rehabilitation, sports medicine, and orthopedic urgent care.

Seashore-Cedar Point proposes to offer fixed MRI scanner services at a radiology physician office that will provide radiology readings across a wide range of subspecialties. EmergeOrtho is an orthopedic physician practice offering advanced expertise in conditions of the bones, muscles, and joints. While EmergeOrtho states it will accept referrals from all physicians, it also states it will primarily serve the specialty areas listed in the table above. Therefore, with regard to the scope of services, Seashore-Cedar Point is the more effective alternative.

Geographic Accessibility (Location within the Service Area)

As of the start date of this review and according to the 2024 SMFP, there are two existing fixed MRI scanners and no approved but undeveloped fixed MRI scanners located in Carteret County.

Both existing fixed MRI scanners are located in Morehead City.

The Seashore-Cedar Point application proposes to locate its fixed MRI scanner in Cedar Point, Carteret County. The application submitted by EmergeOrtho proposes to locate its fixed MRI scanner in Morehead City, Carteret County.

The application submitted by Seashore-Cedar Point proposes to locate a fixed MRI scanner in Cedar Point, approximately 20.5 miles from the two existing fixed MRI scanners located in Morehead City. The application submitted by EmergeOrtho is a less effective alternative because it proposes to locate a fixed MRI scanner in Morehead City. Furthermore, the application of EmergeOrtho is not conforming with all applicable statutory and regulatory review criteria, therefore, it is not approvable.

Therefore, for purposes of this comparative factor, the application submitted by Seashore-Cedar Point is a more effective alternative.

Competition (Patient Access to a New or Alternative Provider)

Generally, the introduction of a new or alternate provider in the service area would be a more effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality and/or lower costs for services in order to compete for patients. However, the expansion of an existing provider that currently owns or operates fewer fixed MRI scanners than another provider in the service area would also presumably encourage all providers in the service area to improve quality and/or lower costs in order to compete for patients.

The applicant of the Seashore-Cedar Point applications does not currently own or operate a fixed MRI scanner in the service area. However, the applicant is part of a joint venture between ERI Holdings, LLC and Carteret County General Hospital Corporation (Carteret Health). Therefore, ERI Holdings and Carteret Health are both related entities to the applicant and each owns and operates a fixed MRI scanner in Carteret County for a total of two fixed MRI scanners. Approval of the Seashore-Cedar Point application would bring the total number of fixed MRI scanners owned and operated by the applicant or a related entity to three.

Neither EmergeOrtho, nor any related entities, currently own or operate a fixed MRI scanner in the Carteret County fixed MRI scanner service area.

Therefore, EmergeOrtho is the more effective alternative. However, EmergeOrtho is not approvable. Therefore, regarding this comparative factor, the application submitted by Seashore-Cedar Point is the more effective alternative with respect to this comparative factor.

Access by Service Area Residents

The 2024 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 on page 36 of the 2024 SMFP shows Carteret County as a single county Acute Care Bed service area. Therefore, for the purpose of this review, the fixed MRI scanner service area is Carteret County. Facilities may also serve residents of counties not included in their service area.

Generally, regarding this comparative factor, the application projecting to serve the largest number of service area residents is the more effective alternative based on the assumption that residents of a service area should be able to derive a benefit from a need determination for an additional fixed MRI scanner in the service area where they live.

The following table illustrates access by service area residents during the third full fiscal year following project completion.

Number of Service Area Residents Projected to be Served in Carteret County,

3rd Full Fiscal Year

Applicant	# of Carteret County Residents	Total # of Residents
Seashore-Cedar Point	2,320	3,178
EmergeOrtho	3,209	4,872

Source: Tables in Section C.3 of the respective applications.

As shown in the table above, EmergeOrtho projects to serve the highest number of service area residents during the third full fiscal year following project completion. However, EmergeOrtho is not approvable. Therefore, regarding this comparative factor, the application submitted by Seashore-Cedar Point is the more effective alternative with respect to this comparative factor.

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 ... 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 access by underserved groups, applications are compared with respect to two underserved groups: Medicare patients and Medicaid patients. Access by each group is treated as a separate factor.

Projected Medicare

The Project Analyst compared each applicant’s projected Medicare revenue as a percentage of gross revenue. The following table shows each applicant’s percentage of gross revenue (charges) projected to be provided to Medicare patients in each applicant’s third full fiscal year of operation following project completion, based on information provided in each applicant’s pro forma financial statements in Section Q. Generally, the application proposing to provide a higher percentage of services to Medicare patients is the more effective alternative with regard to this comparative factor.

MRI Services to Medicare Patients- Project Year 3

Applicant	Medicare Gross Revenue	Total Gross Revenue	Medicare % of Total Gross Revenue
Seashore-Cedar Point	\$2,713,981	\$6,217,715	43.65%
EmergeOrtho	\$2,114,615	\$5,853,639	36.12%

Source: Form F.2b for each applicant.

As shown in the table above, Seashore-Cedar Point projects that a higher percentage of gross revenue for its MRI services will be provided to Medicare patients. The application submitted by EmergeOrtho is a less effective alternative. Moreover, EmergeOrtho is not approvable. Therefore, regarding this comparative factor, Seashore-Cedar Point is the more effective alternative.

Projected Medicaid

The Project Analyst compared each applicant’s projected Medicaid revenue as a percentage of gross revenue. The following table shows each applicant’s percentage of gross revenue (charges) projected to be provided to Medicaid patients in each applicant’s third full fiscal year of operation following project completion, based on information provided in each applicant’s pro forma financial statements in Section Q. Generally, the application proposing to provide a higher percentage of services to Medicaid patients is the more effective alternative with regard to this comparative factor.

MRI Services to Medicaid Patients- Project Year 3

Applicant	Medicaid Gross Revenue	Total Gross Revenue	Medicaid % of Total Gross Revenue
Seashore-Cedar Point	\$497,417	\$6,217,715	8.00%
EmergeOrtho	\$220,341	\$5,853,639	3.76%

Source: Form F.2b for each applicant.

As shown in the table above, Seashore-Cedar Point projects that a higher percentage of gross revenue for its MRI services will be provided to Medicaid patients. The application submitted by EmergeOrtho is a less effective alternative. Moreover, EmergeOrtho is not approvable. Therefore, regarding this comparative factor, Seashore-Cedar Point is the more effective alternative.

Projected Average Net Revenue per Weighted MRI Procedure

The following table compares the projected average net revenue per adjusted MRI procedure for the third year of operation following project completion for each of the applicants, based on the information provided in the applicants’ pro forma financial statements (Section Q). Generally regarding this comparative factor, the application proposing the lowest average net revenue per adjusted MRI procedure is the more effective alternative.

Projected Average Net Revenue per Adjusted MRI Procedure- Project Year 3

Applicant	Net Revenue	# of Adjusted MRI Procedures	Average Net Revenue/Adjusted MRI Procedure
Seashore-Cedar Point	\$1,852,658	3,875	\$478
EmergeOrtho	\$1,940,023	4,872	\$398

Source: Form C.2b and F.2b for each application.

*Note. In Form C.2b EmergeOrtho projected 4,872 MRI procedures and then put “43” under the “# of adjusted MRI procedures” line on Form C.2b. The Project Analyst took the conservative approach and treated the “43” as identifying the number of MRI procedures that were adjusted which were already included in the total of 4,872 MRI procedures.

As shown in the table above, EmergeOrtho projects the lowest average net revenue per adjusted MRI procedure in the third operating year. EmergeOrtho is the more effective alternative. However, EmergeOrtho is not approvable. Therefore, regarding this comparative factor, Seashore-Cedar Point is the more effective alternative.

Projected Average Operating Expense per Weighted MRI Procedure

The following table compares the projected average operating expense per weighted MRI procedure in the third year of operation for each of the applicants, based on the information provided in the applicants’ pro forma financial statements (Section Q). Generally regarding this comparative factor, the application proposing the lowest average operating expense per weighted MRI procedure is the more effective alternative.

Projected Operating Expense per Adjusted MRI Procedure- Project Year 3

Applicant	Net Revenue	# of Adjusted MRI Procedures	Average Net Revenue/Adjusted MRI Procedure
Seashore-Cedar Point	\$1,781,457	3,875	\$460
EmergeOrtho	\$1,522,203	4,872	\$312

Source: Form C.2b and F.2b for each application.

*Note. In Form C.2b EmergeOrtho projected 4,872 MRI procedures and then put “43” under the “# of adjusted MRI procedures” line on Form C.2b. The Project Analyst took the conservative approach and treated the “43” as identifying the number of MRI procedures that were adjusted which were already included in the total of 4,872 MRI procedures.

As shown in the table above, EmergeOrtho projects the lowest average net revenue per adjusted MRI procedure in the third operating year. Therefore, EmergeOrtho is the more effective alternative. However, EmergeOrtho is not approvable. Therefore, regarding this comparative factor, Seashore-Cedar Point is the more effective alternative.

Summary

The following table lists the comparative factors and indicates whether each application was more effective or less 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	Seashore-Cedar Point	EmergeOrtho
Conformity with Statutory and Regulatory Review Criteria	Yes	No
Scope of Services	More Effective	Not Approvable
Geographic Accessibility	More Effective	Not Approvable
Competition (Access to New or Alternative Provider)	More Effective	Not Approvable
Access by Service Area Residents	More Effective	Not Approvable
Access by Medicare Patients	More Effective	Not Approvable
Access by Medicaid Patients	More Effective	Not Approvable
Projected Average Net Revenue per MRI procedure	More Effective	Not Approvable
Projected Average Operating Expense per MRI procedure	More Effective	Not Approvable

As shown in the table above, EmergeOrtho is not conforming with all applicable statutory and regulatory review criteria, therefore, it is not approvable.

As shown in the table above, Seashore-Cedar Point was determined to be a more effective alternative for all of the comparative factors.

DECISION

Each application was submitted pursuant to the need determination in the 2024 SMFP for one fixed MRI scanner in Carteret County. However, G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of fixed MRI scanners that can be approved by the Healthcare Planning and Certificate of Need Section.

The applications of Seashore-Cedar Point and EmergeOrtho collectively propose a total of two fixed MRI scanners in the Carteret County fixed MRI scanner service area, but the need determination in the 2024 SMFP is for only one fixed MRI scanner. Therefore, only one fixed MRI scanner in the service area can be approved.

However, the application submitted by EmergeOrtho is not approvable and therefore cannot be considered an effective alternative. Consequently, the application submitted by EmergeOrtho, Project ID # P-12495-24, is denied.

Based upon the independent review of each application and the Comparative Analysis, the following application is approved:

- **Project ID # P-12478-24/Seashore Imaging, LLC**/Acquire one fixed MRI scanner pursuant to the 2024 SMFP need determination

Project ID# P-12478-24/Seashore Imaging, LLC is approved subject to the following conditions:

- 1. Seashore Imaging, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall acquire no more than one fixed MRI scanner pursuant to the need determination in the 2024 SMFP to be located at Seashore Imaging Cedar Point.**
- 3. Upon completion of the project, Seashore Imaging Cedar Point shall be licensed for no more than one fixed MRI scanner.**
- 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. The first progress report shall be due on December 1, 2024.**
- 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. Prior to issuance of the Certificate of Need, the certificate holder shall provide the Agency with documentation of the availability of cash reserves from Seashore Imaging, LLC to ensure the full projected capital and working capital costs of the proposed project can be funded as identified in Criterion (5).**
- 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.**