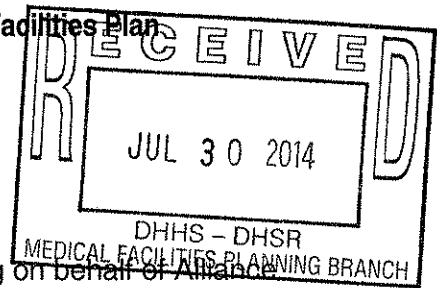


Public Hearing for the Proposed 2015 North Carolina State Medical Facilities Plan

**Public Hearing Comments by Alliance Imaging Inc.
July 30, 2014**



Good afternoon. My name is David French and I am a consultant speaking on behalf of Alliance Imaging Inc. For more than a decade, Alliance Imaging has worked collaboratively with hospitals throughout North Carolina to provide mobile PET services. During that period of time, numerous hospitals obtained CON approval to acquire fixed PET scanners to complement their cancer treatment programs.

Alliance has continually adjusted its mobile PET routes to redistribute days of service in as equitable a fashion as possible to serve multiple health systems and independent community hospitals. The two existing Alliance mobile PET scanners are operating at strong utilization rates. However, some host sites are not well utilizing the available time at their facilities which leaves the PET scanner idle for those scheduled time slots. Therefore Alliance has available capacity that can be utilized. In recent months, Alliance discontinued mobile PET service to a low volume host site in an urban county that is already served by a fixed PET scanner. The available PET scanner time was then allocated to Randolph Hospital which has demonstrated growth in PET utilization.

Alliance is opposed to the draft PET policy to allow CON applications to convert underutilized fixed PET scanners to become mobile PET scanners because the policy is contrary to the intent of CON law in several ways.

First, the PET policy is in direct conflict with NC GEN. Stat. § 131E-175 (4) which reads *"That the proliferation of unnecessary health service facilities results in costly duplication and underuse of facilities, with the availability of excess capacity leading to unnecessary use of expensive resources and overutilization of health care services."* There is no dispute that PET utilization in North Carolina continues to decline. The total utilization rate for all the fixed PET scanners in North Carolina is less than 40 percent and 14 fixed PET scanners are operating at less than 40 percent of capacity. These statistics prove that North Carolina already has excess capacity. Converting fixed PET scanners to mobile PET scanners will be a proliferation of unnecessary health services resulting in costly duplication and the underuse of facilities. This is because the draft PET policy sets no minimum standards for the utilization of the converted mobile PET units.

The proposed policy also ignores the fact that total PET utilization in North Carolina is declining. In fact, last year's PET utilization data shows a 5 percent decline for total utilization for the combined fixed PET as well as the combined mobile PET. In previous years the Medical Facilities Planning Branch and the State Health Coordinating Council have made decisions and changes in the State Medical Facilities Plan based on data and analysis. This proposed new policy has no supporting data to demonstrate that converting fixed PET to mobile PET will be cost effective and promote improved access.

Another major concern regarding the proposed PET policy is the absence of a limitation as to the number of mobile PET scanners that could potentially be approved. The two previous CON applications for mobile PET scanners that were awarded to Alliance Imaging were both required to demonstrate that each scanner would exceed 2080 annual scans in the third year of operation based on reasonable assumptions. Alliance has exceeded that utilization threshold. However, given the continued decline in total PET utilization in North Carolina it will be impossible for any new mobile PET provider to reach 2080 annual procedures unless PET patients are diverted from existing fixed and mobile PET scanners.

The financial feasibility of operating a mobile PET CT unit has changed dramatically over the past ten years due to huge reductions in reimbursement while operating costs have continued to increase. Mobile PET scanners cost two million dollars or more and have higher operating costs than fixed PET scanners due to the salary expense of the driver plus fuel costs and the higher maintenance costs for both the tractor and the trailer. These added costs associated with a mobile PET scanner can easily exceed \$100,000 per year depending on the annual mileage and number of mobile host sites. Therefore, the proposed PET policy fails to maximize healthcare value because mobile PET has higher operating costs than fixed PET.

In previous years, changes to the State Medical Facilities Plan have often been accompanied by amendments and additions to the administrative rules. In this way, the State Medical Facilities Plan and the administrative rules provide clear guidance to the CON Section in the review of CON applications when new types of projects are being proposed. Alliance is convinced that the proposed PET policy by itself would not change the mobile PET service area definition for its two existing mobile PET scanners because these were approved in accordance with the service area definitions contain in the 2002 State Medical Facilities Plan. So if the PET policy is adopted without changes to the PET administrative rules, CON applications to convert PET scanners can be submitted by applicants seeking to serve mobile host sites throughout North

Carolina in accordance with the 2015 SMFP. But the existing Alliance mobile PET scanners will not have this statewide service area definition because its service areas are defined by the 2002 SMFP definition. This would cause harm to Alliance Imaging because its existing mobile PET scanners could not fairly compete with any new mobile PET units.

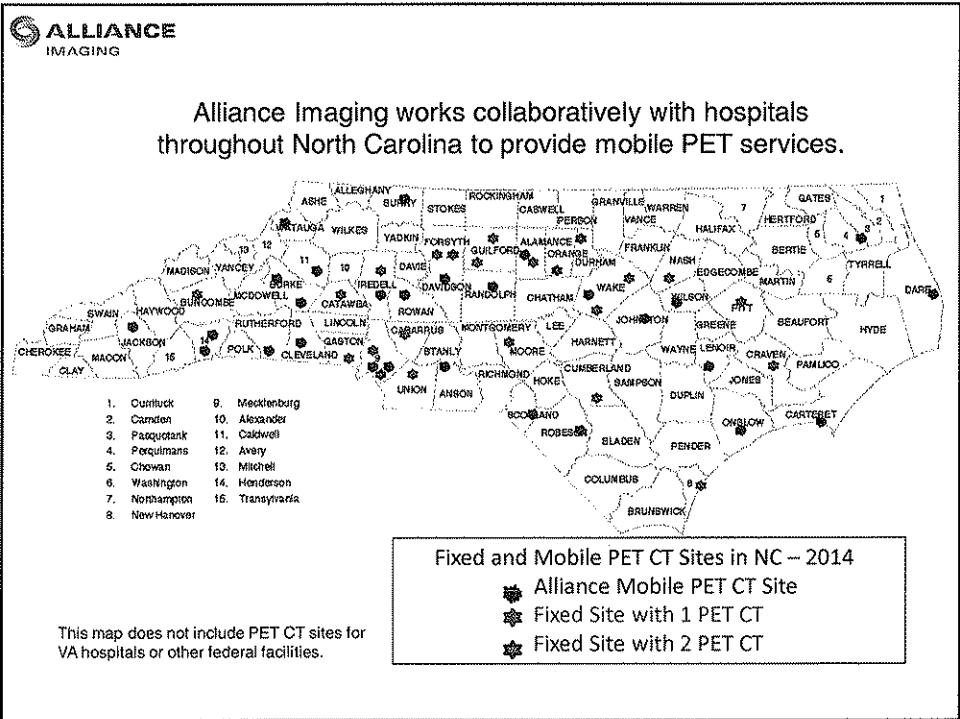
Adopting the PET policy without amending the PET administrative rules would be a dangerous mistake because it would make it appear that the State Health Coordinating Council is trying to sidestep the administrative rule-making process that has been established by the North Carolina General Assembly.

In summary, Alliance Imaging requests that the State Health Coordinating Council delete the PET policy from the proposed 2015 State Medical Facilities Plan.

Thank you for the opportunity to present these comments.



**Public Hearing Presentation to the
North Carolina State Health Coordinating Council
July 30, 2014**





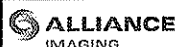
Draft PET Policy

Alliance Imaging is opposed to the draft PET policy to allow CON applications to convert underutilized fixed PET scanners to become mobile PET scanners because the policy is contrary to the intent of CON law.



NC GEN. Stat. § 131E-175 (4)

“That the proliferation of unnecessary health service facilities results in costly duplication and underuse of facilities, with the availability of excess capacity leading to unnecessary use of expensive resources and overutilization of health care services.”



Declining PET Utilization

The total utilization rate for all the fixed PET scanners in N.C. is less than 40 percent and 14 fixed PET scanners are operating at less than 40 percent of capacity.

Total PET utilization and PET use rates are declining.

SMFP Year	Total Fixed PET Scans	Total Mobile PET Scans	Total Fixed and Mobile PET Scans	% Change from Previous Year
2011	36,869	5,258	42,127	NA
2012	36,622	5,411	42,033	-0.22%
2013	34,900	5,716	40,616	-3.37%
2014	32,729	5,571	38,300	-5.70%

SMFP Years	2011	2012	2013	2014
NC PET Use Rates per 1000 Persons	4.40	4.35	4.16	3.88
% Change from Previous Year		-1.17%	-4.33%	-6.65%



No Limit to Number of Converted PET Scanners

- No need determinations
- Unknown number of CON applicants
- Previous CON applications required at least 2080 annual PET scans
- Impossible for an additional mobile PET to achieve this utilization unless patients are diverted from existing fixed and mobile PET sites



Mobile PET Service to Rural Counties

The Draft Policy provides no minimum frequency and no minimum duration for the converted mobile PET to serve the new rural host sites.

This is not an effective policy to improve patient access because it includes no measurable standards.



Higher Operating Costs for Mobile PET

- Reimbursement has declined while operating costs have increased.
- Mobile PET have higher operating costs than fixed PET due to salary expense, fuel costs and maintenance.
- The proposed PET Policy fails to maximize healthcare value because mobile PET has higher operating costs than fixed PET.



PET Administrative Rules

- The PET Policy will not change the service area definition for the two existing Alliance mobile PET units derived from the 2002 SMFP unless the current Administrative rules are changed.
- The proposed PET Policy would allow new mobile PET providers to serve the new statewide service area.
- This type of unfair competition would harm Alliance Imaging.



Conclusion

Alliance Imaging urges the State Health Coordinating Council to delete the PET policy from the proposed 2015 State Medical Facilities Plan.