

August 14, 2015

Christopher Ullrich, MD, Chair  
State Health Coordinating Council

Mr. Greg Yakaboski, Assistant Section Chief  
Healthcare Planning  
Division of Health Service Regulation  
2701 Mail Service Center  
Raleigh, NC 27699-2714

**RE: Response to Letter Submitted by Strategic Healthcare Consultants on Behalf of Alliance Healthcare Services in Response to Doshier Hospital's Petition**

Dear Dr. Ullrich and Mr. Yakaboski,

During the open comment period, Doshier Hospital would like to provide responses to misleading comments filed by Alliance Healthcare Services regarding Doshier's petition for a fixed MRI in Brunswick County.

*Comment: "Doshier Hospital chose 422 Long Beach Road in Southport as the current location for the MRI scanner which is approximately 4 miles from the hospital main campus. Due to this location choice, some patients have to be transported to and from the hospital. Alliance has already communicated its willingness to relocate the MRI scanner to the main hospital campus."*

**Response:** Capacity to alter decisions within the hospital is one of the many reasons why Doshier filed the petition. Cost is another. On July 22, 2015, Alliance provided Doshier a proposal to relocate the scanner to the hospital. Doshier appreciates the willingness to explore options. However, all options to relocate the MRI to a location adjacent to the hospital come at a significantly higher cost than the current contract or a Doshier-owned MRI scenario.

**Comment:** *"The petitioner's contention that the Alliance MRI scanner only operates one third of the time is misleading. The MRI scanner is a full time unit because it does not move to serve other locations and the staffing can be adjusted to meet changes in demand. If the Hospital wants to have a technologist at the facility for additional number of hours per week, this can be addressed in the services agreement. During the past year, Doshier Hospital's annual volume of 1,267 weighted procedures represents less than 31 percent of the MRI capacity based on 4,118 weighted procedures. The hours of operation of the fixed MRI scanner at the Doshier Medical Plaza are based on the MRI procedures that are scheduled each day. Adding hours of MRI services does not generate increased demand the population has for MRI services."*

**Response:** Alliance Healthcare's suggestion to add hours would come at a cost increase to Doshier, a cost that would be higher and less flexible than if Doshier owned the MRI. If Doshier owned the scanner, it could reduce costs and operate the scanner full time with after-hours call coverage. Moreover, Doshier is a Critical Access Hospital and is reimbursed at cost by Medicare and Medicaid. Reduction in our operating costs will have a direct benefit to those payers.

The proposed 2016 SMFP treats the Alliance Doshier scanner as "fixed" because it does not move. However, it operates like a mobile, staffed only part-time.

**Comment:** *"The Alliance MRI equipment provided to Doshier Hospital is a grandfathered scanner and a valuable asset. If Doshier decides to terminate the contract with Alliance for MRI services, Alliance can use the scanner to serve patients of other providers in Brunswick County or other counties because the scanner is grandfathered and the scanner can be relocated without CON approval. Therefore the use of the Alliance scanner may not be discontinued in Brunswick County but instead shifted to an alternate location in areas of the county with higher population growth rates as compared to Southport."*

**Response:** Alliance is well aware that Doshier Hospital must have MRI technology available to our physicians and patients. Termination of the contract would impact the quality of care available to our patients and restrict our physicians' ability to practice quality medicine. Without approval of our request, Doshier will be forced to pay higher rates to a for-profit company located in California. Doshier is aware of the nature of the grandfathered MRI scanner. Doshier's current hardship persists regardless of where Alliance chooses to locate its grandfathered scanners. Alliance has exclusive control over its contract with Doshier. Yet, if the contract is terminated, Doshier would be left without MRI while Alliance could move the scanner to a new location. Doshier believes that the grandfathered nature of the scanner should not be a tool to hold its patients hostage to high costs to provide core services. Basic Assumption 4 of the Methodology clearly anticipates that facilities can replace contracted scanners.

**Comment:** *"MRI procedures often require prior authorization. Consequently it is increasingly rare that a community hospital or critical access hospital has a genuine need for "same day" or "emergency" MRI procedures that would require an MRI technologist to be called back to the hospital. The Doshier Hospital petition provides no data to document the frequency that "same day" or "emergency" MRI procedures have occurred."*

**Response:** As noted on page 9 of the petition, approximately 40 patients last year required ambulance transport to and from the MRI. We do not maintain records to count the additional inpatients and emergency patients, who, instead of waiting for service, choose to forego an MRI procedure and receive an alternative service. If Doshier owns its MRI, it can cross-train radiology staff from other departments such as CT, who would be available 24/7 for emergency call back. Transport creates unnecessary challenges for both the patient and Doshier. By increasing service availability and reducing a need for transport, all patients will benefit.

**Comment:** *"Doshier Hospital's prediction of cost savings is speculative because the cost per scan comparison omits the indirect costs for equipment maintenance and depreciation that would be higher for the fixed MRI scanner proposed by Doshier."*

**Response:** Doshier's cost comparison is a direct comparison of Doshier's current contract with Alliance with the equivalent cost of operating its own scanner. Pro forma costs for a Doshier-owned scanner include both equipment maintenance and depreciation.

**Comment:** *"The Doshier Hospital petition does not include a discussion of the obvious option of utilizing a mobile MRI scanner several days per week at the hospital and the imaging center which would reduce operating expenses and eliminate the need to transport patients. Most critical access hospitals in North Carolina utilize mobile MRI services because it provides cost effective service and fits the needs of their patient population."*

**Response:** The commenter suggests a more costly alternative -- that the hospital should lease two scanners or one that moves between two locations. Operating costs for two scanners would be more than for one. The commenter presumes that an existing mobile scanner would be available and approvable for Brunswick County. This Alliance alternative would add to the problem of coordinating tech staff who are not hospital employees. This is hardly an effective alternative. Alliance has also presented other alternatives to Doshier, all of which are more expensive than the Doshier-owned MRI scenario.

**Comment:** *"The Proposed 2016 SMFP includes no policy to support the petitioner's request to lower the MRI utilization threshold to 1,716 weighted procedures that would give preferential treatment to one specific hospital provider. Furthermore, the MRI administrative rules have not been amended to provide exceptions to the tiered MRI planning thresholds. Therefore the requested adjusted need determination is inconsistent with the MRI methodology, the MRI administrative rules and the overall intent of the planning process."*

**Response:** Doshier expects that approval of the Special Need Adjustment would include a change in the threshold. Consistent with historical practice, with approval of the Special Need Adjustment by the SHCC and the Governor, DHSR would incorporate the new threshold in the routine changes to administrative rules that occur every year with SMFP publication. The adjustment includes a reduced performance threshold of 1,716 weighted scans. Doshier's petition follows the intent of special needs adjustments, to improve access by meeting the needs of residents of Brunswick County and its Critical Access Hospital. Improving access is consistent with the SMFP governing principles.

Sincerely,



Thomas R. Siemers, FACHE  
President and CEO