

**TO: North Carolina State Health Coordinating Council
Healthcare Planning and Certificate of Need Section
North Carolina Division of Health Service Regulation
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**FROM: Alliance Healthcare Services
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RE: Public Hearing Comments Regarding Proposed Policy TE-3

Alliance Healthcare Services provides mobile MRI and PET/CT services to numerous healthcare providers including community hospitals in rural counties. Mobile imaging's biggest advantages are that it offers flexible capacity and risk mitigation to organizations looking to improve patient access and support expansion initiatives. Alliance appreciates the opportunity to share its concerns related to the proposed Policy TE-3.

The proposed Policy TE-3 defines certain community hospitals as "qualified applicants" and exempts them from the standard MRI need methodology and affords them the opportunity to submit a CON application to obtain a fixed MRI scanner. While the policy appears to be well intentioned, there are several shortcomings:

One issue is that the concept of "qualified applicants" is clearly discriminatory because community hospitals are certainly not the only safety net providers in rural NC counties. Physician groups, Rural Health Centers and Federally Qualified Health Centers also

provide tremendous benefit and access to care for medically underserved populations. The needs of the populations in certain rural counties could probably be better served by improving access to mobile MRI at both hospital and non-hospital sites.

Secondly, it is unreasonable for the proposed policy to require the “qualified applicant” to provide 24 hour 7 day per week emergency department coverage but have absolutely no minimum staffing requirement or weekly hours of operation for the fixed MRI service. This disconnect between the definition of “qualified applicant” and the absence of an MRI staffing requirement sets the stage for a small community hospital to have severely underutilized MRI scanners. For this reason the proposed policy fails to ensure that a fixed MRI scanner with no minimum staffing would be a more effective option to improve access as compared to mobile MRI service.

The third concern is that the statement, “The performance standards in 10A NCAC 14C .2703 would not be applicable” has not been incorporated into the administrative rules through the Office of Administrative Hearings (OAH) rule-making process. Previous changes to the State Medical Facilities Plan for new policies and demonstration projects have followed the OAH rule making process. But in this instance, the proposed Policy TE-3 is circumventing the rule-making process that is in place to ensure a thorough analysis of the proposed changes and much greater opportunity for public comments.

A fourth problem with the proposed policy is that the threshold of 850 annual weighted scans fails to demonstrate or ensure financial feasibility. Community hospitals in rural counties are financially vulnerable because they often serve very high percentages of Medicare and Medicaid patients. The overall average reimbursement per MRI scan at these facilities will be lower than that at hospitals in urbanized areas. Setting the standard so low at 850 annual weighted scans will put these hospitals at risk if reimbursement decreases or if a new MRI competitor enters the market. It does not make sense for many small community hospitals to increase both their fixed costs and risk by acquiring a fixed MRI scanner.

As outlined in the Alliance comments, there are multiple deficiencies with the proposed Policy TE-3. Alliance supports the standard methodology for MRI scanners and the SMFP petition process that allows any person to submit a request for an adjusted need determination to meet the special needs of a service area population. These provide the means for both hospitals and non-hospitals to potentially acquire additional fixed MRI scanners. For all of these reasons, Alliance Healthcare Services requests that the State Health Coordinating Council vote against the adoption of the proposed Policy TE-3 in the 2017 State Medical Facilities Plan.