Presentation of Special Needs Petition for

Fixed Magnetic Resonance Imaging Equipment in Wake County,

Proposed 2020 *State Medical Facilities Plan*

Raleigh, July 24, 2019

Presented by:

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Hello, my name is Joanne Watson. I am the Chief Operating Officer of Raleigh Radiology, an independent practice of 41 radiologists. With me today is Dr. Satish Mathan, President of Raleigh Radiology. We ask that the SHCC grant us a special need determination for one fixed MRI in Wake County.

Wake County is falling behind other North Carolina population centers in its MRI service. Mecklenburg County, with a similar population, has almost 20% more fixed equivalent magnets per capita than Wake; Forsyth and Durham each have over twice as many. Of those growing areas, Wake County projects the greatest population increase by 2024.

Of the population centers we examined, Wake County also has the lion's share of MRIs owned and operated by Alliance Imaging. Compared to Mecklenburg, Wake County has 8 times the number of Alliance-owned fixed equivalent magnets per capita. Alliance owns 30 percent of the fixed equivalent MRIs operating in freestanding centers in Wake County.

Why does this matter? Alliance owns the scanners and sets the terms of service. It hires the staff monitors the scanner, decides when to upgrade and when to replace. Upgrades are an additional cost or service extension to the host. A mobile MRI is a great way for a startup or limited scale operation to offer MRI services. However, it is a very costly and sub-optimal solution for a high-volume practice trying to accommodate increasing volume. Alliance fees are high, MRI reimbursement continues to decline, and Alliance includes the right to increase fees annually in their contracts.

Alliance charges Raleigh Radiology a set fee for a specified number of hours per week. Unlike providers who own their scanner, when we need to add hours we negotiate and pay more. Providers who purchase a scanner can

borrow funds with pay back over time, or finance internally, and they can take advantage of the tax consequences of depreciation. They eventually own the MRI without debt. We on the other hand pay and pay with no benefit of ownership. When we have new business, we first evaluate our Alliance cost. We participate with Medicare and Medicaid and actively promote our accessibility and availability for these patients. NC Medicare reimburses $216.98 global for MRI of the head. Our Alliance cost per hour is higher. Our uninsured patients pay the lowest out of pocket cost in our area and we could lower that cost more if we owned our MRI. As payers introduce cost-saving initiatives like paying less for a second procedure, or linking payment to compliance with National Decision Support or obtaining authorizations, we incur additional monitoring costs. Meanwhile our Alliance fees endure. We are offering low out of pocket cost to Wake County residents in a model that is not sustainable.

Raleigh Radiology entered into a contract with Alliance for MRI services in 2005, and we are now the only freestanding practice in the state operating zero ownership in an MRI. In this Alliance relationship, we cannot control the contracted staff or the hours they make the machine available to our patients. The MRI is now 11 years old. For all of these 11 years we have not been in control of the routine maintenance or repairs, we have not been able to plan to replace the machine, and when the equipment fails, we scramble to accommodate scheduled patients elsewhere and wait patiently until the system is fixed.

Recently, one of these MRIs quenched twice in the space of a few days. A quench is a spectacular total system failure. It took three weeks to repair the MRI. During that time, Alliance provided us with a mobile unit in a trailer. The mobile MRI exam quality was suboptimal for certain procedures so we could not perform them on the mobile. Several patients had to be recalled for additional images due to sub-optimal scans. During the outage period, we had no control over the repair schedule or the comings and goings of the personnel doing the repairs. In short, we are the only freestanding imaging center in the state that is incapable of managing the quality of our entire MRI service line.

Complaints from MRI patients often relate to the Alliance technologists. Our recourse is to discuss the complaint with Alliance who investigates with their staff. Complaints from our Radiologists about scan quality include poor technique and incorrect labelling.

Raleigh Radiology is in a unique position. We are a high volume, high value MRI provider doing 12,000 annual scans on two MRIs that we do not own, staffed by technologists that we do not employ. We filed a petition in 2015 to remedy the situation for one of these MRIs and were unsuccessful going through the regular CON process. We are still battling this decision in the courts, a very expensive process. Despite our best efforts, the system has failed to resolve this problem for our practice. Without specific limits on the new scanner, the CON

review process will favor a hospital with high Medicare and Medicaid history or a new vendor with no history, over a steady existing provider that has soldiered its way to serving the working insured population. As such, we believe that a special need determination is appropriate. Wake County is currently underserved by MRI units; a special need determination would provide relief for the county without impacting the overall need methodology. If granted both the special need and the related MRI scanner, Raleigh Radiology will have lower costs per scan and work to pass those savings on to patients. We will be able to improve access by expanding hours; we will be able to control maintenance and potentially identify problems before they occur; when we want to add new technology we will be able to do so without negotiation and we will deploy our own robust QC and QA processes.

This special need should come with restrictions to an applicant that owns no MRI, either alone or through a related party, who has a four-year history of exceeding the Wake County threshold for MRI scans, and who provides low charges to patients. There is precedent. The SMFP provides similar MRI relief to hospitals that offer emergency services, and cardiac catheterization relief to providers that reach a minimum annual service threshold. Those entities can apply for a CON regardless of whether or not the Plan shows a need. A freestanding high-volume, low-charge center merits similar treatment.

Thank you for your time and consideration. Raleigh Radiology will be submitting a formal petition today; however, Dr. Mathan and I will be happy to answer any questions.