



October 1, 2015

Ms. Martha Frisone, Assistant Chief  
Health Planning and Certificate of Need Section  
2704 Mail Service Center  
Raleigh, NC 27699-2704

Re: Comments Regarding Wilmington Health PLLC CON Project ID# F-11063-15 and Porters Neck Imaging, LLC CON Project ID# 1106-15  
Fixed MRI Scanner in New Hanover County

Dear Ms. Frisone:

I am writing on behalf of Alliance Healthcare Services to provide written comments regarding the CON applications submitted by Wilmington Health Associates and Porters Neck Imaging, LLC to acquire a fixed MRI scanner. These comments are submitted in accordance with N.C. GEN. STAT. § 131E-185(a1)(1).

Thank you for your consideration of this information.

Sincerely,

David. J French  
Consultant to Alliance Healthcare Services

**Comments Regarding Wilmington Health PLLC CON Project ID# F-11063-15, Fixed MRI Scanner in New Hanover County**

**Submitted by Alliance Healthcare Services**

**Wilmington Health proposed to acquire a fixed MRI scanner to be installed at 1202 Medical Center Drive in Wilmington. The CON application fails to meet the CON review criteria and MRI criteria and standards due to multiple deficiencies:**

- **The patient origin data and the methodology for the projected utilization are flawed.**
- **The applicant failed to adequately demonstrate that acquiring the proposed fixed MRI scanner is the least costly and most effective alternative.**
- **The operational and financial projections are inaccurate.**

**Specific comments regarding why the Wilmington Health application fails to conform to the CON review criteria are discussed below.**

*CON Review Criteria:*

- (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, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.*

**The need determination for one fixed MRI scanner in New Hanover County that is included in the 2015 State Medical Facilities Plan is based on incorrect and overstated utilization. In that context, the MRI utilization for Wilmington Health declined by 1.48 percent from 3,457 weighted procedures from 1/1/13 to 12/31/14 to 3,406 weighted procedures from 1/1/14 to 12/31/15. The applicant's assumption for 1.07 CAGR for future growth is inconsistent with Wilmington Health's actual annual increase for the most recent year.**

**The applicant's projections do not adequately explain the projected increase from 2,981 unweighted scans for the year ending 12/31/16 to 4,065 unweighted scans for the year ending 12/31/17. This projected increase of over 38 percent in a single year is not related to increased hours of service because the current MRI located at Wilmington Health is permanently parked at that location.**

**Wilmington Health's projections are unreliable and overstated because on page 67 the applicant assumes that only 10 percent of Wilmington Health MRI patients would utilize other MRI facilities while the remaining 90 percent of MRI referrals would utilize the proposed fixed MRI. The 10 percent assumption is unreliable because the proposed fixed MRI scanner is not available to inpatients needing MRI procedures and multiple existing mobile MRI scanners are available to patients.**

- (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.*

**The Wilmington Health application does not conform to Criterion 3 because the need for the proposed project has not adequately been demonstrated as discussed in the Criterion 3 comments. Utilization projections are unreliable. Therefore the application fails to demonstrate that the proposed project is an effective alternative.**

- (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.*

The Wilmington Health application does not conform to Criterion 5 because the utilization projections are unreliable. Therefore the application fails to demonstrate that the proposed project is based on reasonable projections. For the most recent actual two year period MRI utilization decreased by 1.48 percent from by 3,457 weighted procedures in 1/1/13 to 12/31/14 to 3,406 weighted procedures in 1/1/14 to 12/31/15. Therefore the applicant's assumption of 1.07 CAGR for future growth is inconsistent with Wilmington Health's actual decrease for the most recent year.

(6) *The applicant shall demonstrate that the proposed project will not result in the unnecessary duplication of existing or approved health service capabilities or facilities.*

The Wilmington Health application does not conform to Criterion 6 because the applicant's utilization projections are overstated and unreliable. Consequently the proposed project fails to demonstrate that it will not result in unnecessary duplication of existing health services.

(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.*

The Wilmington Health application does not conform to Criterion 18a because the applicant's utilization projections are overstated and unreliable. The proposed project simply substitutes a fixed MRI scanner for a parked mobile MRI scanner with no documented improvement in cost effectiveness or access to services. The applicant's projected cost savings do not relate to realistic volume projections.

## Comparative Analysis

CON Applications	WHA Project ID # O-11063-15	Porters Neck Project ID # O-11060-15
<b>Applicant</b>	Wilmington Health, PLLC is a physician owned PLLC.	Porters Neck Imaging, LLC is owned by Delaney Radiologists (50%) and New Hanover Regional Medical Center (50%). Delaney Radiologists intends to provide management services and professional services.
<b>Project Overview</b>		
MRI Scanner	GE Optima 450w	GE Optima 450w
Location	1202 Medical Center Drive	1025 Medical Center Drive, Wilmington
Project	Renovations (2,049 S.F.) and expansion (967 S.F.) to the building owned by the applicant.	Building is owned by Delaney and has existing imaging services. Renovations and upfit of 1,182 S.F. is proposed
Capital Cost	\$2,141,922	\$1,736,987
Yr 1 Start Date	1/1/2017	10/1/2016
<b>Volumes</b>		
MRI Scans YR 1	4,065	4,335
MRI Scans YR 2	4,108	4,435
MRI Scans YR 3	4,152	4,537

CON Applications	WHA Project ID # O-11063-15	Porters Neck Project ID # O-11060-15
<b>Payor Mix</b>		
Self Pay / Charity	0.40%	1.00%
Medicare	<b>44.70%</b>	<b>38.00%</b>
Medicaid	<b>5.90%</b>	<b>4.00%</b>
Managed & Commercial	44.10%	49.00%
Other	4.90%	8.00%
Totals	100.00%	100.00%
<b>Financial</b>		
Average Charges YR 2	<b>1352.95</b>	<b>1533.00</b>
Average Cost per Scan YR 2	<b>433.80</b>	<b>468.34</b>
Average Net Rev / Scan YR 2	<b>228.75</b>	<b>642.86</b>
<b>Staffing</b>		
MRI Technologists	<b>4.0 FTEs</b>	<b>3.0 FTEs</b>
Manager / Supervisor	<b>0.25 FTE</b>	<b>None</b>
Other	<b>0.5 FTE</b>	<b>None</b>

CON Applications	WHA Project ID # O-11063-15	Porters Neck Project ID # O-11060-15																		
<b>Comments</b>	The WHA methodology is based on incorrect historical utilization data and overstated compound annual growth rates. The WHA application does not mention the double count of MRI procedures at the New Hanover sites.	The Porters Neck application states that the 2015 State Medical Facilities Plan double counted the MRI utilization at New Hanover Military Cutoff and New Hanover Porters Neck. This erroneous data overstates MRI utilization by 1,503 scans.																		
<b>Data Issues</b>	For the most recent three years, the MRI procedure volumes have been inconsistent with the numbers of CPT codes for New Hanover County providers.																			
<b>2012 to 2014 MRI Data Inconsistencies</b>	<p>The MRI utilization for New Hanover County is inconsistent because the MRI total combined volume of procedures is increasing but the total combined volume of CPT procedures is decreasing.</p> <p><a href="http://www2.ncdhhs.gov/dhsr/mfp/pdf/2015/tec/0506_cptcodesummary.pdf">http://www2.ncdhhs.gov/dhsr/mfp/pdf/2015/tec/0506_cptcodesummary.pdf</a></p> <table border="1" data-bbox="545 768 1508 915"> <thead> <tr> <th data-bbox="545 768 784 842">New Hanover MRI</th> <th data-bbox="789 768 930 842">2012</th> <th data-bbox="935 768 1076 842">2013</th> <th data-bbox="1081 768 1222 842">2014</th> <th data-bbox="1227 768 1369 842">2012 to 14 Change</th> <th data-bbox="1373 768 1508 842">2012-14 % Change</th> </tr> </thead> <tbody> <tr> <td data-bbox="545 848 784 879">MRI Procedures</td> <td data-bbox="789 848 930 879">27,708</td> <td data-bbox="935 848 1076 879">26,867</td> <td data-bbox="1081 848 1222 879">28,334</td> <td data-bbox="1227 848 1369 879">626</td> <td data-bbox="1373 848 1508 879">2.26%</td> </tr> <tr> <td data-bbox="545 884 784 915">CPT Procedures</td> <td data-bbox="789 884 930 915">28,917</td> <td data-bbox="935 884 1076 915">28,545</td> <td data-bbox="1081 884 1222 915">28,336</td> <td data-bbox="1227 884 1369 915">-581</td> <td data-bbox="1373 884 1508 915">-2.01%</td> </tr> </tbody> </table>		New Hanover MRI	2012	2013	2014	2012 to 14 Change	2012-14 % Change	MRI Procedures	27,708	26,867	28,334	626	2.26%	CPT Procedures	28,917	28,545	28,336	-581	-2.01%
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<b>Conclusions</b>	The WHA application does not conform to all CON review criteria because its methodology and assumptions are based on incorrect data.	The Porters Neck application does not conform to multiple CON review criteria.																		
	The WHA application is comparatively superior to the Porters Neck application due to a favorable payor mix, low charges and costs and realistic staffing. However, the WHA utilization projections are not based on reasonable assumptions.	The Porters Neck application is not an effective application due to a less than optimal payor mix, higher charges and costs and incomplete staffing. The Porters Neck MRI projections are not based on reasonable assumptions.																		

## Comments Regarding Porters Neck CON Project ID# F-11060-15, Fixed MRI Scanner in New Hanover County

Submitted by Alliance Healthcare Services

Porters Neck Imaging proposed to acquire a fixed MRI scanner to be installed at 1025 Medical Center Drive in Wilmington. The CON application fails to meet the CON review criteria and MRI criteria and standards due to multiple deficiencies:

- The patient origin data and the methodology for the projected utilization are flawed.
- The applicant failed to adequately demonstrate that acquiring the proposed fixed MRI scanner is the least costly and most effective alternative.
- The operational and financial projections are inaccurate.

Specific comments regarding why the Porters Neck application fails to conform to the CON review criteria are discussed below.

*CON Review Criteria:*

- (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, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.*

The need determination for one fixed MRI scanner in New Hanover County that is included in the 2015 State Medical Facilities Plan is based on incorrect and overstated utilization. In that context, the MRI utilization for the Porters Neck projections are also unreliable and overstated because on page 105 the applicant relies on 2015 partial year data to predict an annual change increase of 3.79 percent. This 3.79 percent increase is not based on a complete year of data and is in great contrast to the 0.82 percent increase for the previous year. The applicant's use of the two year average is unreasonable because it does not reflect the average of two years of actual utilization.

- (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.*

The Porters Neck application does not conform to criterion 3 because the need for the proposed project has not adequately been demonstrated as discussed in the criterion 3 comments. Utilization projections are unreliable. Therefore the application fails to demonstrate that the proposed project is an effective alternative.

- (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.*

The Porters Neck application does not conform to criterion 5 because utilization projections and financial projections are unreliable. MRI utilization for the Porters Neck projections are unreliable and overstated because on page 105 the applicant relies on 2015 partial year data to predict an annual change increase of 3.79 percent. This 3.79 percent increase is not based on a complete year of data and is in great contrast to the 0.82 percent increase for the previous year.

- (6) *The applicant shall demonstrate that the proposed project will not result in the unnecessary duplication of existing or approved health service capabilities or facilities.*

**The Porters Neck application does not conform to criterion 6 because the applicants' utilization projections are overstated and unreliable. As discussed on page 102 of the application, the 2015 SMFP includes duplicative counts of 1,468 MRI procedures for New Hanover County. The proposed project is duplicative of existing MRI capacity due to the over stated MRI utilization projections and the incorrect MRI utilization projected by the applicant.**

- (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.*

**The Porters Neck application does not conform to criterion 18a because the applicants' utilization projections are overstated and unreliable. The proposed project does not offer the service area a new facility choice. The cost effectiveness of the proposed project has not been adequately demonstrated due to the overstated utilization projections. For these reasons the Porters Neck application should be denied.**

## Comparative Analysis

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