

*Via E-Mail Only: DHSRCON.Comments@dhhs.nc.gov.*

TO: Cynthia Bradford, Project Analyst  
Healthcare Planning and Certificate of Need Section

FROM: Wake Radiology

RE: Comments on the 2024 Johnston County MRI CON Review

DATE: May 31, 2024

North Carolina's Certificate of Need Law provides that "any person" may file written comments and exhibits concerning a proposal under review, not later than 30 days after the date on which the application begins review. *See* N.C. Gen. Stat. § 131E-185.

These comments are respectfully submitted by Wake Radiology Diagnostic Imaging, Inc. and WR Imaging, LLC, hereinafter collectively referred to as Wake Radiology.

Wake Radiology, an existing diagnostic imaging practice with several locations in Wake County, is not an applicant in the 2024 Johnston County MRI CON review.

Pursuant to N.C. Gen. Stat. § 131E-183(a)(1) and the 2024 State Medical Facilities Plan, no more than one fixed MRI scanner may be approved for the Johnston County fixed MRI scanner service area.

In this review, two applicants propose the following:

RR WM Imaging Clayton LLC ("RR Clayton") proposes to acquire one fixed MRI scanner to be located at Raleigh Radiology Clayton.

Johnston Imaging LLC ("Johnston Imaging") proposes to acquire one fixed MRI scanner to be located at Johnston Imaging in Smithfield.

Because the applications in this review collectively propose to develop two additional fixed MRI scanners in the Johnston County fixed MRI scanner service area, both applications cannot be approved.

Wake Radiology asks that the Agency consider the following comments in its conduct of the comparative analysis of the competing applications in this review.

### **GEOGRAPHIC ACCESSIBILITY**

On the comparative factor Geographic Accessibility (Location within the Service Area), Johnston Imaging's proposal to locate a fixed MRI in Smithfield is more effective than RR Clayton's proposal to locate another MRI in Clayton because Wake Radiology already operates a fixed MRI in Garner which is geographically accessible to Clayton residents. The Agency acknowledges that facilities may also serve residents of counties not included in their service area. Wake Radiology provides a fixed MRI in Garner which serves Johnston County residents. The Wake Radiology fixed MRI in the adjacent Wake County service area operates in a location which is convenient for Clayton residents but is approximately twenty-five miles and a half-hour drive for Smithfield residents. Therefore, the Johnston Imaging application proposal to add a fixed MRI in Smithfield is a more effective alternative to enhance Johnston County residents' Geographic Accessibility to fixed MRI services.

Options for accessing MRI service exist in Johnston County at both fixed and mobile site locations. Johnston County residents already have access to fixed MRI services in both Clayton and Smithfield. Clayton residents are proximate to Garner where WakeMed operates a mobile MRI and is approved for a new hospital including a pad for a mobile MRI unit. Johnston County residents are served by two mobile host sites in Clayton while Smithfield is only served by one mobile host site. Therefore, the Johnston Imaging application proposal to add a fixed MRI in Smithfield is a more effective alternative to enhance Johnston County residents' Geographic Accessibility to MRI services.

Smithfield represents a central location in Johnston County. Considering the range of MRI scanners available in Wake County and Clayton's proximity to Wake County, to meet the identified need in Johnston County, Smithfield is a more effective location.

Each applicant proposes to locate a fixed MRI scanner in a town that currently has one fixed MRI scanner in place. If the application submitted by Johnston Imaging is not considered more effective, the applicants should be found to be equally effective alternatives on the Geographic Accessibility comparative factor.

**ACCESS BY SERVICE AREA RESIDENTS**

In this review, choosing an applicant to enhance service to Johnston County residents is key.

Generally, regarding this comparative factor, the application projecting to serve the largest number of service area residents is the more effective alternative based on the assumption that residents of a service area should be able to derive a benefit from a need determination for additional fixed MRI services in the service area where they live.

Applicant	RR Clayton	Johnston Imaging
Number of Patients from Johnston County	1,220	3,588
Percentage of Patients from Johnston County	66.0%	85.6%

Source: Section C Patient Origin Tables for each applicant.

Johnston Imaging projects to serve both the highest total number of service area residents and the highest percentage of service area residents compared to overall total patients.

The SMFP Need Determination is for a fixed MRI in Johnston County and the applicant that proposes more service to Johnston County residents (both by percentage and by number) should be deemed more effective in this review.

Based on the facts of this review, it is critical for the Agency to utilize the Access by Service Area Residents comparative factor to select the applicant for approval.

**COMPETITION**

Currently, Johnston County has no freestanding fixed MRI units. UNC Health Johnston operates MRI units at the Smithfield Campus and the Clayton Campus, but these units are hospital-based. Both RR Clayton and Johnston Imaging will offer patients a new option for a fixed MRI in a freestanding facility. If approved, Johnston Imaging will be a new competitor for freestanding MRI services. While RR Clayton does not operate a fixed MRI in Johnston County, the applicants should be found equally effective in introducing a new freestanding MRI option in Johnston County.

**ACCESS BY UNDERSERVED GROUPS**

**Medicare**

As shown in the table below, the application submitted by Johnston Imaging projects to provide 51.35% of its MRI services to Medicare patients. The application submitted by RR Clayton projects that 28.36% of its fixed MRI services will be provided to Medicare patients. Therefore, as to service to Medicare patients, the application submitted by Johnson Imaging is the more effective alternative.

**Year 3**

Applicant	Medicare Gross Revenue	Total Gross Revenue	Medicare % of Total Revenue
RR Clayton	\$3,218,056	\$11,349,040	<b>28.36%</b>
Johnston Imaging	\$5,787,921	\$11,270,994	<b>51.35%</b>

Source: Form F.2b for each applicant.

**Medicaid**

Generally, the application proposing to provide a higher percentage of services to Medicaid patients is the more effective alternative on this comparative factor.

**Year 3**

Applicant	Medicaid Gross Revenue	Total Gross Revenue	Medicaid % of Total Gross Revenue
RR Clayton	\$907,923	\$11,349,040	<b>8.00%</b>
Johnston Imaging	\$1,739,299	\$11,270,994	<b>15.43%</b>

Source: Form F.2b for each applicant.

The application submitted by Johnston Imaging projects to provide 15.43% of its fixed MRI services to Medicaid patients. The application submitted by RR Clayton projects that 8% of its fixed MRI services will be provided to Medicaid patients. Therefore, as to service to Medicaid patients, the application submitted by Johnston Imaging is the more effective alternative.

**PROJECTED AVERAGE NET REVENUE PER WEIGHTED MRI PROCEDURE**

Generally, as to the Projected Average Net Revenue per Weighted MRI Procedure comparative factor, the application proposing the lowest average net revenue per weighted MRI procedure is the more effective alternative.

**Year 3**

Applicant	Net Revenue	# of Weighted MRI Procedures	Average Net Revenue / Weighted MRI Procedure
RR Clayton	\$2,042,827	6,250	\$326.85
Johnston Imaging	\$1,663,394	4,583	\$362.95

Source: Forms C.2b and F.2b for each applicant.

RR Clayton bills globally including the “professional fees” for the professional interpretation of MRI studies by radiologists in its bills to payors. Johnston Imaging does not propose to bill globally. Billing to payors, whether global billing or non-global billing, is how gross revenue is derived. Since the applicants bill differently and thus generate gross revenue differently, a comparison based on gross revenue is inconclusive.

In the 2023 Wake MRI Agency Findings dated December 4, 2023 (Project Analyst Tanya Saporito/Co-Signer Gloria Hale), Raleigh Radiology proposed global billing and a \$326 Projected Average Net Revenue per Weighted MRI Procedure, *which was lower than the other two applicants.*

In the 2023 Wake MRI Agency Findings, the Agency determined that the factor Projected Average Net Revenue per Weighted MRI Procedure was inconclusive because one Applicant did not include a line item for professional fees and two applicants did include a line item for professional fees. The Agency concluded that this “impacts net revenue,” making a comparison inconclusive.

Consistent with the approach used just a few months ago in the 2023 Wake MRI Agency Findings, a comparison on Projected Average Net Revenue per Weighted MRI Procedure is inconclusive in this review.

**PROJECTED AVERAGE OPERATING EXPENSE PER WEIGHTED MRI PROCEDURE**

Generally regarding this comparative factor, the application proposing the lowest average operating expense per weighted MRI procedure is the more effective alternative.

**Year 3**

Applicant	Operating Expense	# of Weighted MRI Procedures	Average Operating Expense / Weighted MRI Procedure
RR Clayton	\$1,750,923 – \$ 453,962 = \$1,296,961	6,250	\$207.51
Johnston Imaging	\$1,117,908	4,583	\$243.92

Source: Forms C.2b and F.2b for each applicant.

As shown in the table above, the application submitted by RR Clayton projects the lowest average operating expense per weighted MRI procedure in the third operating year. The application submitted by Johnston Imaging projects a higher average operating expenses per weighted MRI procedure in the third operating

year. Therefore, the application submitted by RR Clayton is the more effective application with respect to projected average operating expense per weighted MRI procedure.

**SUMMARY**

The following table lists the comparative factors and indicates which application is more effective for each factor.

<b>Comparative Factor</b>	<b>RR Clayton</b>	<b>Johnston Imaging</b>
Scope of Services	Equally Effective	Equally Effective
Geographic Accessibility	Equally Effective	Equally Effective
Access by Service Area Residents		More Effective
Access by Medicare Patients		More Effective
Access by Medicaid Patients		More Effective
Competition (Access to a New Provider)	More Effective	
Projected Average Net Revenue per Weighted MRI Procedure	Inconclusive	Inconclusive
Projected Average Cost per Weighted MRI Procedure	More Effective	

As shown in the table above, the application submitted by Johnston Imaging is a more effective alternative for the following three factors:

- Access by Service Area Residents
- Access by Medicaid patients
- Access by Medicare patients

As shown in the table above, the application submitted by RR Clayton is a more effective alternative for the following two factors:

- Competition (Access to a New Provider)
- Projected Average Cost per Weighted MRI Procedure

Based on a comparative analysis of the applicants, Johnston Imaging is appropriately approved in this review.

Thank you for your consideration of these comments.