

**Technology and Equipment Committee
Agency Report
Petition to Remove Need Determination for
One Fixed Magnetic Resonance Imaging Equipment (MRI) in
Pasquotank/Camden/Currituck/Perquimans Service Area
2020 State Medical Facilities Plan**

Petitioner:

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Request:

Sentara Albemarle Medical Center (SAMC) requests removal of the need for an additional fixed MRI scanner in the Pasquotank/Camden/Currituck/Perquimans (PCCP) service area from the *2020 State Medical Facilities Plan (SMFP)*.

Background Information:

Chapter Two of the SMFP allows for “[a]nyone who finds that the North Carolina State Medical Facilities Plan policies or methodologies, or the results of their application, are inappropriate may petition for changes or revisions. Such petitions are of two general types: those requesting changes in basic policies and methodologies, and those requesting adjustments to the need projections.” The SMFP annual planning process and timeline allow for submission of petitions for changes to policies and methodologies in the spring and petitions requesting adjustments to need projections in the summer. It should be noted that any person might submit a certificate of need (CON) application for a need determination in the Plan. The CON review could be competitive and there is no guarantee that the petitioner would be the approved applicant.

The standard methodology uses the total number of adjusted procedures in an MRI service area, equivalent values for fixed and mobile MRI scanners, and graduated need determination thresholds based on the number of fixed scanners in a service area. Procedures are weighted according to complexity and then combined to determine a total number of weighted procedures. The fixed equivalent value is 1.00 for approved and existing fixed MRI scanners, including need determinations from previous SMFPs for MRI scanners. For mobile sites, the fixed equivalent is the number of MRI adjusted procedures performed at the site divided by the threshold for the MRI service area. The fixed equivalent for a mobile site can be no greater than 1.00. The sum of the

weighted MRI procedures is divided by the number of fixed equivalent scanners to get the average adjusted procedures per scanner for each service area. A need determination for additional MRI scanners occurs when the average adjusted procedures per scanner for the service area exceeds the threshold established for the service area. Application of the methodology to utilization data in the Proposed 2020 SMFP generated a need determination for one additional fixed MRI in the PCCP service area.

SAMC has submitted a petition to adjust the need determination to remove the need determination for one fixed MRI scanner in the PCCP service area for the following reasons: 1) low MRI procedure volume growth trends, 2) low existing population with minimal growth rate, 3) currently have sufficient MRI operating capacity, 4) an additional scanner will have difficulty meeting CON rules and 5) SAMC was previously awarded a CON for a second fixed scanner that was never developed.

Analysis/Implications:

SAMC is the only provider that offers fixed MRI services in the PCCP service area and currently operates one fixed MRI machine. SAMC also has one operational mobile MRI scanner. The need determination in the service area is driven by SAMC’s MRI utilization of 5,262 total MRI weighted procedures reported for the Proposed 2020 SMFP. The threshold for a service area with one fixed machine is an average of 3,775 weighted scans per machine. Therefore, the PCCP service area surpassed the threshold for a need by 1,487 weighted scans.

If SAMC were to apply, it would have to demonstrate that its existing and the proposed MRI scanners would perform an average of 3,775 weighted procedures per scanner during the third operating year of the proposed scanner. Thus, SAMC would have to demonstrate that the two scanners would perform a total of at least 7,550 weighted MRI scans during the third operating year of the proposed scanner [3,775 x 2 = 7,550]. The petition asserts the growth rate in MRI procedures would preclude any applicant from meeting this performance requirement. In the last five years, the PCCP service area has demonstrated an overall slightly positive trend in the numbers of MRI procedures as seen in Table 1 below.

Table 1: Service Area and Statewide Trends in MRI Procedures, Data Years 2013 - 2017

| | 2016 SMFP | 2017 SMFP | 2018 SMFP | 2019 SMFP | Proposed 2020 SMFP | Total Percent Change | CAGR |
|--|-----------|-----------|-----------|-----------|--------------------|----------------------|-------|
| Pasquotank/Camden/Currituck/Perquimans Service Area | 3,603 | 3,304 | 3,776 | 4,121 | 4,521 | 25.48 | 5.84% |
| Annual Change in Service Area | | -8.30% | 14.29% | 9.14% | 9.71% | | |
| Statewide | 800,182 | 848,142 | 852,633 | 872,498 | 888,436 | 11.03 | 2.65 |

Source: 2015 – 2019 License Renewal Applications

Note: The data in the SMFP is two years earlier than the publication year of the SMFP.

The service area has a 5.84% Compound Annual Growth Rate (CAGR). If the 5.84% CAGR were used to project the number of procedures in the PCCP service area after three years, the total number of projected procedures would be 5,360 (see Table 2). Thus, based on the data, a projection

of 3,775 weighted MRI procedures by the end of year three would be obtainable for one machine but would not be sufficient for two machines.

Table 2: Anticipated Growth of MRI Procedures in the Pasquotank/Camden/Currituck/Perquimans Service Area

| | Proposed 2020 SMFP | Year 1 | Year 2 | Year 3 |
|----------------------------|--------------------|--------|--------|--------|
| SAMC MRI Procedures | 4,521 | 4,785 | 5,064 | 5,360 |

Finally, in 2006, the petitioners applied for and obtained a CON for a second fixed MRI scanner. However, the economic downturn and healthcare reform negatively impacted MRI volume, so the plan to add a second fixed MRI scanner was abandoned, and SAMC relinquished the CON for the additional scanner in January 2012. SAMC currently operates a mobile MRI scanner that can support the current growth in procedures.

The PCCP Service Area consists of small and rural counties with a low population growth rate. These counties are projected to have a 1.06% increase in compound area growth rate over a 5-year period. (see Table 3) This increase in population is not significant enough to support the necessary procedures required for an additional fixed MRI machine.

Table 3: Annual County Population Totals, Years 2016 - 2020

| County | 2016 | 2017 | 2018 | 2019 | Projected 2020 | Total Percent Change | CAGR |
|--------------------------------------|--------|--------|--------|--------|----------------|----------------------|-------|
| Camden | 10,206 | 10,358 | 10,414 | 10,460 | 10,499 | 4.30% | 1.06% |
| Currituck | 25,537 | 26,666 | 27,321 | 27,978 | 28,633 | | |
| Pasquotank | 39,534 | 39,901 | 39,826 | 39,816 | 39,811 | | |
| Perquimans | 13,698 | 13,669 | 13,729 | 13,785 | 13,855 | | |
| Total Service Area Population | 88,975 | 90,594 | 91,290 | 92,039 | 92,798 | | |

Source: NC Office of State Budget and Management: Annual County Populations

Uncertainty in the healthcare industry persists. In the last 5 years the PCCP service area data has experienced variation in the number of procedures. (see Table 1) Therefore, determining anticipated utilization of MRI equipment in this service area is complex.

Agency Recommendation:

The Agency supports the standard methodology for fixed MRI equipment. However, in consideration of the above, the Agency recognizes that the Pasquotank/Camden/Currituck Perquimans service area has unique attributes, including insufficient MRI procedure volume and a low population growth rate to support an additional MRI scanner. Given available information submitted by the August 8, 2019 deadline date for comments on petitions and comments, and in

consideration of factors discussed above, the Agency recommends approval of the petition to remove the need determination for an additional unit of fixed MRI equipment for the Pasquotank/Camden/Currituck/Perquimans service area in the final 2020 SMFP.