

**Comments in Opposition to
Certificate of Need Applications filed by Wilmington Health, PLLC and EmergeOrtho Porters
Neck for fixed MRI Scanners
in New Hanover County
October 1, 2021 - CON Review Cycle**

INTRODUCTION¹

The 2021 State Medical Facilities Plan ("2021 SMFP") recognized a need for one fixed MRI scanners in New Hanover County. Four applicants have filed Certificate of Need ("CON") applications in response to the identified need:

- Project I.D. O-12124-21 filed by Novant Health New Hanover Regional Medical Center, LLC ("NHRMC")
- Project I.D. O-12139-21 filed by Wilmington Health, PLLC ("Wilmington Health").
- Project I.D. O-12127-21 filed by EmergeOrtho – Porters Neck ("EmergeOrtho")
- Project I.D. O-12126-21 filed by Delaney Radiologist Group ("Delaney")

The identified areas of non-conformity of Wilmington Health's and EmergeOrtho's applications along with the comparative analysis set forth below reveal that NHRMC is the most effective applicant in this review and as such, should be approved.²

OVERVIEW

Wilmington Health is a private, multispecialty medical group practice in southeastern North Carolina. Wilmington Health owns and operates 19 physician practices across eastern North Carolina. Wilmington Health currently offers freestanding fixed MRI services at its practice centrally located in Wilmington and mobile MRI services at one of its four physician practice locations all located on the same campus in the Porters Neck community of Wilmington³. In this application, Wilmington Health proposes to locate a fixed MRI unit at one of its existing physician practices on its Porters Neck Campus. Given Wilmington Health will likely serve its own patients, and only its own patients, the proposed project will not have any positive impact on existing MRI services in the service area nor will it meet the service area wide need for enhanced access to MRI services. Wilmington Health claims that its project will enhance geographic access to MRI services but projects to serve its current distribution of patients with identical patient origin. Importantly, Wilmington Health's projected utilization is unreasonable and unsupported. The non-conformity with review criteria along with the comparative analysis provided below clearly illustrates that Wilmington Health's CON application for one MRI scanner should be denied.

EmergeOrtho is an orthopedic physician practice and proposes one freestanding fixed MRI unit at its physician practice in the Porters Neck community in Wilmington. EmergeOrtho currently offers fixed MRI services at its location in central Wilmington (Shipyard Boulevard), and via third-party contract, EmergeOrtho also offers mobile MRI services at the proposed location. While EmergeOrtho is an experienced provider of fixed MRI services within the service area, its application is flawed because of the lack of support for its projections and its failure to establish specific need for the proposed project. More

¹ Nothing contained in these comments is intended to amend NHRMC's application. If the Agency deems any comment to be an amendment of NHRMC's application, it should disregard the comment.

² These comments are focused on the applications submitted by Wilmington Health and EmergeOrtho. NHRMC is not commenting regarding the application filed by Delaney Radiology.

³ https://www.wilmingtonhealth.com/media/uploads/News/Locations/10068-03_Porters_Neck_Campus_Map.pdf

specifically, EmergeOrtho proposes an outpatient, orthopedic-focused MRI project, which will primarily serve orthopedic patients from EmergeOrtho's practice. This is supported by the fact that all the letters of support provided for the proposed project are EmergeOrtho providers and by EmergeOrtho's own narrative which says it will primarily treat orthopedic patients (EmergeOrtho CON Application, page 29). Without adequate evidence of the need for the project and without meeting the needs of the service area population published in the SMFP, EmergeOrtho's CON application cannot be approved. Further, EmergeOrtho's projected utilization is unreasonable and unsupported. These and other factors that contribute to EmergeOrtho's non-conformity with review criteria will be discussed herein.

NHRMC will demonstrate that Wilmington Health's and EmergeOrtho's CON applications are riddled with unsupported, inaccurate, or misconstrued information that render both applications non-conforming with applicable Review Criteria and Performance Standards for MRI services. As such, neither application can be approved, as will be described in detail below.

COMMENTS ON INDIVIDUAL APPLICATIONS

In accordance with N.C. Gen. Stat. § 131E-185(a)(1), NHRMC submits the following comments related to the applications submitted by Wilmington Health and EmergeOrtho to acquire a fixed MRI scanner pursuant to the need determination as published in the 2021 SMFP. To facilitate the Agency's review of these comments, NHRMC has organized its discussion by issue, citing the general CON statutory review criteria and specific regulatory criteria and standards. NHRMC also presents a comparative analysis of the proposals submitted by NHRMC, Wilmington Health, and EmergeOrtho.

WILMINGTON HEALTH IS NON-CONFORMING WITH THE REVIEW CRITERIA

Criterion (1) Policy GEN-3 – Wilmington Health's Project is not Consistent With the 2021 SMFP.

Wilmington Health should be found non-conforming with Criterion (1) and Policy GEN-3 because it does not adequately explain how its projected utilization incorporates the concept of maximum healthcare value for resources expended. Wilmington Health's flawed utilization projections, unnecessary duplication of services, lack of financial feasibility, and the availability of more effective alternatives demonstrate that Wilmington Health's project does not maximize resources. More detailed discussions of each of these factors can be found, below in NHRMC's comments concerning Wilmington Health's non-conformity with Criterion (3), Criterion (4), Criterion (5), Criterion (6), Criterion (7), Criterion (8), Criterion (13), and Criterion (18a), respectively.

Criterion (3) – Wilmington Health Does Not Show a Need for its Project and Projected Utilization is Unrealistic and Unsupported.

Wilmington Health fails to demonstrate the need for its proposed project as required by Criterion (3) for several reasons, including unsupported and unrealistic utilization projections and important factors that have been disregarded or misrepresented in its application. These issues are discussed at length below. For the reasons discussed herein, Wilmington Health fails to clearly document the specific need for the proposed project.

There is no Need for Wilmington Health's MRI Service

Wilmington Health bases the need for its proposed project on the following factors:

- The need for additional fixed MRI capacity in New Hanover County, including the growth and aging of the service area population;
- The need for additional freestanding fixed MRI capacity in New Hanover County; and
- The need for additional freestanding fixed MRI capacity to serve Wilmington Health's patients.

See page 41 of Wilmington Health's CON Application. As it relates to Wilmington Health's assessment of need for additional fixed MRI in New Hanover County in general, NHRMC agrees. The issue is not whether New Hanover County needs additional MRI capacity; clearly, it does. Otherwise, there would not be a need determination in the 2021 SMFP. The issue is whether the applicant has demonstrated a need for its specific project at the proposed location based on reasonable and supported assumptions. As discussed below, Wilmington Health has failed to do so.

Wilmington Health does not demonstrate need for additional freestanding MRI capacity

Accurate Analysis of MRI Utilization Shows a Need for Hospital-based MRI Services

On page 45 of its application, Wilmington Health presents New Hanover County Total Weighted MRI Scans by Service Type from federal fiscal year ("FFY") 2017 to 2019.⁴ Wilmington Health uses this table to attempt to show that the growth in MRI utilization in the county is primarily driven by freestanding fixed MRI utilization, and therefore, there is a need for additional freestanding fixed capacity. This analysis is misleading for several reasons:

1. There has not been a published need for fixed MRI services in New Hanover County since the 2015 SMFP. The 2015 need determination was awarded to Wilmington Health; however, its fixed MRI unit did not come online until sometime in 2018. The placeholder for Wilmington Health's approved but not implemented fixed MRI masked the need for an additional fixed MRI unit in New Hanover County in the 2018 and 2019 SMFPs. When Wilmington Health's MRI unit finally came online sometime in FFY 2018, the unit met some of the "pent up" county-wide need; hence the surge in freestanding fixed MRI volume from FFY 2018 to FFY 2019. In other words, the surge in freestanding fixed MRI volume in New Hanover County is a function of the setting in which needed MRI capacity was made available at that time. It does not imply the need for additional freestanding fixed MRI capacity in 2021. The need determination in the SMFP does not express a preference as to freestanding or hospital-based locations. It is up to the applicant to demonstrate the need for its project.
- Wilmington Health's analysis completely ignores FFY 2020 data. While it is true that providers had to postpone, reduce, or suspend elective procedures altogether for a couple of months out of the year in 2020, all providers were impacted across the same or similar time period. The COVID-19 Addendum to Wilmington Health's 2021 Registration and Inventory of Medical Equipment states that Wilmington Health performed over 1,400 scans from April 1, 2020 to September 30, 2020. Clearly Wilmington Health was operational during this time period and simply chose to ignore this time period because it does not support the need for its project.
- **Figure 1** below provides New Hanover County total weighted fixed MRI scans by location type from FFY 2017 to FFY 2020. While all providers were impacted by COVID-19, total fixed weighted MRI scans are growing in all service settings which speaks to the overall need for MRI

⁴ Federal fiscal year is October to September.

capacity in New Hanover County. More importantly, the impact of COVID-19 on freestanding providers confirms the importance of hospital-based capacity available during the pandemic and that freestanding capacity cannot make up for access to hospital-based MRI services.

Figure 1
New Hanover County Total Weighted Fixed MRI Scans by Service Type

Service Type	FFY 2017	FFY 2018	FFY 2019	FFY 2020	Change 2019-2020
Freestanding Fixed	4,857	6,761	9,954	7,004	-2,950
Hospital Fixed	18,715	19,314	21,314	21,493	179
Total Fixed Weighted MRI Scans	23,572	26,075	31,268	28,497	-2,771

Source: 2019 - Proposed 2022 SMFPs; Hospital LRAs

Next, Wilmington Health presents the New Hanover County total weighted MRI scans per fixed equivalent MRI scanner by service type. See Wilmington Health’s CON Application, page 45. This analysis is flawed because:

- For the freestanding fixed setting, Wilmington Health divided the number of total weighted scans by two MRI units in FFY 2017; however, **Wilmington Health’s MRI unit was not operational in FFY 2017**. There was only one freestanding fixed MRI unit operational in New Hanover County at that time – EmergeOrtho’s MRI unit.
- **Figure 2** provides the corrected New Hanover County Total Weighted MRI Scans per Fixed Equivalent MRI Scanner by Service Type from FFY 2017 to FFY 2020.
- The hospital-based fixed weighted MRI scans per unit in New Hanover County is growing much faster than the freestanding fixed weighted MRI scans per unit from FFY 2017 to FFY 2019 even pre-COVID (6.7 percent annual growth rate versus 1.2 percent annual growth rate, respectively).
- From FFY 2017 to FFY 2020, freestanding fixed weighted MRI scans per unit declined drastically, whereas hospital fixed weighted MRI scans per unit continued to grow.

Figure 2
New Hanover County Total Fixed Weighted MRI Scans per MRI Scanner by Service Type

Service Type	FFY 2017	FFY 2018	FFY 2019	FFY 2020	CAGR FFY 2017-2019	CAGR FFY 2017-2020
Freestanding Fixed						
Total MRI Scans	4,857	6,761	9,954	7,004		
Total MRI Units	1	2	2	2		
Weighted MRI Scans/Unit	4,857	3,381	4,977	3,502	1.2%	-10.3%
Hospital Fixed						
Total MRI Scans	18,715	19,314	21,314	21,493		
Total MRI Units	4	4	4	4		
Weighted MRI Scans/Unit	4,679	4,829	5,329	5,373	6.7%	4.7%
Total Fixed Weighted MRI Scans per Fixed Equivalent (Unit)	4,714	4,346	5,211	4,750	5.1%	0.2%

Source: 2019 - Proposed 2022 SMFPs; Hospital LRAs

Wilmington Health also fails to acknowledge that the hospital-based MRI units are much more highly utilized than freestanding fixed MRI units in New Hanover County. See **Figure 3**. Even in FY 2019,

prior to the COVID-19 pandemic, hospital-based MRI units were more highly utilized than freestanding fixed MRI units in New Hanover County.⁵

The growth in hospital-based fixed MRI volume from FFY 2019 to FFY 2020 and the high utilization of hospital-based fixed MRIs in FFY 2020 despite the impact of COVID-19 speak to the need for additional hospital MRI capacity as well as the community’s reliance on hospital-based MRI capacity, especially in a global crisis like a pandemic.

Figure 3
New Hanover County Fixed MRI Providers FY 2020 Utilization by Setting

Facility	Total Scans	Adjusted Total Scans	Number of Units	% of Adjusted Threshold*
Hospital-Based Fixed				
NHRMC-Main Campus	8,187	11,568	2	120.4%
NHRMC -Orthopedic Hospital	3,001	3,554	1	74.0%
NHRMC -Medical Mall	5,232	6,371	1	132.6%
Total Hospital-Based Fixed	16,420	21,493	4	111.8%
Freestanding Fixed				
EmergeOrtho	3,383	3,502	1	72.9%
Wilmington Health	3,079	3,502	1	72.9%
Total Freestanding Fixed	6,462	7,004	2	72.9%

Source: 2021 LRAs and Medical Equipment Registration Forms

*Adjusted threshold based on 2021 SMFP MRI Methodology for more than 4 fixed scanners in service area. Adjusted threshold = 4,805.

Freestanding fixed MRI units are not an alternative to hospital-based outpatient capacity

Next, Wilmington Health presents the trend in New Hanover County hospital-based fixed MRI scanner inpatient and outpatient volumes to draw the flawed conclusion that freestanding fixed facilities can alleviate capacity constraints for hospital-based units by giving patients another outpatient alternative. (See the Wilmington Health CON Application, page 46). This conclusion is flawed for the following reasons:

- **Hospital outpatients are not the same as outpatients who are typically served in the freestanding setting.** Often, hospital outpatients are complex patients with several co-morbidities that require hospital resources or are outpatients in need of a complex MRI study not offered outside of the hospital setting. Often, freestanding facilities are not equipped to accommodate the comprehensive needs of these complex MRI patients.
- **Figure 4** provides the New Hanover County hospital-based fixed MRI scanner inpatient and outpatient volumes with and without contrast from FFY 2017 to FFY 2020. Note that the growth in MRI scans with contrast, in other words more complex inpatient and outpatient MRI scans, are primarily driving the growth in hospital-based MRI volume.
- If it were as simple as adding freestanding fixed MRI capacity to accommodate hospital outpatient volume, then hospital MRIs should have seen a significant decrease in utilization when Wilmington Health’s MRI came online in 2018. As shown in **Figure 4** below, the opposite is true. Hospital-

⁵ In FFY 2019, hospital-based fixed MRIs in New Hanover County were utilized at approximately 111 percent of the 4,805 threshold. Freestanding fixed MRIs in New Hanover County were utilized at approximately 103 percent of the 4,805 threshold.

based fixed MRI scanners experienced a 12.4 percent increase in outpatient MRI scans from FFY 2018 to FFY 2019, the first year Wilmington Health’s MRI came online.

Figure 4
New Hanover County Hospital-Based Fixed MRI Scanner Inpatient and Outpatient Volumes

	FFY 2017	FFY 2018	FFY 2019	FFY 2020	CAGR FFY 2017-2019	CAGR FFY 2017-2020
Inpatient No Contrast	3,024	3,100	3,326	2,998	4.9%	-0.3%
Inpatient Contrast	1,698	1,846	1,956	1,914	7.3%	4.1%
Total Inpatient Scans	4,722	4,946	5,282	4,912	5.8%	1.3%
Outpatient No Contrast	5,035	5,098	5,642	5,653	5.9%	3.9%
Outpatient Contrast	4,564	4,681	5,354	5,855	8.3%	8.7%
Total Outpatient Scans	9,599	9,779	10,996	11,508	7.0%	6.2%
Total MRI Scans	14,321	14,725	16,278	16,420	6.6%	4.7%

Source: 2019 - Proposed 2022 SMFPs; Hospital LRAs

In summary:

- Over the past several years – before, during, and after the impact of the COVID-19 pandemic – hospital-based MRI units have been consistently more highly utilized than freestanding fixed MRI units in New Hanover County.
- The increase in freestanding fixed MRI volume in New Hanover County, by itself, does not prove a need for additional freestanding fixed MRI capacity. The hospital-based fixed weighted MRI scans per unit in New Hanover County is growing much faster than the freestanding fixed weighted MRI scans per unit.
- Hospital-based MRI volume is what is driving the need for an additional MRI scanner in New Hanover County.
- Hospital-based MRI units are experiencing significant capacity constraints. See NHRMC CON Application, pages 57-58 and 62-65. Freestanding fixed providers in the service area do not document any capacity constraints.
- The need for additional hospital-based MRI capacity has gone largely unaddressed for many years, as the last fixed MRI in New Hanover County was awarded to Wilmington Health, a freestanding provider.
- Complex MRI procedures in the hospital setting (specialized procedures and scans with contrast) are driving the demand for additional hospital-based MRI capacity. These patients cannot be accommodated in a freestanding setting.

These facts support the need for additional hospital-based MRI capacity, not freestanding fixed MRI capacity as Wilmington Health purports. Wilmington Health does not provide any reliable data that supports its claim of a need for additional freestanding fixed MRI capacity in New Hanover County.

There is no Need for Additional MRI Capacity at Wilmington Health

As it relates to the specific need for Wilmington Health’s proposed project, Wilmington Health provides little to no quantitative data. Specifically, Wilmington Health cites its purported growth in fixed and mobile total adjusted MRI scans from FFY 2017 to FFY 2019 in comparison to other existing providers (Wilmington Health CON Application, page 49). Wilmington Health’s analysis is misleading because:

- As previously stated, Wilmington Health ignores data from FFY 2020 data.

- Wilmington Health aggregates the mobile and fixed MRI data in its presentation which is misleading because Wilmington Health did not begin offering fixed MRI services until sometime in 2018. **Showing a trend from FFY 2017 to FFY 2019 that only includes mobile utilization which is limited by mobile availability in FFY 2017 and mobile and fixed utilization for only part of FFY 2018 skews the data and shows an inappropriately inflated growth rate from FFY 2017 to FFY 2019.**

Figure 5 provides the trend in total adjusted MRI Scans from FFY 2018 (when Wilmington Health began offering fixed MRI services) to FFY 2020 by service type for Wilmington Health. **Figure 5** shows that:

- Wilmington Health’s weighted MRI volume has only increased by 0.5 percent from FFY 2018 to FFY 2020 (the time period in which it has offered fixed MRI services).⁶
- The annual growth rate of 0.5 percent for Wilmington Health’s total adjusted scans (including fixed and mobile) from FFY 2018 to FFY 2020 is still inflated, as Wilmington Health did not offer fixed MRI service for the full FFY 2018 time period.
- Regardless, Wilmington Health’s claim on page 49 of its application that “the total number of weighted MRI scans performed at Wilmington Health locations more than tripled from FFY 2017 to 2019, growing 106.2 percent annually, which was higher than any other provider of MRI services in New Hanover County” is **clearly** misleading.

Figure 5
Wilmington Health Trend in Adjusted Total MRI Scans – Mobile and Fixed

	FFY 2018	FFY 2019	FFY 2020	CAGR FFY 2018 - 2020
Fixed Adjusted Total MRI Scans	2,746	4,625	3,502	12.9%
Mobile Adjusted Total MRI Scans	721	-	-	-100.0%
Total Adjusted Total MRI Scans	3,467	4,625	3,502	0.5%

Source: 2020 – Proposed 2022 SMFPs

Other than these misleading analyses, Wilmington Health provides no tangible, quantitative data to support the specific need for its project. For instance, Wilmington Health does not provide any data to document capacity constraints for its existing MRI scanner that would support the need for an additional MRI scanner dedicated to its patient base (e.g., scheduling delays, wait times for MRI, etc.). The only other support provided by Wilmington Health in its application for the specific need for its proposed project is purely anecdotal (*i.e.*, economies of scale and lower cost of care). It is evident that Wilmington Health has not established the need for its specific project.

⁶ Despite stating in its application that it uses mobile MRI services at several of its locations in New Hanover County, Wilmington Health (or its third-party vendor) did not report mobile MRI volume in FFY 2019 and FFY 2020 according to publicly available data (*i.e.*, the 2021 and Proposed 2022 SMFPs). Wilmington Health seems to agree with the data as stated in the SMFPs, as the adjusted total scans in the table on page 49 of its application matches the adjusted total scans.

Wilmington Health’s Utilization Projections are Flawed and Unsupported.

As discussed below, Wilmington Health presents unsupported and/or flawed utilization projections.

Wilmington Health’s Historical Growth Rate is Overstated

On page 1 of Wilmington Health’s Form C Utilization Assumptions and Methodology, Wilmington Health presents its MRI utilization from Calendar Year (CY) 2018 to CY 2021 Annualized.

Historical Wilmington Health Fixed MRI Utilization

	CY18	CY19	CY20	CY21*	CY18 – CY21 CAGR^
Outpatient With Contrast	642	1,364	1,082	1,737	39.4%
Outpatient Without Contrast	1,307	2,435	1,915	2,628	26.2%
Total Scans	1,949	3,799	2,997	4,366	30.8%
Total Weighted Scans**	2,206	4,345	3,430	5,061	31.9%

Source: Wilmington Health internal data and LRAs.

CY 2018 as a starting point to establish the growth rate through PY 3 is clearly misleading for two reasons:

- First, CY 2018 was a start-up year for Wilmington Health, and the ramp up during this time is not going to be perpetuated in later years as clearly shown in Wilmington Health’s volumes in CY 2019, CY 2020, and CY 2021 presented in the table above.
- Second, according to the State, Wilmington Health’s CON file was not closed until 1/1/2018. **That means that the scanner would not have been put into service until after 1/1/2018.** It is misleading to establish a trend in utilization starting with a partial year of data, as the growth rate is inflated by the lower starting point for the trend.

Wilmington Health’s Projected Growth Rate is Significantly Inflated and Unreasonable

Wilmington Health relies on growth rates from CY 2018 to CY 2021 as the bases for its projected growth rates through Project Year 3 (PY 3). This is inappropriate and misleading:

- A base annual growth rate of 39.4 percent for fixed outpatient MRI scans with contrast and 26.2 percent for fixed outpatient MRI scans without contrast is *completely* unreasonable, even when Wilmington Health “conservatively” cuts the growth rate in half (19.7 percent for MRI scans with contrast and 13.1 percent annual growth rate for MRI scans without contrast). Such growth over the next several years is not only unrealistic but also unsustainable, especially considering that there are several other fixed MRI locations in the service area.
- With three full prior years of data (CY 2019 to CY 2021) showing a much more consistent trend, it does not make sense to use a partial ramp up year as the basis for projected utilization. As shown in **Figures 6 through 8**, a reasonable and recent trend for Wilmington Health would be CY 2019 to CY 2021 fixed and mobile utilization.

Figure 6
Historical Wilmington Health Fixed MRI Utilization

	CY 19	CY 20	CY 21*	CY 19 – CY 21 CAGR
Outpatient with Contrast	1,364	1,082	1,737	12.8%
Outpatient without contrast	2,435	1,915	2,628	3.9%
Total Scans	3,799	2,997	4,365	7.2%
Total Weighted Scans**	4,345	3,430	5,060	7.9%

Source: Wilmington Health Form C Assumptions and Methodology, page 1

*CY 2021 is based on actual January to June utilization.

**Weighted scans based on 1.0 weight for outpatient no contrast and 1.4 weight for outpatient with contrast.

Although no mobile MRI volume is reported for Wilmington Health in the 2020 and 2021 SMFPs, Wilmington Health presents separate mobile utilization on page 2 of its Form C Assumptions and adds this volume to its claimed fixed MRI volume above from page 1. **Figure 7** provides Wilmington Health’s claimed MRI volume from CY 2019 to partial year of CY 2021.

Figure 7
Historical Wilmington Health Contracted Mobile MRI Utilization

	CY19	CY20*	Partial CY21**
Outpatient with Contrast	166	208	148
Outpatient without contrast	245	356	208
Total Scans	411	564	356
Total Weighted Scans^	477	647	415

Source: Wilmington Health Form C Assumptions and Methodology, page 2

*CY 2020 annualized based on January to June data.

**Partial CY 2021 (eight months) projected based on May to August data, assuming the same average monthly volume through the end of the year.

^Weighted scans based on 1.0 weight for outpatient no contrast and 1.4 weight for outpatient with contrast.

Figure 8 presents the compound annual growth rate (“CAGR”) for Wilmington Health’s purported total MRI volume from CY 2019 to CY 2021 which is comprised of the fixed and mobile MRI volumes presented in **Figures 6** and **7** above. Wilmington Health’s annual growth rates from CY 2019 to CY 2021 are still comparatively high but are a much more reasonable basis for Wilmington Health’s projected utilization.

Figure 8
Wilmington Health Fixed and Mobile MRI Utilization

	CY19	CY20	CY21	CY19-CY21 CAGR
Outpatient with Contrast	1,530	1,290	1,885	11.0%
Outpatient without contrast	2,680	2,271	2,836	2.9%
Total Scans	4,210	3,561	4,721	5.9%
Total Weighted Scans*	4,822	4,077	5,475	6.6%

Source: Wilmington Health Form C Assumptions and Methodology, Page 3

*Weighted scans based on 1.0 weight for outpatient no contrast and 1.4 weight for outpatient with contrast.

Wilmington Health’s Corrected Projected Utilization

NHRMC has identified the flaws in Wilmington Health’s growth rates above. Accordingly, NHRMC recalculated Wilmington Health’s projected utilization using more reasonable growth rates. Despite the aforementioned concerns with Wilmington Health’s methodology, NHRMC conservatively followed Wilmington Health’s methodology and simply applied the growth rates in **Figure 8** above to project its MRI volume through CY 2026 and PY 3 (02/01/2025 to 01/31/2026). **Figures 9** and **10** provide the resulting utilization for Wilmington Health’s existing and proposed MRI units for the first three years of operation – CY 2024 to CY 2026 and PY 1 to PY 3, respectively.

Figure 9
Corrected Projected Wilmington Health Fixed MRI Utilization Per Scanner
CY 2024 - CY 2026

	CY 24	CY 25	CY 26
Total Weighted Scans	6,624	7,058	7,521
Number of Fixed MRIs	2	2	2
Scans per MRI	3,312	3,529	3,761

Figure 10
Corrected Projected Wilmington Health Fixed MRI Utilization Per Scanner
PY 1 - PY 3*

	PY 1 (02/01/2023 to 01/31/2024)	PY 2 (02/01/2024 to 01/31/2025)	PY 3 (02/01/2025 to 01/31/2026)
Total Weighted Scans	6,121	6,660	7,097
Number of Fixed MRIs	2	2	2
Scans per MRI	3,061	3,330	3,548

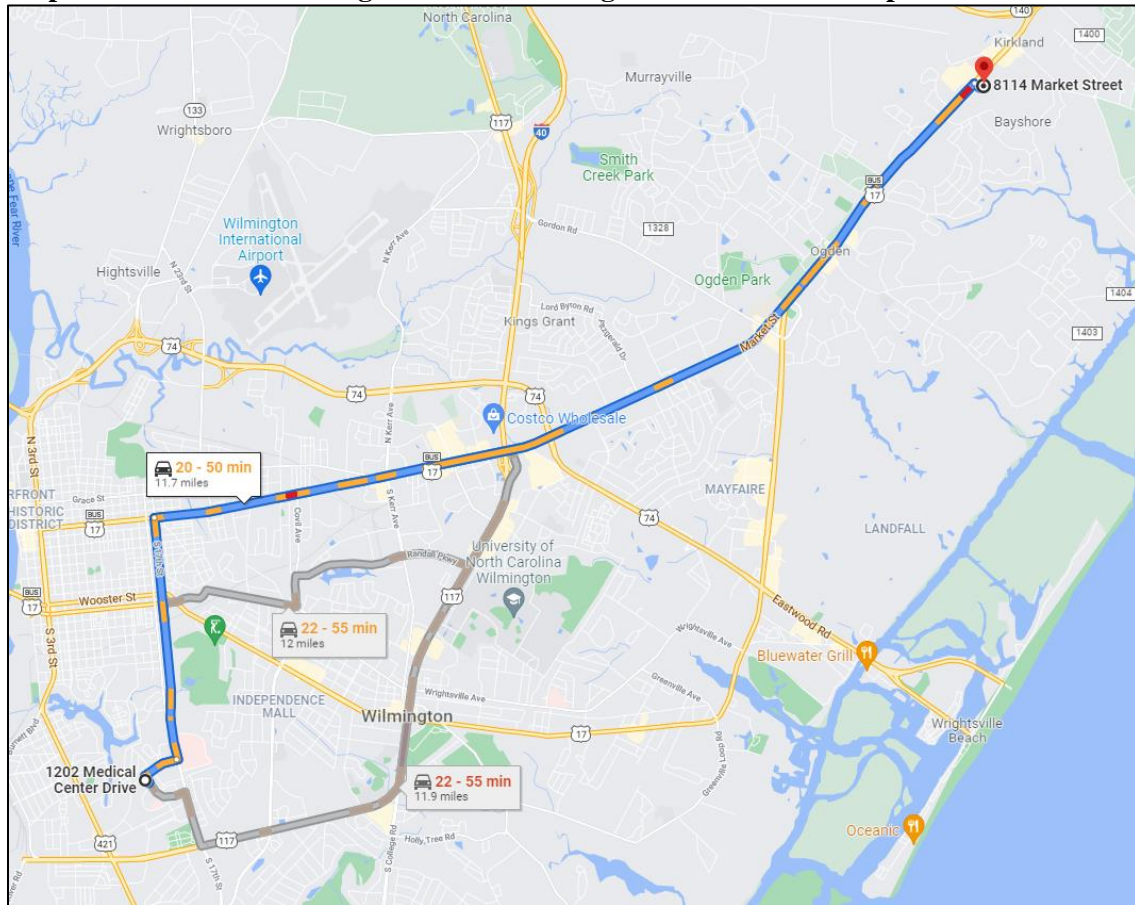
*Projected Year 1: CY 2023 + (CY 2024/12)
 Projected Year 2: (CY 2024 / 12 * 11) + (CY 2025 / 12)
 Projected Year 3: (CY 2025 / 12 * 11) + (CY 2026 / 12)

When Wilmington Health’s inappropriate growth rates are “right sized” to a more reasonable rate based on the most recent available historical utilization, Wilmington Health does not meet the performance standards for MRI services, which is 4,805 weighted MRI scans in PY 3. 10A NCAC 14C.2703(b)(3) and (b)(4)

Wilmington Health’s Projected “Shift” from its Existing Scanner to the Proposed Scanner is Arbitrary.

Wilmington Health proposes to locate the MRI unit at one of its locations in the Porters Neck community in Wilmington (8114 Market Street), approximately 12 miles away from its existing MRI located in central Wilmington (1202 Medical Center Drive). Traffic traveling along the major thoroughways in Wilmington can make this an hour-long journey one way for patients, depending on where they live. See **Figure 11** below.

Figure 11
Map of Travel from Wilmington Health Existing MRI Location to Proposed MRI Location



Source: Google Maps

Wilmington Health does not appear to account for its proposed location in a completely different community than its existing MRI unit. First, Wilmington Health’s projected patient origin for the proposed unit is based off its historical patient origin for its location in central Wilmington. Wilmington Health states that “the proposed fixed MRI scanner is not expected to result in any change to the patient origin of Wilmington Health’s MRI patients”. (Wilmington Health CON Application, page 38). **It is illogical to assume that Wilmington Health’s proposed MRI location in north New Hanover County will not deviate at all from the historical patient origin for 30-60 minutes away from the proposed location.** For instance, with the proposed location so close to the Pender-New Hanover County line, it is likely that, if approved, Wilmington Health will serve more patients from Pender County (which currently does not have access to a fixed MRI scanner) than it historically has at its location in central Wilmington.

Second, Wilmington Health’s projected utilization does not include any shift assumptions based on geographic location. (See Wilmington Health Form C Assumptions and Methodology, page 4.) Instead, Wilmington Health projects its collective MRI utilization across both units and projects an arbitrary 60/40 split – 60 percent of its projected volume to be performed at its existing location in central Wilmington, and 40 percent of its volume to be performed at the proposed Porters Neck location during the first year of operation. For all subsequent years, Wilmington Health projects an even distribution of MRI scans between the existing and proposed units. **Wilmington Health never explains how (or why) it projected this arbitrary shift in Year 1 or how it will equally refer patients to one location or another in subsequent years with no consideration for the geographic area in which the patient lives.**

Wilmington Health claims that it currently provides mobile services at the proposed location through a third-party vendor. (See Wilmington Health Form C Assumptions and Methodology, page 2.) Wilmington Health does not present the patient origin for its alleged mobile services at Porters Neck which, if they actually exist, would have been a more reliable basis for its projected patient origin and/or shift assumptions for the proposed fixed MRI scanner.

The absence of consideration for geographic access to care in its projected utilization calls into question the reasonability of Wilmington Health's projections overall.

Wilmington Health Does Not Enhance Access to Care for All Patients.

As set forth in G.S. § 131E-183(a)(3), applicants are required to show the extent to which all residents of the area are likely to have access to the services that are proposed. There is no indication of patient access to the proposed MRI scanner unless they are a patient of Wilmington Health. It is the applicant's burden to show how it will meet the needs of the service area, not just the new of its own patients. Wilmington Health submitted 94 form letters, 75 of which are form physician letters of support. All 75 of these form physician letters of support are Wilmington Health physicians. There is no indication that there will be any patients who will be served by the proposed MRI other than Wilmington Health's patient base. While Wilmington Health mentions that any physician can refer a patient who needs an MRI to a member of the Wilmington Health medical staff,⁷ Wilmington Health has not provided any documentation of relationships with any physicians or medical groups outside of its own affiliated practices. The application does not demonstrate the extent to which all residents of the area are likely to have access to the services proposed.

Wilmington Health's Project Will not Meet the Needs of Charity Care or Medicaid Patients.

Wilmington Health's proposed project will not enhance access to care for charity care patients. Wilmington Health projects charity care but provides no historical basis for its projection. In fact, in Section L, page 98 of its application, Wilmington Health claims its data does not track charity care as a payor, and on page 101 of its application, Wilmington Health does not project charity care for the proposed MRI scanner. The only acknowledgement of charity care made by Wilmington Health is on Form F.2b Projected Revenues and Net Income upon Project Completion. Wilmington Health's assumptions for Form F.2b state that, "Charity care is the difference between gross and net revenue for self-pay". Wilmington Health's proposal will not enhance access to care for the medically underserved. Without historical data, it is also questionable the extent to which medically underserved populations currently use the applicant's existing services. Please see additional discussion under Criterion (13).

Wilmington Health Will Not Address the Need (Generated by NHRMC) for Additional MRI Services.

Wilmington Health will not address the published need in the 2021 SMFP for one additional MRI scanner in New Hanover County. As previously established, NHRMC's MRI utilization generated the need for an additional MRI in New Hanover County. While this, standing alone, does not automatically demonstrate need for additional capacity at NHRMC, Wilmington Health has not proven that it will meet the broader need that NHRMC generated. Specifically:

- The MRI need was generated by the high utilization of NHRMC's MRI scanners, which Wilmington Health will do nothing to alleviate.

⁷ See Wilmington Health CON Application, page 103.

- Wilmington Health has not documented any capacity constraints for its existing MRI unit and will not address NHRMC's capacity constraints.
- Wilmington Health does not and will not adequately serve medically underserved populations.
- Since Wilmington Health will likely only serve its patients, the proposed project will limit access for other patients, especially medically underserved patients, in New Hanover County and surrounding communities. Thus, it will adversely impact patients who are not affiliated with Wilmington Health.

Wilmington Health's Failure To Meet Performance Standards is Fatal to its Application.

10A NCAC 14C .2703 sets the criteria and standards for Magnetic Resonance Imaging units. Wilmington Health's unsupported projections will result in a failure to meet the 10A NCAC 14C .2703 Performance Standards that apply to MRI services.

As previously discussed, Wilmington Health's projections had the following flaws:

- Unsupported and Inappropriate historical and projected growth rates:
 - Apparent reliance on ramp up year with less than a full year of data in CY 2018 as the baseline for its historical growth rate applied to its projections
 - Unreasonably high, unsustainable projected growth rates
- Unsupported shift assumptions which are not based on a geographic component considering the relatively distant location of the proposed location from Wilmington Health's existing location.

Figure _ provides Wilmington Health's projected utilization when the inappropriate growth rates are adjusted based on growth from CY 2019 (Wilmington Health's first full CY of operation) to CY 2021.

10A NCAC 14C .2703(b)(3)(e) of the MRI Performance Standards states that:

(3) demonstrate that the average annual utilization of the existing, approved and proposed fixed MRI scanners which the applicant or a related entity owns a controlling interest in and locates in the proposed MRI service area are reasonably expected to perform the following number of weighted MRI procedures, whichever is applicable, in the third year of operation following completion of the proposed project... (e) 4,805 weighted MRI procedures in MRI service areas in which the SMFP shows four or more fixed MRI scanners are located;

10A NCAC 14C .2703(b)(4)(e) of the MRI Performance Standards states that:

*if the proposed MRI scanner will be located at a **different site from any of the existing or approved MRI scanners owned by the applicant or a related entity**, demonstrate that the annual utilization of the proposed fixed MRI scanner is reasonably expected to perform the following number of weighted MRI procedures, whichever is applicable, in the third year of operation following completion of the proposed project ...**(e) 4,805 weighted MRI procedures in MRI service areas in which the SMFP shows four or more fixed MRI scanners are located;** [emphasis added]*

Based on the corrections made to Wilmington Health's growth rates, **Figure 12** shows that Wilmington Health falls short of the required 4,805 weighted MRI procedures for both the exiting and proposed MRI scanners and therefore does not meet 10A NCAC 14C .2703(b)(3)(e) and 10A NCAC 14C .2703(b)(4)(e) since Wilmington Health proposes an additional unit in a different location than the existing MRI scanner.

Figure 12
Corrected Projected Wilmington Health Fixed MRI Utilization Per Scanner
PY 1 - PY 3

	PY 1 (02/01/2023 to 01/31/2024)	PY 2 (02/01/2024 to 01/31/2025)	PY 3 (02/01/2025 to 01/31/2026)
Total Weighted Scans	6,121	6,660	7,097
Number of Fixed MRIs	2	2	2
Weighted Scans per MRI	3,061	3,330	3,548

For all the reasons discussed above and any additional reasons the Agency may discern, Wilmington Health should be found non-conforming with Criterion (3).

Criterion (4) – Wilmington Health is not Proposing the Least Costly or Most Effective Alternative.

For the same reasons discussed in relation to Criteria (1), (3), (5), (6), (7), (8), (13), and (18a), Wilmington Health should be found non-conforming with Criterion (4):

- Wilmington Health has insufficient resources for the proposed project linked directly to staffing and funding – see discussion under Criterion (5), Criterion (7), and Criterion (8).
- Wilmington Health has unsupported and unreasonable projections – see discussion under Criterion (3).
- Wilmington Health’s proposed project is not financially feasible – see discussion under Criterion (5).
- Wilmington Health’s proposed project will result in a duplication of services – see discussion under Criterion (6).
- Wilmington Health’s proposed project is not accessible to underserved populations – see discussion under Criterion (3) and Criterion (13).
- Wilmington Health’s proposed project will not be cost effective – see discussion under Criterion (18a).

For the reasons noted above and discussed in detail in other parts of this document and any additional reasons the Agency may discern, Wilmington Health should be found non-conforming to Criterion (4).

Criterion (5) – Wilmington Health’s Project is not Financially Feasible.

As previously discussed in Criterion (3), Wilmington Health’s utilization projections are not supported, and the assumptions are not reasonably documented. This calls into question the reasonableness of Wilmington Health’s utilization projections which, in turn, undermines Wilmington Health’s financial projections.

Wilmington Health projects to generate a net income of \$1.6 million in CY 2026 – but with reasonable utilization projections, the profitability of the project is questionable. As shown in Criterion (3), there is no reasonable basis for projected utilization and projections cannot be supported.

Figure 13 provides that updated gross and net revenue for Wilmington Health based on the projected utilization corrections detailed in **Figure 9** for CY 2026 (Wilmington Health’s third fiscal year of operation). Note that net income cannot be fully estimated due to lack of detail in Wilmington Health’s projected operating expenses assumptions; however, based on the projected utilization corrections alone, Wilmington Health faces a 35.9 percent shortfall revenue in comparison to the revenue projected in Wilmington Health’s CON Application. Considering the understated operating expenses that will be

detailed below, it is questionable, at best, whether Wilmington Health’s proposed project is financially viable.

**Figure 13
Corrected Revenue – Wilmington Health MRI CON Application**

	Wilmington Health Section Q Form F.2b Revenue (CY 2026)			CORRECTED Wilmington Health Revenue (CY 2026)		
	% of Total	Gross Revenue	Number of Patients	Charges	Gross Revenue	Number of Patients
Self Pay	0.7%	\$ 72,741.00	43	\$1,689.85	\$ 46,647.86	28
Insurance *	48.4%	\$ 4,800,885.00	2841	\$1,689.85	\$ 3,078,745.31	1822
Medicare *	44.3%	\$ 4,394,199.00	2600	\$1,689.85	\$ 2,817,942.85	1668
Medicaid *	2.1%	\$ 211,609.00	125	\$1,689.85	\$ 135,702.11	80
Other (Specify)	4.3%	\$ 429,831.00	254	\$1,689.85	\$ 275,645.05	163
Total Gross Revenue (A)	100.0%	\$ 9,909,265.00	5864	\$1,689.85	\$ 6,354,683.17	3761
Adjustments to Revenue						
Charity Care	0.5%	\$ 49,491			\$ 31,737.94	
Bad Debt	3.0%	\$ 297,278			\$ 190,640.53	
Contractual Adjustments	64.5%	\$ 6,395,211			\$ 4,101,165.90	
Total Adjustments to Revenue		\$ 6,741,980.00			\$ 4,323,544.37	
Total Net Revenue (B)		\$ 3,167,285.00			\$ 2,031,138.81	

Reduction in Gross Revenue (A)		\$ (3,554,581.83)	-35.9%
Reduction in Net Revenue (B)		\$ (1,136,146.19)	-35.9%

Source: Wilmington Health CON Application, Form F.2b

Wilmington Health’s Project Costs are Incomplete and Understated.

Wilmington Health failed to include the cost of the MRI scanner in its total capital cost. See Form F.1a Assumptions, note e. Wilmington Health asserts that if a piece of medical equipment is leased, then it does not need be included as a capital cost. Based on prior decisions and confirmation with the CON Section, this claim is false. The lease is only how Wilmington Health funds the acquisition of the MRI scanner. The use of a lease to fund the MRI scanner would be identified in Section F.2.d. Other Forms of Financing.

For purposes of the CON Law, a lease of MRI equipment is an acquisition and is treated no differently than a purchase. See N.C. Gen. Stat. § 131E-176(16)f1.5a & 9. If Wilmington Health’s assumption that the cost of the MRI is not required to be identified as a project capital cost, then the Agency will have to agree that there is no dollar threshold for major medical equipment requiring CON approval if the major medical equipment is leased. It is the cost of the major medical equipment, not the means of financing, that generates the need for CON approval. By not identifying the cost of the MRI, Wilmington Health underreported the project capital costs and failed to submit the accurate CON filing fee.

Wilmington Health Does Not Demonstrate Sufficient Funds for its Capital Costs.

Wilmington Health’s ability to fund its currently pending cardiac cath application (approximately \$3.8 million), linear accelerator application (approximately \$4.9 million), and the proposed MRI project (approximately \$660,000) is questionable. Wilmington Health has now also filed a CON application for a PET unit in the November 1, 2021 Review Cycle (approximately \$1.8 million). Wilmington Health states that it will fund the cardiac cath, linear accelerator, and proposed MRI project through accumulated

reserves, specifically the line item “cash and cash equivalents”.⁸ There are several problems with this. First, “cash and cash equivalents” is not the same as “accumulated reserves.” Accumulated reserves are usually included in the Balance Sheet with Current Assets labeled “assets limited as to use” because they are not meant to be used to fund ongoing operations or pay expenses. No such line item appears on the Wilmington Health balance sheet, though Wilmington Health’s auditors clearly understand this principle because they separated Wilmington Health’s investment in SCA-Wilmington, recognizing that investment is not meant to be used to fund ongoing operations.

Second, in 2019, Wilmington Health had only \$49,125 in “cash and cash equivalents” but that amount increased to over \$21 million in 2020. Superficially, it appears that Wilmington Health has the necessary funds for the project, but the additional \$21 million appears to be merely a timing issue at the end of the year because Wilmington Health also experienced a \$17.3 million increase in current liabilities as compared to 2019. ($\$34,365,495 - \$17,007,991 = \$17,357,504$). Payment of those liabilities would deplete most of the cash and cash equivalents ($\$21,030,821 - \$17,357,504 = \$3,673,317$). This makes it impossible for Wilmington Health to fund the MRI project (\$660,000, which is understated as discussed previously), not to mention the cardiac cath project (\$3.8 million), and linear accelerator project (\$4.9 million) out of “accumulated reserves”. While the ASC project (which is where the cath lab is proposed to be located) and the PET project are being funded by a loan⁹, depletion or elimination of Wilmington Health’s cash could jeopardize Wilmington Health’s loan covenants, as most lenders would require a borrower to maintain a certain cash position. Wilmington Health relies entirely on its so-called “accumulated reserves” as the means by which it will fund the proposed cardiac cath, linear accelerator, and MRI projects, so it would not be appropriate for the Agency to assume that Wilmington Health might be able to obtain other forms of financing for these projects.

Wilmington Health’s Operating Costs are Understated.

Wilmington Health’s staffing model is insufficient. With only 2.0 FTEs, there is inadequate staff to have full time coverage of two MRI techs and cover vacation/sick time. There are also no identified support staff in the staffing model to provide a full range of support including administrative, clerical support, and patient access support/technicians. Wilmington Health did not include any existing FTEs to cover such functions. While there are expenses allocated for “overhead”, there is no existing staff shown on Form H to determine what positions may be available at the actual proposed MRI location to support the proposed project. Moreover, the salary included for MRI is insufficient as discussed further in Criterion (7).

With the lack of staffing and information related to ancillary and support services, it is impossible to determine if Wilmington Health’s project is feasible from a net income perspective. Interestingly, Wilmington Health attempts to treat the proposed location for the proposed MRI service as a separate facility with no additional diagnostic center services despite its location on the “Wilmington Health Porters Neck Campus” with other diagnostic center services (e.g., CT, bone density, mammography, etc.) offered on the same campus.¹⁰ Despite the fact that these services are located on the same campus, Wilmington Health does not provide the financial projections required for all services offered by a diagnostic center. On this point, Wilmington Health is inconsistent. As it relates to ancillary and support services, Wilmington Health highlights that all the necessary ancillary and support services are in place due to its existing physician practices and diagnostic imaging services. See Wilmington Health’s Exhibit I.1. Wilmington

⁸ Wilmington Health proposes to fund the proposed PET project via loans (Project ID# O-012150-21).

⁹ See page 56 of the findings for Wilmington Health’s ASC Project I.D.# O-11441-17 and page 72 of Wilmington Health’s PET CON Application (Project I.D.# O-012150-21).

¹⁰ See Wilmington Health CON Application, Section C, Question 5, Table f. (Page 23).

Health relies on the existing services to support the MRI unit but fails to provide the required pro forma projection for this full range of diagnostic services. Wilmington Health cannot have it both ways.

For the foregoing reasons plus any additional reasons the Agency may discern, Wilmington Health's application should be found non-conforming with Criterion (5).

Criterion (6) – Wilmington Health's Proposal Represents an Unnecessary Duplication of Services.

The proposed project will inevitably result in unnecessary duplication of MRI services. As discussed above:

- Wilmington Health will only serve its own patient base which will only cannibalize its own volume and will not expand access to MRI services. See discussion related to Criterion (3).
- Wilmington Health offers a limited scope of services in comparison to hospital-based MRI services. See discussion related to Criterion (3).
- Wilmington Health has not documented a specific need for its proposed project. See discussion related to Criterion (3).
- Wilmington Health does not have the account for the staff necessary to operate its proposed MRI effectively and efficiently. See discussion related to Criterion (5) and Criterion (7).

Approval of its project will result in an underutilized, poorly staffed MRI unit with questionable quality of care.

For the foregoing reasons plus any additional reasons the Agency may discern, Wilmington Health's project is an unnecessary duplication of existing services and should be found non-conforming with Criterion (6).

Criterion (7) – Wilmington Health's Staffing is Inadequate.

Wilmington Health presents a highly suspect staffing model that raises significant questions concerning operating costs and quality of care. Specifically:

- Wilmington Health claims that all support and administrative staff is already in place but fails to show this existing staffing in its Form H;
- Wilmington Health does not project enough MRI technologist FTEs needed to effectively operate a standalone diagnostic center without additional coverage; and
- Wilmington Health's projected Average Annual Salary per 1 FTE for MRI technologists in Form H is significantly less than the projected industry average of \$85,041 to \$87,766 in CY 2026, assuming a 3 percent annual inflation.

Unclear Administrative and Support Staffing

Whether Wilmington Health has allocated sufficient administrative and support staff for the proposed project is unclear:

- On Form H Staffing, Wilmington Health shows the staffing for MRI technologists only.
- In the Form H Assumptions, note b., Wilmington Health states that, "...Indirect (support) staff are included in the central office overhead line item."
- In Form F.3, Wilmington Health projects \$693,649 in Central Office Overhead expenses.
- Form F.3 assumptions, note e. provides that the "Central Office Overhead (Intercompany expense) is assumed to be 7.0 percent of gross patient revenue based on Wilmington Health's CY 2020

experience, adjusted to include allocated indirect costs for the proposed MRI scanner. Intercompany expense includes insurance and taxes, as well as an allocation of ancillary and support services needed for the project, as described in Section I.1, and all other costs necessary to provide the service.”

It is unknown why Wilmington Health aggregates staffing and other expenses into the “Central Office Overhead” category rather than detailing what staffing is included to support the proposed project. Wilmington Health projected its administrative and support staffing based on a percent of gross revenue as a separate expense line. Most importantly, it cannot be determined what FTEs are included in this calculation. While Wilmington Health no doubt has overall administrative staff for its organization, there is no information about the staff at the actual location/facility where the proposed MRI service will be offered. For example, who will check the patient in when they arrive? Who will validate the patient’s insurance or work with the patient to complete forms required for payment? There is a reception desk shown in Exhibit C.1-1, but no one projected to staff this desk. There is a nurse station in Exhibit C.1-1, but no nurse FTEs are projected. Who will clean the MRI suite and associated space? Who will provide supervision for the operation of the MRI service? All of this is completely unknown.

G.S. 131E-183(a)(7) requires that “The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.” Hence the purpose of Form H Staffing. Without the details of what is included in the “Central Office Overhead”, it is impossible to determine whether enough overhead expense is included in the Operating Expenses. The Agency cannot speculate; it is the applicant’s responsibility to provide the information so the Agency can make an informed decision. The Agency will not be able to do so here, because Wilmington Health did not provide the information.

Insufficient FTEs for MRI Technologists

As previously established, on Form H Staffing, Wilmington Health proposes two FTEs for MRI technologists. In fact, of all the competing applicants in this review cycle, Wilmington Health projects the least FTEs for MRI Technologists.¹¹ Wilmington Health proposes to operate the proposed MRI scanner Monday through Friday from 8 AM to 5 PM; two FTEs is insufficient for the hours of operation and projected volumes. While unsupported as previously discussed, Wilmington Health projects that the proposed MRI will perform 5,866 weighted scans in CY 2026. In other words, Wilmington Health projects that the proposed MRI unit will operate at *122 percent* of the adjusted threshold of 4,805 weighted scans. Clearly, Wilmington Health believes the proposed unit will be very highly utilized. Two FTEs to cover a “highly utilized” MRI unit is insufficient, considering potential overtime, lunch breaks, vacation and sick leave, etc. Accordingly, Wilmington Health has not indicated how it will ensure adequate staffing to effectively operate the proposed MRI unit.

Insufficient Salary for MRI Technologists

By Project Year 3, Wilmington Health only projects an average annual salary per FTE of \$76,512 for the MRI Technologist position, the lowest salary of all competing applicants. This salary level appears to be understated.

- ZipRecruiter.com identifies a current average for an MRI Technologist in Wilmington, North Carolina of \$75,708.¹²

¹¹ EmergeOrtho also projects two FTEs for MRI Technologists but also projects MRI Technologist Assistants.

¹² As of October 19, 2021. See <https://www.ziprecruiter.com/Salaries/MRI-Technologist-Salary-in-Wilmington,NC>.

- Salary.com identifies a median current salary of \$73,357 for MRI Technologist II salary in Wilmington, North Carolina.¹³
- Considering inflation at 3 percent annually from 2021 to 2026 (PY 3), the average salary for an MRI Technologist would range from \$85,041 to \$87,766 in PY 3, which is far higher than projected by Wilmington Health.¹⁴

It is unknown how Wilmington Health will acquire adequate staffing for the proposed project when it is clearly offering a salary that is significantly less than its competitors in the market and the industry standard as a whole. It is possible that Wilmington Health plans to hire entry-level MRI Technologists at a lower salary than the average; however, an entry-level MRI Technologist would be inappropriate in the proposed setting with no direct supervision by a manager particularly given that no staff other than the 2.0 FTEs for MRI technologists is identified in Form H.¹⁵

In summary, Wilmington Health has not identified the full staff required to support the proposed project. Moreover, Wilmington Health either: (1) underestimates the average annual salary for MRI Technologists which calls into question the validity of its projected operating expenses and its ability to secure adequate staffing or (2) plans to hire entry-level MRI technologists with no experience and little to no supervision which calls into question the quality of care in the provision of the proposed MRI services. Either way, Wilmington Health is not conforming with Criterion (7).

For the reason discussed above, paired with concerns raised in Criterion (3) and Criterion (5), and any additional reasons the Agency may discern, Wilmington Health’s application should be found non-conforming with Criterion (7).

Criterion (8) – Wilmington Health’s Provision for Ancillary and Support Services is Questionable.

Based upon the staffing concerns raised under Criterion (7), Wilmington Health does not have the adequate staffing, nor does it document proper ancillary and support services and how these services will be provided. No other existing administrative or support positions for Wilmington Health are provided to demonstrate such support is available for the proposed MRI service. As previously established, Wilmington Health indicates that the administrative and support services are included in the “Central Office Overhead” line item in its Form F.3b; however, the assumptions are unclear as to what positions are included in this line item and existing and projected ancillary and support-related positions are not shown on Form H.

Wilmington Health is inconsistent with how it portrays the “relationship” between the proposed service and existing services in its application. Where convenient, Wilmington Health highlights that all the necessary ancillary and support services are in place due to its existing physician practices and diagnostic imaging services. See Wilmington Health’s Exhibit I.1 and Wilmington Health CON Application, pages 89 and 94. In other places in the application, Wilmington Health attempts to treat the proposed location for the proposed MRI service as a separate facility with no additional diagnostic center services despite its location on the “Wilmington Health Porters Neck Campus” with other diagnostic center services (*e.g.*, CT,

¹³ as of September 27, 2021. See <https://www.salary.com/research/salary/benchmark/mri-technologist-ii-salary/wilmington-nc>.

¹⁴ Wilmington Health’s Form H Assumptions state that the projected annual salary per FTE is projected based on its current MRI operations, inflated 3 percent annually through the third project year which is 5 years from now (CY 2026). $\$78,662 * (1 - 0.03)^5 = \$65,703.46$

¹⁵ See <https://www.salary.com/research/job-description/benchmark/mri-technologist-i-job-description> and <https://theradiologictechnologist.com/difference-between-a-tech-i-tech-ii-tech-iii/#MRI-Technologist-I>

bone density, mammography, etc.) offered on the same campus.¹⁶ Wilmington Health cannot have it both ways. Either it is proposing a diagnostic center on an existing campus with existing ancillary support services and diagnostic services that have not been identified and accounted for in its financial pro forma or it is a separate diagnostic center that does not have any existing ancillary and support services. Wilmington Health is inconsistent and unclear on this point.

For these reasons, the reasons discussed in Criteria (3), (5), and (7), and any additional reasons the Agency may discern, Wilmington Health's application should be found non-conforming with Criterion (8).

Criterion (13) – Wilmington Health's Project Will Not Sufficiently Serve Medically Underserved Patients.

Wilmington Health fails to show that its proposed project will enhance access to medically underserved groups. Wilmington Health claims that it does not maintain data that includes the number of low-income persons it serves (see Wilmington Health CON application, page 59) and does not provide a charity care percentage in its payor mix tables (see Wilmington Health CON application, pages 98 & 99). This is, however, contradicted by information later presented in its application that seems to indicate that Wilmington Health does in fact track charity care and reduced cost data (see Wilmington Health CON application, page 102). Wilmington Health presented projected charity care and reduced cost data for its entire organization and claimed the data is based on historical experience. Note that **Wilmington Health projects only 5 total charity care patients and 16 patients served at a reduced cost to care for the entire organization.** Clearly Wilmington Health does not, nor does it plan to, serve any meaningful number of medically underserved patients.

As it relates to the provision of service to MRI patients specifically, Wilmington Health projects to serve just 0.7 percent self-pay patients (no charity care is shown) and only 2.1 percent Medicaid patients, (see Wilmington Health CON application, page 101). Wilmington Health's projected charity care dollars found on Form F.2b equate to only 0.5 percent of gross revenue.¹⁷ This access for low-income patients is minimal at best and insufficient to demonstrate access by underserved groups. Moreover, this level of access is not confirmed by any documented actual historical provision of charity care. Wilmington Health's financial statements make no reference to charity care.

Wilmington Health has provided a copy of its "Financial Assistance Policy" as evidence in support of this criterion. This policy is vague and difficult to understand but appears to commit Wilmington Health only to consider applying an unspecified percentage adjustment to a patient's account if that patient meets "charitable guidelines as determined by the U.S. Department of Health & Human Services ("US DHHS") Annual Poverty Guidelines". NHRMC has not seen "charitable guidelines" published by US DHHS, so it can only be deduced from Wilmington Health's policy that Wilmington Health will *consider* offering an adjustment to patients who are at or below the federal poverty guidelines. This policy fails to support any real attempt to enhance access to the underserved in our community, particularly when compared to the Novant Health policy, which clearly states that uninsured patients below 300 percent of the federal poverty guideline will qualify for 100 percent reduction in charges.

¹⁶ See Wilmington Health CON Application, Section C, Question 5, Table f. (Page 23) and Section F, Question 4.b, page 81.

¹⁷ On Form F.2b, charity care is listed as an adjustment to revenue. Wilmington Health projects the charity care line item as the difference between gross and net revenue for self-pay. With only 5 projected charity care patients in PY 3 *for the entire organization* (i.e., all physician practices and diagnostic centers), it is likely that the estimate of 0.5 percent of gross revenue for charity care is overstated.

For the reasons discussed above as well as any additional reasons the Agency may discern, Wilmington Health should be found non-conforming to Criterion (13).

Criterion (18a) – Wilmington Health’s Proposed Project Will not Positively Impact Competition in the Service Area.

Wilmington Health’s proposed project will not enhance competition in the service area, nor will it have a positive impact upon cost-effectiveness, quality, and access. As discussed, Wilmington Health’s application contains unreliable and unreasonable projected utilization. Furthermore, Wilmington Health proposes to serve its own patients, as no other source of external referrals has been identified. Without its proposed project meeting the demand for MRI services for the broader service area, the need will continue to have to be met by the other service area providers of MRI services, namely mobile MRI host sites which are limited in availability and NHRMC’s MRI scanners which are already capacity constrained.¹⁸ Therefore, Wilmington Health’s project does not propose to increase competition within the service area, and in fact, it only results in an underutilized MRI that increases community costs.

For the reasons discussed above as well as any additional reasons the Agency may discern, Wilmington Health’s application should be found non-conforming with Criterion (18a).

EMERGEORTHO IS NON-CONFORMING WITH THE REVIEW CRITERIA.

Criterion (1) Policy GEN-3 – Wilmington Health’s Project is not Consistent With the 2021 SMFP.

EmergeOrtho should be found non-conforming with Criterion (1) and Policy GEN-3 because it does not adequately explain how its projected utilization incorporates the concept of maximum healthcare value for resources expended. EmergeOrtho’s flawed utilization projections, unnecessary duplication of services, lack of financial feasibility, and the availability of more effective alternatives demonstrate that EmergeOrtho’s project does not maximize resources. More detailed discussions of each of these factors can be found below, in NHRMC’s comments concerning EmergeOrtho’s non-conformity with Criterion (3), Criterion (4), Criterion (5), Criterion (6), Criterion (13), and Criterion (18a), respectively.

Criterion (3) – Wilmington Health Does Not Show a Need for its Project and Projected Utilization is Unrealistic and Unsupported.

EmergeOrtho fails to demonstrate the need for its proposed project as required by Criterion (3) for several reasons, including:

- EmergeOrtho does not present any information related to need that is evidence of the need for its specific project.
- EmergeOrtho’s proposed project will be heavily focused on serving its own orthopedic patients (see EmergeOrtho CON Application, page 29).
- EmergeOrtho presents unsupported utilization projections that are riddled with unrealistic, flawed, and/or misleading assumptions.
- EmergeOrtho’s project will not enhance access for medically underserved groups.

¹⁸ The only other existing provider of MRI services in the service area is EmergeOrtho which primarily serves orthopedic patients.

EmergeOrtho Does not Prove Need for its Specific Project.

In its application, EmERGEOrtho presents analyses establishing a general need for MRI services in New Hanover County. NHRMC agrees that there is a clear need for additional MRI capacity; however, EmERGEOrtho does not present any information related to need that is unique to its proposal that cannot be met by any other provider. EmERGEOrtho does present its trend in MRI services over time; however, a growth in volume, standing alone, is not evidence of a need for additional MRI capacity. For instance, EmERGEOrtho, as an existing provider, did not provide any information documenting any constraints endured by its existing MRI unit (*e.g.*, long wait times or schedule delays). In FFY 2020 the existing unit was only utilized at 72.9 percent of the total adjusted threshold of 4,805 weighted scans.

EmergeOrtho Will not Meet the MRI Needs of the Service Area.

As set forth in G.S. § 131E-183(a)(3), applicants are required to show the extent to which all residents of the area are likely to have access to the services that are proposed. The limitation of EmERGEOrtho's letters of support and basis for projected utilization demonstrate two shortcomings in meeting the MRI need for all service area residents. First, EmERGEOrtho is likely to only serve orthopedic volume, which is just a subcomponent of the larger need and does not meet the need for a broad range of other scans including neuro, oncology, gastroenterology, and other important scans. The need identified in the SMFP is not limited to orthopedic MRI scans.

Second, there is no indication of any patient's ability to access to the proposed MRI unless they are a patient of EmERGEOrtho. It is the applicant's burden to show how it will meet the needs of the service area, not just its own relatively narrow base of orthopedic patients. It is important to note that EmERGEOrtho does claim it will gain new market share; however, it provides no source for this purported new market share, as will be discussed below. EmERGEOrtho submitted 30 form letters, 29 of which are from referring physician letters. All 29 of these form physician letters of support are signed by EmERGEOrtho physicians who note that they currently do and will continue to refer their patients to EmERGEOrtho for MRI services. This is in complete contradiction to EmERGEOrtho's projected basis for increased market share. While EmERGEOrtho mentions that the proposed unit will be available to all patients referred by a physician,¹⁹ EmERGEOrtho has not provided any documentation of relationships with any physician or medical group outside of its own affiliated practices.

The published need for one additional fixed MRI scanner in the 2021 SMFP is not for a scanner that will serve mostly orthopedic patients or patients from one medical group, but for a scanner that will meet the needs of all service area patients. The EmERGEOrtho application does not demonstrate, based on reasonable assumptions, the extent to which all residents of the area are likely to have access to the services proposed.

EmergeOrtho's Utilization Projections are Flawed and Unsupported.

EmerGEOrtho's projected utilization is flawed for multiple significant reasons, including:

- Unreasonable, unsupported, and unsustainable growth rates for its existing MRI unit; and
- Unreasonable market share assumptions for its proposed MRI unit.

¹⁹ See EmERGEOrtho CON Application, page 29.

EmergeOrtho’s Projected Baseline Utilization for its Existing MRI Unit is Fundamentally Flawed.

EmergeOrtho begins its multi-step projections by presenting its historical utilization from CY 2017 – YTD 2021 (EmergeOrtho CON Application, page 130). **Figure 14** presents EmergeOrtho’s historical utilization with CAGR. From CY 2017 to CY 2021 Annualized, EmergeOrtho experienced a minimal 0.2 percent annual increase in MRI volume, and from CY 2018 to CY 2021 Annualized, EmergeOrtho experienced a 4.2 percent annual increase in MRI volume.

Figure 14
EmergeOrtho Historical Fixed MRI Utilization CY 2017 – CY 2021 Annualized

	2017	2018	2019	2020	2021 Annualized*	CAGR 2017 - 2021 Annualized	CAGR 2018 - 2021 Annualized
Total unweighted procedures	4,494	4,005	4,384	3,333	4,526	0.2%	4.2%
Weighted procedures	4,651	4,153	4,546	3,446	4,707	0.2%	4.2%
Weighting ratio	1.035	1.037	1.037	1.034	1.040		

Source: EmergeOrtho CON Application, page 130

*January to June 2021 Data Annualized

May not foot due to rounding.

Despite a long history of utilization for its existing MRI unit, EmergeOrtho decides to base its projections on the experience of the county as a whole. Specifically, EmergeOrtho projected growth in its existing MRI utilization from CY 2022 to CY 2025 based 80 percent of the historical New Hanover County CAGR of 11.28 percent from FFY 2016 to FFY 2019, or 9.03 percent ($11.28 * 0.80$).²⁰ See EmergeOrtho CON Application, pages 130 and 131. There are several flaws with this growth rate:

- It does not align at all with EmergeOrtho’s historical experience in the provision of fixed MRI services. See **Figure 14** above.
- It includes all MRI volume performed in New Hanover County – hospital-based, freestanding, and mobile; inpatient and outpatient. It is completely inappropriate to apply a growth rate derived from such a diverse volume base to a freestanding, single-specialty facility.
- The choice of 80 percent of the county-wide rate is arbitrary. EmergeOrtho appears to just pick a percentage at random.

Clearly, the foundation of EmergeOrtho’s projections is flawed from the start. This alone is enough to render EmergeOrtho’s projections unreliable and therefore non-conforming with Criterion (3).

EmergeOrtho’s Projected Market Share Calculation is Unreasonable.

In Step 2 of its projections, EmergeOrtho estimates its market share of New Hanover County MRI procedures to be 12.08 percent and 13.08 percent for 2019 and 2020, respectively. See EmergeOrtho CON Application, pages 132. EmergeOrtho’s estimated market share of New Hanover County is flawed and meaningless.

²⁰ EmergeOrtho incorrectly states that the New Hanover County CAGR is from CY 2016 – CY 2019. See EmergeOrtho CON Application, page 130.

When calculating its market share in 2019 and 2020 on page 132 of the CON Application, EmergeOrtho compares its CY 2019 and CY 2020 MRI volume²¹ with FFY 2019 and FFY 2020 New Hanover County MRI volume from the SMFPs. The time periods in this analysis do not align. **Figure 15** provides the market share for EmergeOrtho in FFY 2020. EmergeOrtho had 12.3 percent market share in FFY 2020, not 13.08 percent as it claims in its application.

Figure 15
FFY 2020 New Hanover County MRI Market Share

EmergeOrtho	
Fixed	3,383
Mobile	286
EmergeOrtho Total MRI Scans	3,669
Total New Hanover County MRI Scans	29,903
EmergeOrtho Market Share %	12.3%

Source: Proposed 2022 SMFP

EmergeOrtho’s Use Rate Calculation is Flawed.

Next, EmergeOrtho projects the total MRI volume for New Hanover County through CY 2025 based on a calculated “use rate” from FFY 2015 to FFY 2020. (See EmergeOrtho CON Application, page 132.) This is not really a use rate for New Hanover County because, as demonstrated by the historical patient origin for existing providers including EmergeOrtho, only 50 to 60 percent of MRI patients who utilize New Hanover County MRI services are actually New Hanover County residents. (See EmergeOrtho patient origin on pages 32 and 33 of its CON Application.) Accordingly, dividing all MRIs performed in the county by only the single-county population overstates the use rates by 50 percent or more.

EmergeOrtho’s Projected Total Market MRI Scans are Flawed.

EmergeOrtho uses the inaccurate MRI use rate averaged across multiple years and applies it to the projected county population to project the total MRI volume in New Hanover County through CY 2025. This makes no common sense. The need in the 2021 SMFP is based on total utilization of New Hanover County MRI units of 40,406 scans, yet EmergeOrtho never expects the market demand to reach this level again for the next five years. This projection would imply that the collective New Hanover County providers would never recover from COVID-19 for the foreseeable future which is simply not true; as shown in the YTD and projected volumes for 2021 for the competing applicants, existing MRI providers in New Hanover County are already starting to recover from the impact of COVID-19.

EmergeOrtho’s Projected Incremental Market Share Assumptions are Unreasonable

Next, EmergeOrtho projects that its proposed Porters Neck fixed MRI scanner will obtain new market share during the initial three project years due to offering full-time MRI scanner access at the northern New Hanover County location. EmergeOrtho goes on to state that some consumers will choose to utilize the

²¹ Note that EmergeOrtho and/or its third-party vendor appears to misreport its FFY 2019 MRI volume in the 2021 SMFP. EmergeOrtho reported 5,140 fixed MRI scans for FFY 2019 according to the 2021 SMFP and presents 4,384 MRI scans for CY 2019 (see page 132 of EmergeOrtho’s CON Application), **a 756 MRI scan difference for one additional quarter of data**. Even more, the SMFP indicates that EmergeOrtho performed 1,970 mobile MRI scans in FFY 2019, but EmergeOrtho shows only 498 mobile MRI scans in FFY 2019 (see page 132 of EmergeOrtho’s CON Application), **a difference of 1,472 MRI scans for a one-quarter difference in the data time periods**. These variances are not likely to be attributed to seasonality.

Porters Neck fixed MRI scanner rather than selecting an existing fixed MRI service in New Hanover County. See EmergeOrtho CON Application, page 133. There are several problems with EmergeOrtho's projected new market share analysis:

- The incremental new market share percentages are baseless. EmergeOrtho claims it is projecting this new market share due to enhanced geographic access, but there is no quantitative relationship between the geographic argument and EmergeOrtho's projected incremental market share.
- EmergeOrtho admits that it plans to gain this new market share by taking volume from existing MRI providers. EmergeOrtho projects 3,046 MRI scans due to new market share in PY 3. Thus, 64 percent of EmergeOrtho's total projected volume (3,046 / 4,759) is based on whether EmergeOrtho is able to take over 3,000 patients (or scans) from existing providers.
- Projecting to take this number of patients from existing providers is unrealistic for two reasons:
 - (1) EmergeOrtho is an orthopedic physician practice primarily serving orthopedic patients in an outpatient setting. The scope of its services is very limited. EmergeOrtho projects its incremental market share based on all MRI volume regardless of setting (inpatient or outpatient), service type (hospital-based, mobile, or freestanding), complexity (contrast or no contrast), or specialty. EmergeOrtho simply does not and will not provide all these types of scans.
 - (2) EmergeOrtho presents letters of support from its own physicians that state that they currently refer their MRI patients to EmergeOrtho. EmergeOrtho does not present any evidence in the form of letters of support from unaffiliated physicians in specialties other than orthopedics/pain management, for example, to support its claimed incremental market share projections.
- Overall, EmergeOrtho projects that its market share will more than double from CY 2019 to CY 2025 with no evidence of increased referral sources to facilitate such a large market share increase. See EmergeOrtho CON Application, page 137.

EmergeOrtho's claims related to its projected MRI volume based on incremental market share are clearly unsupported and unreasonable. Therefore, it is highly unlikely that EmergeOrtho will be unable to meet its projected utilization.

EmergeOrtho's Projected Shift from its Existing Location to the Proposed Location is Unfounded.

As detailed on pages 134 and 135 of EmergeOrtho's CON Application, EmergeOrtho projects a shift of a percentage of patients from its existing Shipyard Boulevard location to the proposed Porters Neck location based enhanced geographic accessibility for its patients who reside in ten identified ZIP Codes in the County. Specifically, EmergeOrtho projects that 55 percent, 65 percent, and 75 percent of its projected patients from these ten ZIP Codes would shift from the Shipyard Boulevard location to the proposed location in Porters Neck in PYs 1, 2, and 3, respectively. This analysis is flawed in the same way as the baseline utilization for the existing fixed MRI:

- The base of patients from which EmergeOrtho proposes to shift a percentage of its patients to the Porters Neck location is overstated. Just as it did with its projected overall baseline utilization, EmergeOrtho used the growth rate of approximately 9 percent derived from the New Hanover County MRI utilization growth rates to project forward the base of patients from the ten ZIP Codes. As previously established, the 9 percent growth rate is much higher EmergeOrtho's historical growth rates (see **Figure 14** above).
- If this base of patients was, instead, correctly projected based on EmergeOrtho's historical growth rates, it would be a much smaller pool of patients.

Because EmergeOrtho’s projected growth in the base of existing patients does not align with EmergeOrtho’s historical growth, the base of patients from which EmergeOrtho projects to shift patients is overstated and unsupported. Consequently, the projected shift from the existing unit to the proposed unit is also overstated and unsupported.

EmergeOrtho’s Final Growth Rates are Unrealistic.

In addition to the projected incremental new market share, EmergeOrtho projects that volume will shift from its existing Shipyard Boulevard location to the proposed Porters Neck location based on a ZIP Code patient origin analysis. See EmergeOrtho CON Application, pages 134 and 135. EmergeOrtho combines its projected incremental new market share and shift from Shipyard Boulevard to calculate the total projected EmergeOrtho – Porters Neck MRI procedures. See EmergeOrtho CON Application, Page 136.

Figure 16 provides the trend in projected utilization for EmergeOrtho’s proposed Porters Neck MRI unit. **EmergeOrtho’s unreasonable assumptions result in an aggressive 34.6 annual growth rate from CY 2023 to CY 2025.** It is acknowledged that the first year of operation for any new service offering often includes a ramp-up period which inherently contributes to the high growth rate from CY 2023 to CY 2025, but even still, the percent increase in MRI volume from CY 2024 to CY 2025 at the Porter Neck location is 24 percent. Recall that EmergeOrtho’s ability to meet over half of its projected volume (64 percent in PY 3) hinges on its unlikely ability to capture thousands of MRI patients who are currently seeking care at existing hospital-based facilities (inpatient and outpatients) as well as freestanding facilities across multiple specialties. EmergeOrtho’s projected growth rates are clearly unrealistic.

Figure 16
Corrected EmergeOrtho – Porters Neck Projected Fixed MRI Utilization

CY 2023	CY 2024	CY 2025	CAGR CY 2023 - 2025	% Change CY 2024 – 2025
2,627	3,837	4,759	34.6%	24.0%

Source: EmergeOrtho CON Application, Page 136

EmergeOrtho’s Corrected Projected Utilization

As detailed above, EmergeOrtho’s projections have multiple inconsistencies and unrealistic, baseless assumptions. Conservatively, NHRMC only corrected EmergeOrtho’s foundational flaw – the fact that its projections are not based in its historical experience – and accepted EmergeOrtho’s methodology otherwise despite its clear flaws. NHRMC provides two scenarios for the corrected projected utilization: one based on EmergeOrtho’s CAGR from CY 2017 to CY 2021 Annualized and one based on EmergeOrtho’s CAGR from CY 2018 to CY 2021.

Scenario 1: EmergeOrtho’s Projected Utilization Using CY 2017 to CY 2021 Annualized Growth Rate

As shown in **Figure 14** above, EmergeOrtho’s fixed MRI growth rate from CY 2017 to CY 2021 Annualized is 0.2 percent. **Figure 17** provides the updated projected utilization from CY 2021 to CY 2025 for EmergeOrtho’s Shipyard Boulevard MRI unit prior to any shifts using its CY 2017 to CY 2021 Annualized growth rate.

Figure 17
Corrected Projected Shipyard Boulevard Fixed MRI Utilization, CY2021-CY2025

	2021	2022	2023	2024	2025	CAGR
Corrected Unweighted Procedures	4,526	4,534	4,542	4,550	4,558	0.2%
Weighted Procedures	4,707	4,693	4,701	4,709	4,718	
Weighting ratio	1.040	1.035	1.035	1.035	1.035	

Source: EmergeOrtho CON Application, Form C Utilization Assumptions

Next, **Figure 18** provides the updated projected utilization from CY 2021 to CY 2025 for EmergeOrtho’s Shipyard Boulevard MRI unit after the projected shifts to its proposed Porters Neck MRI.

Figure 18
Corrected Total Projected Shipyard Boulevard Fixed MRI Procedures (After Shift)

	2021	2022	2023	2024	2025
Corrected Unweighted Procedures	4,526	4,534	4,542	4,550	4,558
Shifted to Porters Neck	-	-	1,057	1,363	1,713
Corrected Total Unweighted	4,526	4,534	3,485	3,187	2,845
Corrected Weighted Procedures	4,707	4,693	3,607	3,299	2,945
Weighting Ratio	1.040	1.035	1.035	1.035	1.035

Source: EmergeOrtho CON Application, Form C Utilization Assumptions

Lastly, **Figure 19** provides the corrected total EmergeOrtho MRI procedures from CY 2021 to CY 2025.

Figure 19
Corrected Total Projected EmergeOrtho Fixed MRI Procedures Combined Shipyard Blvd. & Porters Neck

	2021	2022	2023	2024	2025
Corrected Weighted Shipyard Procedures	4,707	4,693	3,607	3,299	2,945
Weighted Porters Neck Procedures	541	594	2,719	3,973	4,926
Total Weighted Procedures	5,248	5,287	6,326	7,272	7,871
Average Weighted Procedures/Scanner	5,248	5,287	3,163	3,636	3,935

When EmergeOrtho’s growth rate is updated to reflect its experience from CY 2017 to CY 2021 Annualized instead of using an unrealistic, flawed growth rate, EmergeOrtho does not meet the performance standards. 10A NCAC 14C. 2703(b)(3) and (4).

Scenario 2: EmergeOrtho’s Projected Utilization Using CY 2018 to CY 2021 Annualized Growth Rate

NHRMC recognizes that EmergeOrtho’s annual growth rate of 0.2 percent from CY 2017 to CY 2021 Annualized for MRI services is a bit conservative. As shown in **Figure 14** above, EmergeOrtho’s fixed MRI growth rate from CY 2018 to CY 2021 Annualized is 4.2 percent. Accordingly, **Figure 20** provides the updated projected utilization from CY 2021 to CY 2025 for EmergeOrtho’s Shipyard Boulevard MRI unit prior to any shifts using its CY 2018 to CY 2021 Annualized growth rate.

Figure 20
Corrected Projected Shipyard Boulevard Fixed MRI Utilization, CY2021-CY2025

	2021	2022	2023	2024	2025	CAGR
Corrected Unweighted Procedures	4,526	4,714	4,910	5,115	5,328	4.2%
Weighted Procedures	4,707	4,879	5,082	5,294	5,514	
Weighting ratio	1.040	1.035	1.035	1.035	1.035	

Source: EmergeOrtho CON Application, Form C Utilization Assumptions

Next, **Figure 21** provides the updated projected utilization from CY 2021 to CY 2025 for EmergeOrtho’s Shipyard Boulevard MRI unit after the projected shifts to its proposed Porters Neck MRI.

Figure 21
Corrected Total Projected Shipyard Boulevard Fixed MRI Procedures (After Shift)

	2021	2022	2023	2024	2025
Corrected Unweighted Procedures	4,526	4,714	4,910	5,115	5,328
Shifted to Porters Neck	-	-	1,057	1,363	1,713
Total Unweighted	4,526	4,714	3,853	3,752	3,615
Weighted Procedures	4,707	4,879	3,988	3,883	3,741
Weighting Ratio	1.040	1.035	1.035	1.035	1.035

Source: EmergeOrtho CON Application, Form C Utilization Assumptions

Lastly, **Figure 22** provides the corrected total EmergeOrtho MRI procedures from CY 2021 to CY 2025.

Figure 22
Corrected Total Projected EmergeOrtho Fixed MRI Procedures Combined Shipyard Blvd. & Porters Neck

	2021	2022	2023	2024	2025
Corrected Weighted Shipyard Procedures	4,707	4,879	3,988	3,883	3,741
Weighted Porters Neck Procedures	541	594	2,719	3,973	4,926
Total Weighted Procedures	5,248	5,473	6,708	7,856	8,667
Average Weighted Procedures/Scanner	5,248	5,473	3,354	3,928	4,334

Even when EmergeOrtho’s growth rate is updated to reflect its experience from CY 2018 to CY 2021 Annualized, EmergeOrtho still does not meet the performance standards. 10A NCAC 14C. 2703(b)(3) and (4).

EmergeOrtho’s Project Will not Meet the Needs of Medically Underserved Populations.

EmergeOrtho is very inconsistent regarding its historical and projected provision of care to medically underserved populations. Throughout its application, EmergeOrtho highlights its long history (15 years) of providing MRI services. Clearly as a well-established provider in New Hanover County, EmergeOrtho must have a record of its charity care yet never presents it within its application. It is possible that EmergeOrtho did not provide its historical care to medically underserved populations because it does not provide much of it to MRI patients. EmergeOrtho admits that it does not have formal charity or reduced cost care policies. See EmergeOrtho CON Application, page 109. Thus, any verbal “commitment” to providing care to the medically underserved populations without any context of the historical provision of such care results in questionable promises that EmergeOrtho may or may not live up to. With all the inconsistencies and lack of historical context, it is unclear how medically underserved populations such as charity care patients will

have enhanced access to MRI services through the approval of EmergeOrtho's proposed project. See NHRMC's Written Comments related to Criterion (13) for additional discussion.

EmergeOrtho's Failure to Meet Performance Standards is Fatal to its Application.

10A NCAC 14C .2703 sets the criteria and standards for Magnetic Resonance Imaging units. EmergeOrtho's unsupported projections will result in a failure to meet the 10A NCAC 14C .2703 Performance Standards that apply to MRI services.

As previously discussed, EmergeOrtho's projections have the following flaws:

- Inappropriate projected growth rates:
 - Reliance on growth rates derived from the total New Hanover County MRI utilization which is inappropriate to apply to a freestanding facility that is essentially single specialty.
 - Unreasonably high, unsustainable projected growth rates.
- Unrealistic market share assumptions:
 - Inaccurate market share percentages based on comparing different time periods of data.
 - Unreasonable incremental market share percentages with no basis that are unrealistically reliant upon taking inpatient and outpatient, complex and routine patients from both freestanding and hospital-based existing facilities that offer a much broader range of services than offered by EmergeOrtho.

Figures 19 and **22** provides EmergeOrtho's projected utilization when the inappropriate, baseless growth rates are adjusted based on EmergeOrtho's growth from CY 2017 to CY 2021 Annualized and CY 2018 to CY 2021 Annualized, respectively.

10A NCAC 14C .2703(b)(3)(e) of the MRI Performance Standards states that:

*(3) demonstrate that the average annual utilization of the existing, approved and proposed fixed MRI scanners which the applicant or a related entity owns a controlling interest in and locates in the proposed MRI service area are reasonably expected to perform the following number of weighted MRI procedures, whichever is applicable, in the third year of operation following completion of the proposed project... (e) **4,805 weighted MRI procedures** in MRI service areas in which the SMFP shows four or more fixed MRI scanners are located; [emphasis added]*

10A NCAC 14C .2703(b)(4)(e) of the MRI Performance Standards states that:

*if the proposed MRI scanner will be located at a **different site from any of the existing or approved MRI scanners owned by the applicant or a related entity**, demonstrate that the annual utilization of the proposed fixed MRI scanner is reasonably expected to perform the following number of weighted MRI procedures, whichever is applicable, in the third year of operation following completion of the proposed project ... (e) **4,805 weighted MRI procedures** in MRI service areas in which the SMFP shows four or more fixed MRI scanners are located; [emphasis added]*

Figures 19 and **22** show that:

- When the projected growth rate is adjusted to CY 2017 to CY 2021 Annualized growth rate, EmergeOrtho will provide **3,935 weighted cans per unit** (existing and proposed).

- When the projected growth rate is adjusted to CY 2018 to CY 2021 Annualized growth rate, EmergeOrtho will provide **4,334 weighted cans per unit** (existing and proposed).

Either way, EmergeOrtho falls short of the required 4,805 weighted MRI procedures for the existing and proposed unit as required by 10A NCAC 14C .2703(b)(3)(e) and as required by 10A NCAC 14C .2703(b)(4)(e) since EmergeOrtho proposes an additional unit in a different location than the existing MRI scanner. Therefore, EmergeOrtho does not meet the MRI performance standards.

For all the reasons discussed above and any additional reasons the Agency may discern, EmergeOrtho should be found non-conforming with Criterion (3).

Criterion (4) – EmergeOrtho is not Proposing the Least Costly or Most Effective Alternative.

For the same reasons discussed in relation to Criteria (1), (3), (5), (6), (13), and (18a), Emerge Ortho should be found non-conforming with Criterion (4):

- EmergeOrtho has unsupported and unreasonable projections – see discussion under Criterion (3).
- EmergeOrtho’s proposed project is not financially feasible – see discussion under Criterion (5).
- EmergeOrtho’s proposed project will result in a duplication of services – see discussion under Criterion (6).
- EmergeOrtho’s proposed project is not accessible to underserved populations – see discussion under Criterion (3) and Criterion (13).
- EmergeOrtho’s proposed project will not have a positive impact on competition – see discussion under Criterion (18a).

For the reasons noted above and discussed in detail in other parts of this document and any additional reasons the Agency may discern, EmergeOrtho should be found non-conforming to Criterion (4).

Criterion (5) – EmergeOrtho’s Project is not Financially Feasible.

As previously discussed in Criterion (3), EmergeOrtho’s utilization projections are not reasonable and supported, and the assumptions are not reasonably documented. This calls into question the reasonableness of EmergeOrtho’s utilization projections which, in turn, undermines EmergeOrtho’s financial projections. EmergeOrtho projects a net income of just \$594,231 in Year 3. There is no reasonable basis for the incremental market share projected to be captured by EmergeOrtho Porters Neck. Moreover, the shortfall in volume projected at Shipyard Boulevard based on overstated growth rates could be construed to be a significantly lower volume at Porters Neck. With such unreasonable projected utilization, it is impossible to determine the financial feasibility of EmergeOrtho’s project.

For the foregoing reasons plus any additional reasons the Agency may discern, Wilmington Health’s project is non-conforming with Criterion (5).

Criterion (6) – EmergeOrtho’s Proposal Represents an Unnecessary Duplication of Services.

The proposed project will inevitably result in unnecessary duplication of MRI services. As discussed above:

- EmergeOrtho will only serve its own patient base. See discussion related to Criterion (3).

- EmergeOrtho offers a limited scope of services dominated by orthopedic referrals. This is far narrower than hospital-based MRI services or even freestanding fixed MRI units that are not limited by specialty. See discussion related to Criterion (3).
- EmergeOrtho has not documented a specific need for its proposed project. See discussion related to Criterion (3).
- EmergeOrtho's projections rely heavily on new incremental market share that they admittedly project to capture from other existing providers. This is highly unlikely. See discussion related to Criterion (3).

Approval of its project will result in an underutilized MRI based on insufficient documentation of need. For the foregoing reasons plus any additional reasons the Agency may discern, Wilmington Health's project is an unnecessary duplication of existing services and should be found non-conforming with Criterion (6).

Criterion (13) – EmergeOrtho's Project Does Not Meet the Needs of the Medically Underserved.

EmergeOrtho's historical and projected provision of care to medically underserved populations is inconsistent and highly questionable. For example:

- On page 60 of its CON application, EmergeOrtho says that 13 percent of its total patients served in PY 3 will be low income. EmergeOrtho bases this projection on US Census Bureau data which is not based at all on EmergeOrtho's historical experience or anything specific to EmergeOrtho's *provision of care* to low-income patients (*e.g.*, charity care, self-pay, and/or Medicaid patients).
- On page 105, EmergeOrtho indicates that zero charity care patients were served by the existing mobile unit at its Porters Neck location but makes no mention of the historical provision of charity care for its existing fixed MRI unit at its Shipyard Boulevard location. EmergeOrtho also shows that the only 0.5 percent of the patients who were served by the mobile MRI unit at its Porters Neck location were self-pay patients.
- As it relates to medically underserved populations, EmergeOrtho projects that 1.5 percent of its projected Porter Neck MRI patients will be charity care, 0.5 percent will be self-pay, and 3.4 percent will be Medicaid. EmergeOrtho claims this is based in a combination of CY 2020 payor mix for the mobile unit at EmergeOrtho Porters Neck and the CY 2020 payor mix for the patients it will shift from its Shipyard Boulevard location to its proposed Porters Neck location (see EmergeOrtho's CON Application, page 107); however:
 - Recall that the table on page 105 shows zero charity care patients for EmergeOrtho – Porters Neck in CY 2020 but the first table on page 108 shows the projected charity for EmergeOrtho – Porters Neck is 0.7 percent and a second table labeled "Fixed MRI Scanner" projects charity care at 1.5 percent which is carried through to the Charity Care table in Question 4.a on page 108 and the financial pro forma.
 - Without information related to the historical charity care provided by EmergeOrtho's existing fixed unit, it is unclear how EmergeOrtho went from 0 percent charity care for patients historically served by the mobile MRI unit at Porters Neck to a projected 1.5 percent charity care for the proposed fixed MRI unit.
 - Even the charity care and reduced cost care tables found in Section L, Question 4.a and b are not based in any historical experience. It is solely on anecdotal assumptions related to EmergeOrtho's affiliation with Cape Fear HealthNet ("CFHN"), a non-profit organization that helps poor, uninsured patients find access to care. Moreover, there is no evidence of the number of referrals EmergeOrtho receives and ultimately accepts from CFHN for MRI services.

With all the inconsistencies and lack of actual historical documentation of service to low-income patients, EmergeOrtho should be found non-conforming with Criterion (13).

Criterion (18a) – EmergeOrtho’s Proposed Project Will not Positively Impact Competition in the Service Area

EmergeOrtho’s proposed project will not enhance competition in the service area, nor will it have a positive impact upon cost-effectiveness, quality, and access. As discussed, EmergeOrtho has unreliable and unreasonable projected utilization. Furthermore, EmergeOrtho proposes to serve its own patients, as no other source of external referrals has been identified. Even within its own base of patients, it serves predominantly orthopedic patients, who represent just a small component of the overall demand for MRI services in the service area. Without its proposed project meeting the demand for MRI services for the broader service area, the need will continue to have to be met by the other service area providers of MRI services. Therefore, EmergeOrtho’s project does not propose to increase competition within the service area, and in fact, it only results in an underutilized MRI that increases community costs.

For the reasons discussed above as well as any additional reasons the Agency may discern, EmergeOrtho’s application should be found non-conforming with Criterion (18a).

COMPARATIVE ANALYSIS

Pursuant to N.C. Gen. Stat. § 131E-183(a)(1) and the 2021 SMFP, there is a need for one additional fixed MRI scanner in New Hanover County. Thus, although there are four identified applicants, only one can be approved in this review. Neither Wilmington Health nor EmergeOrtho’s applications demonstrates conformity with all applicable CON review criteria and rules. Therefore, neither is approvable. Nonetheless, NHRMC has included these two applicants in the comparative review.

Conformity with Applicable Statutory and Regulatory Review Criteria

As previously stated, the Wilmington Health and EmergeOrtho applications are not conforming with all applicable statutory and regulatory review criteria for reasons discussed throughout NHRMC’s Comments in Opposition. Therefore, the applications submitted by Wilmington Health and EmergeOrtho are not effective alternatives standing alone.

The application submitted by NHRMC is conforming with all applicable statutory and regulatory review criteria and is the most effective alternative with respect to conformity with statutory and regulatory review criteria.

Scope of Services

Regarding scope of services, applications submitted by Wilmington Health, EmergeOrtho, and NHRMC are all in response to the need determination for one fixed MRI scanner in New Hanover County as established in the 2021 SMFP. NHRMC is an existing acute care provider of a broad range of inpatient and outpatient services. EmergeOrtho is a freestanding facility that specializes in orthopedic services. Thus, the scope of EmergeOrtho’s services primarily include outpatient orthopedic services. Wilmington Health is a freestanding facility that offers MRI services in the outpatient setting only. An inpatient acute care hospital provides a much broader scope of services than an outpatient diagnostic facility. Therefore, regarding scope of services, NHRMC is the more effective alternative.

Geographic Accessibility

The 2021 SMFP identified a need for one MRI in New Hanover County. **Figure 23** below identifies the location of the existing and proposed fixed MRI Scanners in New Hanover County. All the existing providers for MRI services are located in the central Wilmington area of New Hanover (ZIP Codes 28401 and 28403).

Figure 23
Geographic Accessibility: New Hanover County Fixed MRI Providers – Existing and Proposed

Facility	# of Fixed MRI Scanners	Hospital-Based or Freestanding	Location	Rank
Existing MRI Scanners				
NHRMC - Main Campus	2	Hospital-Based	Wilmington (ZIP Code 28401)	
NHRMC - Medical Mall	1	Hospital-Based	Wilmington (ZIP Code 28401)	
NHRMC - Orthopedic Hospital	1	Hospital-Based	Wilmington (ZIP Code 28403)	
EmergeOrtho PA	1	Freestanding	Wilmington (ZIP Code 28403)	
Wilmington Health	1	Freestanding	Wilmington (ZIP Code 28401)	
Proposed MRI Scanners				
NHRMC - Scotts Hill	1	Hospital-Based	Wilmington (ZIP Code 28411)	1
Wilmington Health at Porters Neck	1	Freestanding	Wilmington (ZIP Code 28411)	1
EmergeOrtho - Porters Neck	1	Freestanding	Wilmington (ZIP Code 28411)	1

NHRMC, Wilmington Health, and EmergeOrtho all propose to locate in ZIP Code 28411 to enhance geographic access for New Hanover County and surrounding communities. Thus, based on geographic accessibility, the proposals submitted by NHRMC, Wilmington Health, and EmergeOrtho are equally effective.

Historical Utilization

Figure 24 provides the historical utilization of NHRMC, Wilmington Health, and EmergeOrtho as provided in the 2021 SMFP representing FFY2019 reported utilization.

Figure 24
FFY 2019 Fixed MRI Scanners Utilization in New Hanover County

Facility	# of Fixed MRI Scanners	Total Weighted Procedures Performed during Federal Fiscal Year (FFY) 2019	Weighted MRI Procedures per Scanner	Rank
NHRMC Health System	4	21,314	5,329	1
Wilmington Health	1	4,625	4,625	2
EmergeOrtho PA	1	5,329	5,329	1

Source: 2021 SMFP

Both NHRMC and EmergeOrtho performed 5,329 weighted MRI procedures per scanner in FFY 2019. Wilmington Health performed 4,625 weighted MRI procedures per scanner in FFY 2019. Thus, the proposals submitted by NHRMC and EmergeOrtho are the most effective alternative for this comparative factor.

Access by Service Area Residents

On page 344, the 2021 SMFP defines a fixed MRI scanner as “an MRI scanner that is not a mobile MRI scanner.” The 2021 SMFP defines the service area for a fixed MRI scanner as “the same as an Acute Care Bed Service area as defined in Chapter 5 and shown in Figure 5.1.” Figure 5.1 in the SMFP indicates that New Hanover is a single-county service area. Facilities may also serve residents of counties not included in their service area.

The competing applicants project their patient origin in different ways. NHRMC projects its patient origin at a ZIP Code level. Wilmington Health and EmergeOrtho project patient origin at a county level. Accordingly, the results of this comparative factor are inconclusive.

Access by Underserved Groups

Projected Charity Care

Generally, the application proposing to provide the most charity care is the more effective alternative regarding this comparative factor. See **Figure 25** below provides an analysis of charity care as a percent of gross revenue in PY 3, based on the information provided in the applicant’s pro forma financial statements in Section Q. NHRMC projects to provide 1.9 percent charity care as a percent of gross revenue in PY 3 which ranks as the highest percentage. Wilmington Health projects to provider 0.5 percent charity care as a percent of gross revenue in PY 3, the lowest percentage.

**Figure 25
Projected Charity Care as a % of Gross Revenue (PY 3)**

Applicant	Gross Revenue	MRI Scans	Charity Care	Charity Care as a % of Gross Revenue	Rank
NHRMC - Scotts Hill	\$24,043,889	4,322	\$466,765	1.9%	1
Wilmington Health at Porters Neck	\$9,909,265	4,940	\$49,491	0.5%	3
EmergeOrtho - Porters Neck	\$5,906,110	4,759	\$88,566	1.5%	2

Source: Section Q Form C and Form F.2b of the respective applications

As it relates to projected charity care, NHRMC is the most effective applicant.

Projected Access by Medicaid Recipients

Figure 26 shows each applicant’s percentage of gross revenue projected to be provided to Medicaid patients in the applicant’s third full year of operation following completion of their projects, based on the information provided in the applicant’s pro forma financial statements in Section Q. NHRMC projects to provide 8.8 percent Medicaid as a percent of gross revenue in the in PY 3 which ranks as the highest percentage. Wilmington Health projects to provide 2.1 percent Medicaid as a percent of gross revenue in the in PY 3 which is lowest percentage.

Figure 26
Projected Medicaid as a % of Gross Revenue (PY 3)

Applicant	Gross Revenue	MRI Scans	Medicaid	Medicaid as a % of Gross Revenue	Rank
NHRMC - Scotts Hill	\$24,043,889	4,322	\$2,106,658	8.8%	1
Wilmington Health at Porters Neck	\$9,909,265	4,940	\$211,609	2.1%	3
EmergeOrtho - Porters Neck	\$5,906,110	4,759	\$209,687	3.6%	2

Source: Section Q Form C and Form F.2b of the respective applications

As it relates to projected access by Medicaid recipients, NHRMC is the most effective applicant.

Projected Access by Medicare Recipients

Figure 27 shows each applicant’s percentage of gross revenue projected to be provided to Medicaid patients in the applicant’s third full year of operation following completion of their projects, based on the information provided in the applicant’s pro forma financial statements in Section Q. NHRMC projects to provide 52.2 percent Medicare as a percent of gross revenue in the PY 3 which is the highest percentage. EmergeOrtho projects to provide 42.1 percent Medicare a percent of gross revenue in PY 3 which is the lowest percentage.

Figure 27
Projected Medicare as a % of Gross Revenue (PY 3)

Applicant	Gross Revenue	MRI Scans	Medicare	Medicare as a % of Gross Revenue	Rank
NHRMC - Scotts Hill	\$24,043,889	4,322	\$12,560,525	52.2%	1
Wilmington Health at Porters Neck	\$9,909,265	4,940	\$4,394,199	44.3%	2
EmergeOrtho - Porters Neck	\$5,906,110	4,759	\$2,488,072	42.1%	3

Source: Section Q Form C and Form F.2b of the respective applications

As it relates to projected access by Medicare recipients, NHRMC is the most effective applicant.

Projected Average Net Revenue per MRI Procedure

Figure 28 compares projected average net revenue per procedure in the third full fiscal year following project completion for each facility, based on the information provided in the applicant’s pro forma financial statements in Section Q.

Figure 28
Average Net Revenue per MRI Procedure in PY 3

Applicant	Net Revenue	MRI Scans	Average Net Revenue per MRI Procedure	Rank
NHRMC - Scotts Hill	\$4,029,416	4,322	\$932	Inconclusive
Wilmington Health at Porters Neck	\$3,167,285	4,940	\$641	Inconclusive
EmergeOrtho - Porters Neck	\$1,957,883	4,759	\$411	Inconclusive

Source: Section Q Form C and Form F.3b of the respective applications

Generally, the application proposing the lowest average net revenue per procedure is the more effective alternative with regard to this comparative factor to the extent the average could ultimately result in a lower cost to the patient or third-party payor. However, providers cannot control their reimbursement. Further, as noted in prior Agency findings, differences in facility types (*e.g.*, hospitals versus freestanding facilities) and the types of services provided by the various facility types may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

Projected Average Operating Expense per MRI Procedure

Figure 29 compares projected average net revenue per procedure in the third full fiscal year following project completion for each facility, based on the information provided in the applicant’s pro forma financial statements in Section Q.

**Figure 29
Average Operating Expense per MRI Procedure in PY 3**

Applicant	Operating Expense	MRI Scans	Average Operating Expense per Procedure	Rank
NHRMC - Scotts Hill	\$1,874,249	4,322	\$434	3
Wilmington Health at Porters Neck	\$1,595,482	4,940	\$323	2
EmergeOrtho - Porters Neck	\$1,363,652	4,759	\$287	1

Source: Section Q Form C and Form F.3b of the respective applications

Without consideration of whether all required costs are included in the projected operating costs, EmergeOrtho is the more effective alternative on an average expense per patient basis.

Summary

As discussed at length throughout the written comments in opposition, Wilmington Health’s and EmergeOrtho’s proposals are not conforming with all applicable statutory and regulatory review criteria. Thus, technically, the comparative factors do not apply to Wilmington Health or EmergeOrtho. Nonetheless, NHRMC has included Wilmington Health and EmergeOrtho in its comparative analysis above and in the summary of the comparative factors below. Due to significant differences in the types of facilities in this Review Cycle (multi-specialty and single-specialty diagnostic centers and a tertiary hospital), certain comparative factors may be of less value than if all applications were for like facilities proposing like services.

The following is a summary of the comparative analysis performed on the proposed projects, ranking the proposals based on effectiveness for each comparative factor provided herein. A ranking of “1” denotes the most effective alternative, with higher numbers indicating less effective alternatives, so the applicant with the lowest score is the most effective alternative. Accordingly, even if all applicants were conforming with all applicable statutory and regulatory review criteria (which they are not), NHRMC is still the most effective alternative as shown in the summary table below.

Summary of Comparative Analysis

Comparative Factor	NHRMC - Scotts Hill	Wilmington Health at Porters Neck	EmergeOrtho - Porters Neck
Conformity with Statutory and Regulatory Review Criteria	Yes	No	No
Scope of Services	1	2	2
Geographic Accessibility (Location within the Service Area)	1	1	1
Historical Utilization	1	2	1
Access by Service Area Residents	Inconclusive	Inconclusive	Inconclusive
Access by Charity Care Patients	1	3	2
Access by Medicaid Patients	1	3	2
Access by Medicare Patients	1	2	3
Projected Average Net Revenue per Procedure	Inconclusive	Inconclusive	Inconclusive
Projected Average Operating Expense per Procedure	3	2	1
Total	9	15	12

CONCLUSION

Wilmington Health’s application is not approvable, as it does not conform to Criteria (1), (3), (4), (5), (6), (7), (8), (13), (18a), and the Performance Standards for MRI services. EmergeOrtho’s application is not approvable, as it does not conform to Criteria (1), (3), (4), (5), (6), (13), (18a), and the Performance Standards for MRI services. Contrarily, NHRMC’s application meets all applicable criteria and standards for MRI services. As shown in the comparative analysis above, NHRMC is the superior applicant. Accordingly, NHRMC’s application should be approved, and Wilmington Health’s and EmergeOrtho’s applications should be denied.