



orthopaedics**east**
& SPORTS MEDICINE CENTER

December 1, 2022

Ena Lightbourne, Project Analyst
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health and Human Services
809 Ruggles Drive
Raleigh, North Carolina 27603

RE: Comments regarding competing Pitt County Fixed MRI Scanner CON Applications

Dear Ms. Lightbourne:

Enclosed please find comments prepared by Orthopaedics East & Sports Medicine Center regarding the competing CON applications to develop one fixed MRI scanner within Pitt County, to meet the need identified in the *2022 State Medical Facilities Plan (SMFP)* for the Pitt/Greene/Hyde/Tyrell service area. We appreciate your consideration of these comments during your review of the two applications.

If you have any questions about the information presented here, please contact me at 252.757.2663 extension 453.

Sincerely,

Michael Brohawn

Michael Brohawn
Practice Administrator

**COMMENTS ABOUT COMPETING CERTIFICATE OF NEED APPLICATIONS
PITT/GREENE/HYDE/TYRELL FIXED MRI SCANNER NEED
DETERMINATION**

**Submitted by Orthopaedics East & Sports Medicine Center
December 1, 2022**

Two applicants submitted Certificate of Need (CON) applications in response to the need identified in the *2022 State Medical Facilities Plan (SMFP)* for one additional fixed MRI scanner in the Pitt/Greene/Hyde/Tyrell service area. These include:

Q-12286-22 Orthopaedics East & Sports Medicine Center

Q-12294-22 Greenville MRI, LLC

In accordance with N.C.G.S. §131E-185(a.1)(1), Orthopaedics East & Sports Medicine Center (OE) submits these written comments regarding the competing application, and a discussion about whether the information in the competing application complies with the Certificate of Need review criteria. These comments also address the issue of which competing proposal represents the comparatively most effective alternative for development of an additional fixed MRI scanner in Pitt County. These written comments are not intended to include any additional information that would represent an amendment to OE's own CON application.

Greenville MRI states its proposal will meet Policy GEN-3 because its proposed MRI will “reduce the average scanning time.” Greenville MRI already operates two Ingenia MRI units and proposes to acquire yet another Ingenia MRI unit. The application as filed does not make clear whether Greenville MRI's comments on “faster imaging” are intended to compare its proposed scanner to its existing scanners, other scanners in use in the service area, or scanners in general. Nothing in the Greenville MRI application suggests that its proposed scanner will offer any difference in “average scanning time” as compared to other MRI models, including the unit proposed to be acquired by OrthoEast.¹

In addressing Policy GEN-3 on page 28 of its application, Greenville MRI indicates it will have an MRI breast coil for breast imaging. Yet on application page 34, Greenville MRI states that both its existing MRI units “*have the latest hardware and software enhancements*” and that its existing MRI units have capabilities [which] include both routine and advanced imaging for any body part, including breast...” Based on these

¹ The MRI proposed to be acquired by OrthoEast is designed “to achieve higher patient throughput” with “Fast Image Acquisition – More Scans in Less Time.” (OrthoEast App., Ex. F-1, p. 8 of 11).

application statements, Greenville MRI can already perform breast imaging. This fact is confirmed in the Greenville MRI application (p. 52). From a “scope of services” perspective, the proposed Greenville MRI will not add any specialty scanning not already available in the service area.

Like OrthoEast, Greenville MRI proposes ACR accreditation. Greenville MRI states it will provide a “full array of MRI scans.” Likewise, the OrthoEast fixed MRI scanner will be capable of performing a full array of MRI scans not limited to any specific body type, diagnosis, or type of scan and will have special coils to allow for quicker abdomen, brain, cardio, and knee exams. (OrthoEast application, Exhibit F-1, p. 8 of 11).

Greenville MRI includes a support letter from a Member of Congress, Gregory F. Murphy, MD. The positive statements describing the proposed Greenville MRI are equally true in relation to the proposed OrthoEast MRI scanner. For many years, Eastern Radiologists has provided professional interpretation services for the patients receiving MRI scans at OrthoEast. As documented in the OrthoEast application, Eastern Radiologists will continue to offer these reading services if the OrthoEast fixed MRI scanner CON application is approved. (OrthoEast application, Ex. I.1.1).

In addressing Policy GEN-3 and Criterion 1, Greenville MRI relies on several false/inaccurate assumptions, including the following:

- MRI scanners owned or operated by single-specialty physician practice groups, such as orthopedists, will schedule their own patients before accepting any outside physicians’ referrals (Greenville MRI application, p. 51);
- If the new scanner is given to an orthopedic or other specialty practice, competing physician groups will not have the same access they will have if the new scanner is at Greenville MRI (Statement of Todd Hickey, ECU Health, quoted by Greenville MRI application, p. 53).
- Placing the additional MRI machine with a radiology practice reduces the likelihood of medically unnecessary scans, compared to placing the machine with a specialist practice that self-refers. (Greenville MRI application, p. 106).

Greenville MRI has no credible basis to assert that OrthoEast will prioritize the scheduling of scans based on whether the scans are referred by other physicians or by OrthoEast physicians. Mr. Hickey and Greenville MRI incorrectly assume that community physicians will not have “the same access” to a fixed MRI scanner located at OrthoEast. OrthoEast’s application explains that OrthoEast “*anticipates that many physicians/providers from Pitt County and surrounding communities will refer MRI patients to the OrthoEast fixed MRI scanner.*” (OrthoEast application, p. 82). In its application, OrthoEast also states that competition will “*motivate OrthoEast to outperform other MRI providers in order to continue to attract and retain physician referrals and patients.*” (OrthoEast application, p. 97).

Greenville MRI has no reason to suggest any “likelihood of medically unnecessary scans” which is, of course, a serious and wholly unfounded comment. Greenville MRI is a long-standing provider of MRI services and its reading radiologists are valued providers in the community. However, the narrative Greenville MRI included in its application unfairly criticizes the OrthoEast physicians and the proposed OrthoEast fixed MRI scanner, and is inconsistent with the heretofore constructive and positive relationship between the OrthoEast physicians and the Greenville MRI physician owners. As explained in its application, OrthoEast has provided MRI services in Pitt County for many years, and is proud of the service offered to diagnose and help patients. MRI is a diagnostic necessity for orthopedics. OrthoEast refers thousands of patients to Greenville MRI, including approximately 600 MRI scans annually. As a physician-owned practice, OrthoEast is required to provide patients with choices about where they receive these services. As noted in the application, OrthoEast has a significant number of obese and claustrophobic patients who are referred to Greenville MRI that OrthoEast cannot currently serve because of the mobile MRI scanner. If awarded the CON application, OrthoEast would be able to serve those patients.

Obtaining ownership of a fixed MRI scanner is particularly crucial for OrthoEast because while Alliance, the mobile services provider, has been a good partner of OrthoEast for many years, the most recent contract extension includes a significant rate increase, further increasing the cost of the mobile MRI service. Also, the equipment lease agreement does not guarantee continuation of services to OrthoEast past 90 days. As such, Alliance could elect at any time to shift the mobile MRI scanner and provide access elsewhere (including outside of Pitt County), which would significantly and negatively affect OrthoEast’s ability to provide timely access to patients needing MR imaging services. Such delays would negatively affect patient care and outcomes. In short, the OrthoEast fixed MRI scanner proposal will be a benefit to the local community in terms of increasing competition, and improving quality, access and value.

The Agency typically performs a comparative analysis when evaluating competing fixed MRI scanner applications in a need determination batch review. The purpose is to identify the application that would bring the greatest overall benefit to the service area community. The table on the following page summarizes standard metrics that the Agency has previously used for comparing applications in a fixed MRI scanner batch review.

**2022 Pitt/Greene/Hyde/Tyrell Fixed MRI Scanner Review
 CON Application Comparative Analysis**

	OrthoEast	Greenville MRI
Conformity with Review Criteria & Administrative Rules	Yes	No
Scope of Services	Equally Effective	Equally Effective
Historical Utilization	Inconclusive	Inconclusive
Competition (Access to New Provider)	Equally Effective	Equally Effective
Ownership of Fixed MRI Scanners in Service Area	Most Effective	Least Effective
Geographic Accessibility	Equally Effective	Equally Effective
Access by Service Area Residents	Most Effective	Least Effective
Access by Charity Care	More Effective	Less Effective
Access by Medicare	More Effective	Less Effective
Access by Medicaid	Less Effective	More Effective
Projected Average Net Revenue per MRI procedure	Most Effective	Least Effective
Projected Average Operating Expense per MRI procedure	Most Effective	Least Effective

As the table objectively portrays, aside from being the only approvable application, the OrthoEast application is the most effective alternative. The Agency will enable the greatest benefit to local residents by approving the OE application. Specifically:

- **Conformity with Review Criteria.** The OrthoEast application is conforming to all CON review criteria. In contrast, the Greenville MRI application fails to conform to multiple review criteria and to the MRI administrative rules and is not approvable.
- **Scope of Services.** Both applicants propose to acquire and operate a fixed MRI scanner in a freestanding outpatient diagnostic imaging setting. Therefore, the two applications are equally effective alternatives as to scope of services.
- **Historical Utilization.** Both applicants have a history of offering MRI services in Pitt County. However, OE currently does not own a fixed MRI scanner, and provides MRI services on a contracted Alliance Health mobile MRI scanner. Therefore, this comparative factor is inconclusive.
- **Competition (Access to a New Provider).** Both applicants currently provide MRI services at their existing Greenville imaging centers. Therefore, the applications are equally effective as to access to a new provider.
- **Ownership of Fixed MRI Scanners in Pitt County.** According to the 2022 SMFP, currently eight fixed MRI scanners operate in Pitt County (Greene, Hyde, and Tyrell counties collectively do not host a fixed MRI scanner, and do not have sufficient population to merit hosting a fixed MRI scanner at this time). Greenville MRI owns and operates two fixed MRI scanners in Pitt County, and thus controls 25% (2/8) of the existing fixed MRI scanners in Pitt County. Approval of the Greenville MRI application would result in control of 33% (3/9) of the Pitt County fixed MRI scanners. By contrast, OrthoEast does not own a fixed MRI scanner, but must lease access to a mobile MRI scanner owned by Alliance Health. Control of 25% (or 33%) of the Pitt County fixed MRI scanner inventory represents a dominant position in the marketplace for Greenville MRI. Consistent with the 2022 SMFP goal of promoting “a balance of competition” (page 3, 2022 SMFP), the Agency should seek to improve the competitive balance within the local service area via this fixed MRI scanner review. Competition in the Pitt County marketplace will be enhanced with approval of OE for a fixed MRI scanner, while approval of Greenville MRI will not have a positive effect on MRI competition.
- **Geographic Accessibility.** Both applicants propose to install a fixed MRI scanner at their existing Greenville imaging centers, less than one mile from each other. Therefore, the applications are equally effective as to geographic accessibility.

- **Access by Service Area Residents.** The following tables show projected patient origin percentages of the two competing applications. OrthoEast projects to serve the highest percentage of Pitt County residents, and also projects to serve the highest percentage of residents of the SMFP-designated MRI service area of Pitt, Greene, Hyde and Tyrell counties. Therefore, the OE application is the most effective alternative for improving access to fixed MRI services by service area residents.

Projected Pitt County Patient Origin, PY3

OrthoEast	Greenville MRI
57.3%	48.6%

Source: CON applications, Section C.3.

Projected Pitt/Greene/Hyde/Tyrell County Patient Origin, PY3

OrthoEast	Greenville MRI
60.1%	51.7%

Source: CON applications, Section C.3.

- **Access for the Medically Underserved.** Each applicant projects Medicare and Medicaid access. As the tables below portray, OE projects to serve a higher percentage of Medicare patients (and of gross patient revenues), and Greenville MRI projects to serve a higher percentage of Medicaid patients (and of gross patient revenues).

Projected Medicare

	OrthoEast	Greenville MRI
% of Total Patients Served, Year 3	31.2%	28.0%
% of Gross Revenues, Year 3	31.2%	29.5%

Source: CON Applications, Section L.3, Form F.2b. Note that net revenues cannot be compared because Greenville MRI did not portray the Medicaid contractual adjustments.

Projected Medicaid

	OrthoEast	Greenville MRI
% of Total Patients Served, Year 3	5.6%	8.0%
% of Gross Revenues, Year 3	5.6%	7.8%

Source: CON Applications, Section L.3, Form F.2b. Note that net revenues cannot be compared because Greenville MRI did not portray the Medicaid contractual adjustments.

It is worth noting that while OE projected Medicaid access based on its historical experience, Greenville MRI projected Medicaid payor mix (8%) that is higher than its historical Medicaid payor mix for its most recent full fiscal year (6%).

OE projects the highest charity care dollars per unweighted MRI procedure, the greatest access by charity care as a percentage of gross revenues, and the greatest access by charity care as a percentage of net revenues, as summarized in the following table. Therefore, OE is the most effective alternative with regard to provision of charity care.

Projected Charity Care

Year 3	OrthoEast	Greenville MRI
Charity Care \$/MRI Procedure	\$14.11	\$1.49
Charity Care % of Gross Revenue	1.15%	0.11%
Charity Care % of Net Revenue	4.30%	0.29%

Source: CON Applications, Section Q, Form F.2b.

- **Projected Average Net Revenue per MRI Procedure.** As a value-based imaging provider, OrthoEast offers market-competitive charges for the fixed MRI scanner in Pitt County, projecting the lowest average net revenue per unweighted MRI procedure of the two competing applicants. Therefore, the OE application is the most effective alternative.

Projected Average Net Revenue/Unweighted MRI Procedure

	OrthoEast	Greenville MRI
Average Net Revenue, Year 3	\$328	\$508

Source: CON Applications, Section Q, Form F.2b.

- **Projected Average Operating Expense per MRI Procedure.** OrthoEast offers market-competitive operating expenses for its MRI service in Pitt County, showing the lowest average operating expense per unweighted MRI procedure of the two competing fixed MRI scanner applicants. Therefore, the OE application is the more effective alternative.

Projected Average Operating Expense/Unweighted MRI Procedure

	OrthoEast	Greenville MRI
Average Operating Expense, Year 3	\$269	\$318

Source: CON Applications, Section Q, Form F.3b.

Competitive Comparison Conclusion

As described in the above comparative analysis, OrthoEast ranks most favorably on the comparative metrics, and clearly is the most effective alternative for development of the need-determined fixed MRI scanner in Pitt County for the Pitt/Greene/Hyde/Tyrell service area.

Specific comments regarding the Greenville MRI application (Q-12294-22)

Criterion (1) *The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.*

Greenville MRI does not adequately demonstrate the need for the proposed project based on reasonable utilization projections, did not propose the least costly or most effective alternative, and did not show that its proposal is not unnecessarily duplicative of existing MRI resources. Therefore, Greenville MRI fails to adequately demonstrate how the proposed project will maximize healthcare value for resources expended in meeting the need identified in the 2022 SMFP. The discussions regarding analysis of need, including projected utilization, found in Criterion (3), alternative methods in Criterion (4), reasonable projection of capital costs in Criterion (5), unnecessary duplication in Criterion (6), health manpower (staffing) in Criterion (7), and the applicable .2703 MRI Scanner administrative rules, are incorporated herein by reference. Therefore, the Greenville MRI application is not conforming to Criterion 1 because the applicant does not adequately demonstrate that the proposal is consistent with Policy GEN-3.

Criterion (3) *“The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.”*

The Greenville MRI application does not adequately demonstrate the need that its identified population has for the services proposed. As stated in Section Q of its application (pages 122 – 123), in the Form C.2 assumptions and methodology, Greenville MRI projects aggressive increases in projected MRI scan volume during the first and second Project Years. Greenville MRI forecasts a 4.136% growth in MRI scans in the first project year. However, this projected growth is much higher than Greenville MRI’s historical CAGR as shown in the following table.

Greenville MRI Historical Unweighted MRI Scans

Greenville MRI	2019	2020	2021	2022*	2019-2022 CAGR
Unweighted Scans	9,891	8,890	10,124	10,598	2.33%

*2022 Annualized

As noted in the Greenville MRI application, the applicant added 24 additional hours per week in 2021 and continued those expanded hours into 2022. Notwithstanding, the applicant only experienced a 2.33% CAGR in MRI volumes as between 2019 and 2022 (annualized).²

Greenville MRI already offers wide-bore scanner access.³ Thus, unlike OrthoEast, Greenville MRI has not historically been forced to refer patients whose conditions require a wide-bore scanner, and its projections cannot logically incorporate an assumption of “re-capturing” scans that have been historically referred out to other area scanners.

Although Greenville MRI documented a 3-Yr CAGR of only 2.33%, it instead used a 4.136% Year One growth assumption. This assumption was based solely on one comparison of an increase in “monthly scans” as between March 2019-February 2020 and March 2021-February 2022. The assumption did not rely on a multi-year CAGR analysis.

Notably, to project Year Two scans, Greenville MRI used an even more aggressive assumption of a 6.064% growth increase over Year One. This growth assumption of 6.064% between Years One and Two represents a much higher growth experience than Greenville MRI’s actual 3-Yr CAGR of only 2.33%. The expected growth of over 6% is more than two-and-half times the actual CAGR of 2.33% reported by Greenville MRI.

To justify its 6%+ growth assumption, Greenville MRI chose two different time points (March 2021-February 2022) and (March 2022-August 2022) for comparison. The applicant’s identified growth rate increases are calculated using a comparison of scans-per-month in specific time periods, but are not based on growth in annual volumes between years. These are not common time periods, and thus do not represent a reliable comparison on which to make volume projections. It is not clear why it is reasonable to compare two

² By contrast, OrthoEast’s historical volumes show a 3-Yr CAGR of 8.30% (CY 2018-CY2021) and a 4-Yr CAGR of 6.56% (CY2018-CY2022). To be conservative, OrthoEast projected only a 2.19% growth increase for its proposed MRI scanner, representing only one-third of its historical compound annual growth rate (6.56%/3). (OrthoEast application, p. 110).

³ According to Exhibit C-1.2 to its application, Greenville MRI installed a Philips open wide-bore scanner in 2015 and added a second wide-bore scanner in 2017.

time periods to identify a 4.136% growth and then use a different comparison of different time periods to identify a 6.064% growth, and then apply those distinct growth rates to project Year One and Year Two MRI volumes. Curiously, almost as an ensign to signal the unreasonableness of its Project Year 1 & 2 projections, Greenville MRI then assumes a 0.55% growth rate between Years Two and Three.

If the scans at Greenville MRI are growing at an identified rate, it would appear logical to use that growth rate assumption across the project years instead of identifying different scans-per-month growth rates pulled from the same historical data to identify differing growth rates and then applying those to different years. Greenville MRI's 3-Yr CAGR is 2.33% but the applicant used 4%+ and 6%+ growth assumptions for its Year One and Year Two projections which renders the projections questionable. Year over year historical growth at Greenville MRI did not go up from 4%+ to 6%+; instead, the applicant picked different comparison points of scans-per-month to calculate 4.136% in one instance and 6.064% in the other instance. Neither are based on the 3-Yr CAGR of 2.33%.

The Greenville MRI application appears to be designed to preserve Greenville MRI market share of existing MRI procedures, and prevent market entry of a fixed MRI scanner service from a new fixed MRI provider. While an applicant is not required to use a particular approach, growth projections should be logical and understandable. By using different percentages pulled from the same historical data (neither of which reflect actual multi-year CAGR experience), Greenville MRI's projections are not reasonable and adequately supported and, accordingly, Greenville MRI did not demonstrate conformity with Criterion 3.

Criterion (4) *“Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.”*

Greenville MRI does not adequately demonstrate that the alternative proposed in its application is the most effective to meet the need because the application is not conforming to all statutory and regulatory review criteria and administrative rules (see Criterion 3). An application that cannot be approved cannot be the most effective alternative.

Also, the Greenville MRI proposal is not the most effective or least costly option because Greenville MRI did not describe exploration of the alternative of leasing a mobile MRI scanner to supplement its existing two fixed MRI scanners.

Therefore, the Greenville MRI application is not conforming to Criterion (4).

Criterion (5) *“Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.”*

Greenville MRI’s financial projections are not based on reasonable utilization projections as discussed in the Criterion 3 comments. Consequently the financial projections are unreliable, and therefore the application is not conforming to Criterion (5).

Greenville MRI indicates (in Section F) that it will primarily fund the project capital costs via a bank loan. However, the project capital cost does not include any financing costs, which are typically associated with a commercial loan. Therefore, it is likely that the project capital cost is actually higher than what is summarized in the Greenville MRI application. Therefore, Greenville MRI did not demonstrate the availability of funds based upon reasonable projections of the project capital cost, and therefore the application is not conforming to Criterion (5).

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

Greenville MRI fails to demonstrate that its proposal would not result in unnecessary duplication of fixed MRI service because the utilization projections are unreasonable, as discussed in the Criterion 3 comments. An application that cannot be approved cannot demonstrate that the project will not result in unnecessary duplication of existing capacity. Therefore the application is not conforming to Criterion (6).

Criterion (7) *“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.”*

In Form F.3a (Greenville MRI application, p. 134), the applicant identifies \$653,881 as a total expense for Salaries for Calendar Year 2021. The applicant then identifies that identical amount --- \$653,881 --- as a total expense for Salaries for Calendar Year 2022. One of these numbers appears to be wrong, or the applicant has misstated its assumption of 3% annual salary increases. Considering the applicant reports more scans in 2022 as compared to 2021, one would expect the applicant to have had more staff salary expense in 2022 as compared to 2021. Even if the staffing remained the same, the total expense for Salaries would be expected to increase if the applicant does use a 3% salary inflator assumption as it professes to do.

Greenville MRI identifies a much higher “Employee Overtime and Bonus” figure for 2022 as compared to 2021. Without explanation, the amount increases from \$114,353 to

\$217,728. This is an unexplained 90.4% increase in “Employee Overtime and Bonus” pay in one year. This does not appear logical or supportable as Greenville MRI states on page 121 that it added Saturday and Sunday hours in the early part (March) of 2021. Saturday and Sunday hours were offered for ten (10) months of 2021 such that one would not expect to see a marked jump in associated dollars between 2021 and 2022 even if weekend hours are paid under overtime/bonus.

Greenville MRI Staffing Expense

Greenville MRI	2021	2022	2023
Salaries	\$653,881	\$653,881	\$673,497
		0% Increase	3% Increase
Overtime/Bonus	\$114,353	\$217,728	\$224,260
		90% Increase	3% Increase
Total	\$768,234	\$871,609	\$897,757
Percentage Increase		13% Increase	3% Increase

The burden is on the applicant to provide reasonable and adequately supported assumptions. While the 2021 and 2022 numbers may be largely historical, the applicant failed to explain why it experienced an overall 13% increase in employee costs with regular salaries at exactly \$653,881 and a huge 90% increase in overtime and bonus pay. With that, it goes unexplained why the employee costs then go back to a standard 3% increase between 2022 and the projections for 2023.

The Greenville MRI “base” salaries appear low, with high numbers associated with “overtime and bonus.” By way of example, the projected salaries for 2024 for the two applicants in this review are notably different for both technology and clerical positions.

MRI Staffing Expense Comparison

Position	Greenville MRI Project Year 1	OrthoEast Project Year 1
Radiology Technologist	\$58,693	\$84,597
Clerical	\$28,963	\$38,617

OrthoEast projects to pay 44% more in salary for a Technologist than Greenville MRI and 33% more in salary for a Clerical position. While there are no *per se* CON requirements for salary projections, there is an expectation that the projections be reasonable and adequately

supported. A salary of \$28,963 for a full-time-equivalent clerical employee working 2,080 hours per year is only \$13.92 per hour. The reasonableness of a salary that equates to less to \$14 per hour is not supported by any information in the Greenville MRI application. A salary of \$58,693 for a full-time-equivalent technologist working 2,080 hours per year is only \$28.22 per hour.

If additional compensation is paid in the form of a bonus, that might explain the significant differential in proposed compensation, but the notation “overtime” suggests that additional compensation will be earned, at least in part, through weekend or evening hours. If so, the employee is still making the low dollars-per-hour but just working extra hours.

Because Greenville MRI does not provide detail to show what a Technologist or Clerical employee can be expected to earn as a combination of salary and overtime/bonus, it is difficult to assess the reasonableness of Greenville MRI’s projected payments to its proposed employees. Nothing is provided in the application to explain how much of the proposed compensation will be associated with overtime versus a bonus or even how an employee qualifies for “bonus” pay when working as an MRI Technologist or in a Clerical/Scheduler position. Depending on what one must do to qualify for a bonus, perhaps some employees will not earn any bonus?

It is unclear how Form H accounts, if at all, for “overtime” hours. Is Greenville MRI proposing more FTEs than it lists on Form H? Or is it showing fewer FTEs and assuming additional hours will be overtime hours? How many overtime hours or associated FTEs of staff is Greenville MRI assuming?

The 90% jump in “overtime/bonus” pay between 2021 and 2022 is not explained and thus, the Project Year 1 - 3 projections which incorporate this large overtime/bonus assumption (with increases from 2022 forward) are not adequately explained.

Ultimately, the unusual approach of the applicant and the lack of explanation makes it impossible to assess either the reasonableness of the salaries or even the reasonableness of the staffing proposed by Greenville MRI. Salary cost is an essential component of cost projections for a proposed MRI. The applicant has failed to provide reasonable and adequately supported assumptions to explain what it proposes as to staffing and associated costs, and the Greenville MRI application is thus non-conforming to Criterion (7).

Criteria (18a) *“The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.”*

Greenville MRI's application fails to conform to Criterion (18a) because the proposal does not adequately demonstrate that it will promote cost effective services. The applicant's projected utilization is not based on reasonable and adequately supported assumptions. The discussion regarding projected utilization, alternatives, project capital costs, and unnecessary duplication are found in Criteria (3), (4), (5), and (6), are incorporated herein by reference.

10A NCAC 14C .2703 PERFORMANCE STANDARDS

(a) An applicant proposing to acquire a fixed MRI scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period shall:

- (7) project that the fixed MRI scanners identified in Subparagraphs (1) and (2) of this Paragraph and the proposed fixed MRI scanner shall perform during the third full fiscal year of operation following completion of the project as follows:*
 - (A) 3,364 or more adjusted MRI procedures per fixed MRI scanner if there are four or more fixed MRI scanners in the fixed MRI scanner service area;*

The Greenville MRI application does not conform to the .2703(a)(7) performance standard applicable for the review of fixed MRI scanners. Utilization projections for the proposed Greenville MRI fixed MRI scanners are not based on reasonable assumptions and methodology. The discussions regarding projected utilization found in Criterion (3) is incorporated herein by reference.