

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: January 28, 2022

Findings Date: February 4, 2022

Project Analyst: Ena Lightbourne

Co-Signer: Lisa Pittman

### COMPETITIVE REVIEW

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Project ID #: F-12113-21  
Facility: Novant Health Imaging Matthews  
FID #: 210647  
County: Mecklenburg  
Applicant(s): NHI Matthews, LLC  
Novant Health, Inc.  
Project: Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

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Project ID #: F-12117-21  
Facility: Carolinas Medical Center  
FID #: 943070  
County: Mecklenburg  
Applicant(s): Charlotte-Mecklenburg Hospital Authority  
Project: Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP

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Each application was reviewed independently against the applicable statutory review criteria found in G.S. 131E-183(a) and the regulatory review criteria found in 10A NCAC 14C. After completing an independent analysis of each application, the Healthcare Planning and Certificate of Need Section (CON Section) also conducted a comparative analysis of all the applications. The Decision, which can be found at the end of the Required State Agency Findings (Findings), is based on the independent analysis and the comparative analysis.

### REVIEW CRITERIA

G.S. 131E-183(a): The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (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.

C  
Both Applications

**Need Determination**

The 2021 State Medical Facilities Plan (SMFP) includes a need methodology for determining the need for additional fixed Magnetic Resonance Imaging (MRI) scanners in North Carolina by service area. Application of the need methodology in the 2021 SMFP identified a need for one fixed MRI scanner in the Mecklenburg County service area. Two applications were received by the Healthcare Planning and Certificate of Need Section (CON Section) with each proposing to acquire one fixed MRI scanner. However, pursuant to the need determination, only one fixed MRI scanner may be approved in this review.

**Policies**

*Policy GEN-3: Basic Principles* of the 2021 SMFP is applicable to both applications.

*Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities* is applicable to both applications.

**Policy GEN-3**

Policy GEN-3 on page 29 of the 2021 SMFP states:

*“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”*

**Policy GEN-4**

Policy GEN-4 on page 29 of the 2021 SMFP states:

*“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.*

*In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.*

*Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”*

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP Novant Health Imaging Matthews, LLC hereinafter referred to as “the applicant” or “NHI Matthews”,** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County. The project involves renovating the existing space to operate a single fixed MRI scanner.

*Need Determination.* The applicant does not propose to develop more fixed MRI scanners than are determined to be needed in the Mecklenburg County MRI service area.

*Policy GEN-3.* In Section B, page 25, Section C, pages 51-52, Section F, pages 69-72, and Section O, pages 109-109, the applicant explains why it believes its application is conforming to Policy GEN-3.

*Policy GEN-4.* The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section B, page 27, the applicant describes the project’s plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on the following:

- The applicant does not propose to acquire more than the one fixed MRI scanner that is determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 based on the following:
  - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in Mecklenburg County MRI service area;
  - The applicant adequately documents how the project will promote equitable access to MRI services in Mecklenburg County;
  - The applicant adequately documents how the project will maximize healthcare value for the resources expended; and
  - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency.

**F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

**Charlotte-Mecklenburg Hospital Authority hereinafter referred to as “the applicant” or “CMHA”**, proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) for a total of five fixed MRI scanners. The project involves developing the proposed fixed MRI scanner in the new patient tower that is currently under development. Two existing fixed MRI scanners will be relocated from the main hospital building to the new patient tower.

*Need Determination.* The applicant does not propose to develop more fixed MRI scanners than are determined to be needed in the Mecklenburg County MRI service area.

*Policy GEN-3.* In Section B, pages 27-29, and Exhibits B.20-1 through B-20-4, the applicant explains why it believes its application is conforming to Policy GEN-3.

*Policy GEN-4.* The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 30-31, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on the following:

- The applicant does not propose to acquire more than one fixed MRI scanner that is determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 based on the following:
  - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in Mecklenburg County MRI service area;
  - The applicant adequately documents how the project will promote equitable access to MRI services in Mecklenburg County;
  - The applicant adequately documents how the project will maximize healthcare value for the resources expended; and
  - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency.

(2) Repealed effective July 1, 1987.

(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, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

C  
Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

**Patient Origin**

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, Acute Care Beds, and shown in Figure 5.1.” Therefore, for the purpose of this review, Mecklenburg County is the service area. Facilities may also serve residents of counties not included in their service area.

The following table illustrates the projected patient origin.

<b>NHI Matthews Projected Patient Origin (MRI Services)</b>						
<b>County</b>	<b>1<sup>st</sup> Full FY 10/1/2024-9/30/2025</b>		<b>2<sup>nd</sup> Full FY 10/1/2025-9/30/2026</b>		<b>3<sup>rd</sup> Full FY 10/1/2025-9/30/2027</b>	
	<b>FY 2025</b>		<b>FY 2026</b>		<b>FY 2027</b>	
	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>
Mecklenburg	1,638	75.0%	2,340	75.0%	3,276	75.0%
Union	328	15.0%	468	15.0%	655	15.0%
Other Counties	218	10.0%	312	10.0%	437	10.0%
<b>Total</b>	<b>2,184</b>	<b>100.0%</b>	<b>3,120</b>	<b>100.0%</b>	<b>4,368</b>	<b>100.0%</b>

Source: Section C, page 37

In Section C, page 36, the applicant provides the assumptions and methodology used to project its patient origin. On page 36, the applicant states:

*“NHI Matthews assumes that its service area will be similar to the Novant Health Matthews Medical Center’s outpatient MRI patient Origin. Mecklenburg County and Union County represent 90.0 percent of the MRI patients.”*

The applicant’s assumptions are reasonable and adequately supported because they are based on Novant Health Matthews Medical Center’s outpatient MRI patient origin. Novant Health Matthews Medical Center is located in the town of Matthews in Mecklenburg County.

**Analysis of Need**

In Section C, pages 40-45, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below.

- The historical and projected population growth in the two counties that are projected to be served by the proposed facility; Mecklenburg and Union counties (pages 41-42).
- The increase in life expectancy in Mecklenburg and Union counties, particularly among the age group that is more likely to use MRI services (pages 43-44)
- The high utilization of the existing MRI scanners in Mecklenburg and Union counties (page 45)

The information is reasonable and adequately supported based on the following:

- The 2021 SMFP identifies the need for one additional fixed MRI scanner in Mecklenburg County.

- Population growth and the life expectancy increases, particularly among the 65+ age group is occurring in the Mecklenburg and Union County service area.
- Mecklenburg County experienced a 6-year Compound Annual Growth Rate (CAGR) of 3.7% in MRI scans performed from FY 2014 to FY 2020.
- The applicant provides reasonable and adequately supported information to support its projected utilization including physician support.

Projected Utilization

In Section Q, page 116, the applicant provides projected utilization, as illustrated in the following table.

<b>NHI Matthews Projected MRI Utilization</b>				
	<b>Partial FY 4/1/2024- 9/30/2024</b>	<b>1<sup>st</sup> Full FY FY 2025</b>	<b>2<sup>nd</sup> Full FY FY 2026</b>	<b>3<sup>rd</sup> Full FY FY 2027</b>
# of MRI scanners	1	1	1	1
Unweighted Procedures	1,092	2,184	3,120	4,368
Weighted Procedures	1,207	2,414	3,448	4,828

Source: Section Q, Form C.2b

In Section Q, pages 126-130, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

*Step 1: Historical Mecklenburg County MRI Scans*

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2015 [FY2016]</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>Row</b>
SMFP	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Proposed 2022</b>	
MRI Scans	101,680	106,935	113,609	126,488	126,082	131,198	126,445	A
6-Year CAGR	3.70%							B
Weighted MRI Scans	122,892	129,524	135,469	149,284	149,474	156,365	15,758	C
Weighted MRI Ratio	1.209	1.211	1.192	1.180	1.186	1.192	1.200	D
7-Year Average	1.196							E

Source: Section Q, page 118  
 Project Analyst's correction in brackets

- Row A*-Reported in the 2016 through the proposed 2022 SMFPs.  
*Row B*-6-Year CAGR (FY 2014 to FY 2020)  
*Row C*-Reported in the 2016 through the proposed 2022 SMFPs.  
*Row D*-Weighted MRI Ratio = (Weighted MRI Scans / MRI Scans)  
*Row E*-Sum of Weighted MRI Ratios from FY 2014-FY 2020 / 7 Years

*Step 2: Project Mecklenburg County MRI Scans and Weighted Scans 7 Years Forward*

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	Row
MRI Scans	131,123	135,974	141,005	146,222	151,632	157,242	163,059	A
Weighted MRI Scans	156,787	162,587	168,603	174,840	181,309	188,017	194,973	B
Annual Weighted MRI Scan Growth	4,678	4,851	5,031	5,217	5,410	5,610	5,818	C

Source: Section Q, page 119  
 May not foot due to rounding.

*Row A*-Calculated using the 6-year CAGR of 3.70% from (FY 2014 – FY 2020).

*Row B*-Calculated by multiplying MRI scans in *Row A* by the 7-year average (*Row E* in Step 1).

*Row C*-Calculated by subtracting the previous year's MRI scans from the current year's MRI scans (e.g. 131,123 (FY 2021) -126,445 (FY 2020); 141,005 (FY 2023) – 135,974 (FY 2022)).

*Step 3: Historical Novant Health MRI Scans, Weighted MRI Scans, and MRI Scanners*

In Section Q, pages 120-121, the applicant identifies the number MRI scans, weighted MRI scans, and MRI scanners performed at NH Presbyterian Medical Center-Main, NH Matthews Medical Center, NH Presbyterian Medical Center-Charlotte Orthopedic, NH Presbyterian Medical Center-NHI Museum, NHI SouthPark (MDI, LLC), and NHI SouthPark (NH) during FY 2014-FY 2020 in Mecklenburg County.

*Step 4: Historical Novant Health MRI Scans, Weighted MRI Scans, and MRI Scanners Totals*

The applicant calculates the total amount of MRI scans, weighted MRIs scans, and MRI scanners performed at the Mecklenburg County facilities listed in Step 3.

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Row
Total MRI Scans	29,112	32,775	32,928	34,806	36,978	41,528	40,578	A
6-Year CAGR	5.69%							B
Total Weighted MRI Scans	35,333	39,337	39,729	42,063	44,771	50,264	49,710	C
Weighted MRI Ratio	1.214	1.200	1.207	1.208	1.211	1.210	1.225	D
7-Year Average	1.211							E
MRI Scanners	9	9	10	10	10	10	11	F
Weighted MRI Scans/MRI Scanner	3,926	4,371	3,973	4,206	4,477	5,026	4,519	G

Source: Section Q, page 122  
 May not foot due to rounding.

*Row A*-Total sum of MRI scans performed at the facilities identified in Section Q, pages 120-121.

*Row B*-6-Year CAGR (FY 2014 – FY 2020)

*Row C*-Total sum of weighted MRI scans performed at the facilities identified in Section Q, pages 120-121.

*Row D*-Total Weighted MRI Ratio = (Total Weighted MRI scans / Total MRI Scans)

*Row E*-Sum of Weighted MRI Ratios from FY 2014-FY 2020 / 7 Years



Row F-Total sum of MRI scanners located at the facilities identified on pages 120-121.

Row G- Weighted MRI scans per MRI Scanner = (Total Weighted MRI Scans / Total MRI Scanners)

*Step 5: Projected Novant Health MRI Scans and Weighted MRI Scans*

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	Row
MRI Scans	42,887	45,328	47,907	50,633	53,515	56,560	59,779	A
Weighted MRI Scans	51,925	54,880	58,003	61,303	64,792	68,479	72,376	B
Annual Weighted MRI Scan Growth	2,309	2,441	2,579	2,726	2,881	3,045	3,219	C
MRI Scanners	11	12	12	12	12	12	12	D
Weighted MRI Scans/MRI Scanner	4,720	4,573	4,834	5,109	5,399	5,707	6,031	E

Source: Section Q, page 123  
 May not foot due to rounding.

Row A-Calculated using the 6-year CAGR of 5.69% (FY 2014 – FY 2020)

Row B-Calculated by multiplying MRI scans in Row A by the 7-year average calculated in Step 4.

Row C-Calculated by subtracting the previous year's MRI scans from the current year's MRI scans (e.g. 45,328 (FY 2022) - 42,887 (FY 2021); 50,633 (FY 2024) – 47,909 (FY 2023)).

Row D-Novant Health operates and/or approved for eleven MRI scanners in Mecklenburg County and proposing to acquire an additional MRI Scanner by FY 2022.

Row E-Weighted MRI scans per MRI Scanner = (Total Weighted MRI Scans / Total MRI Scanners)

*Step 6: Projected NHI Matthews MRI Scans and Weighted MRI Scans*

	FY 2024	FY 2025	FY 2026	FY 2027	Row
Weekly Days of Operation	6	6	6	6	A
Annual Days of Operations	156	312	312	312	B
MRI Scans per Day	7	7	10	14	C
MRI Scans	1,092	2,184	3,120	4,368	D
OP W/O Contrast MRI Scans	805	1,610	2,299	3,219	E
OP W Contrast MRI Scans	287	574	821	1,149	F
OP W/O Contrast Weight	1.0	1.0	1.0	1.0	G
OP W Contrast Weight	1.4	1.4	1.4	1.4	H
Weighted MRI Scans	1,207	2,414	3,448	4,828	I

Source: Section Q, page 125  
 (OP) Outpatient

Row A-The applicant assumes the MRI scanner will operate six days per week.

Row B-The applicant calculates the annual days of operation by multiplying the partial year (FY 2024) weekly days of operation (Row A) by 26 weeks and the first three years of operation by 52 weeks.

Row C-The applicant assumes the number of MRI scans per day for the partial and first three project years.

Row D- Calculated by multiplying the annual days of operation by the MRI scans per day.  
 Row E and F-The applicant calculated the percentage of OP without contrast MRI Scans and OP with contrast MRI Scans by using the CY 2020 outpatient MRI scan data from NHI SouthPark and NHI Ballantyne: OP w/o contrast MRI scans = MRI scans x 73.7% and OP w/ contrast MRI scans = MRI scans x 26.3%  
 Row G and H-Contrast weight as reported in the 2021 SMFP  
 Row I-Weighted MRI Scans = OP w/o contrast MRI scans x OP w/o contrast Weight + OP w/ contrast MRI scans x OP w/ contrast weight

Projected utilization is reasonable and adequately supported based on the following:

- There is a need determination in the 2021 SMFP for a fixed MRI scanner in the Mecklenburg County MRI service area and this proposed project will meet that need determination by developing a fixed MRI scanner in Mecklenburg County.
- The methodology and assumptions utilized by the applicant were reasonable and adequately supported.
- Historical growth rates of MRI scans performed at Novant Health facilities in Mecklenburg County were applied to project utilization.

**Access to Medically Underserved Groups**

In Section C, page 51, the applicant states:

*“Novant Health does not exclude from participation, deny benefits to, or otherwise discriminate against patients, students, or visitors on the basis of race; color, religion; national origin; culture; language; physical or mental disability; age, sex; including pregnancy, childbirth or related medical conditions; marital status; sexual orientation; gender identity or expression; socioeconomic status; source of payment; or any other protected status..”*

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Low income persons	8.1%
Racial and ethnic minorities	42.7%
Women	51.9%
Persons with Disabilities	
Persons 65 and older	39.3%
Medicare beneficiaries	39.3%
Medicaid recipients	5.6%

Source: Section C, page 52

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- Novant Health has policies designed to ensure access to services, including financial assistance.
- NHI Matthews intends to meet all North Carolina handicap requirements and all federal American with Disabilities Act requirements.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

### **F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

### **Patient Origin**

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, Acute Care Beds, and shown in Figure 5.1.”* Therefore, for the purpose of this review, Mecklenburg County is the service area. Facilities may also serve residents of counties not included in their service area.

The following tables illustrate historical and projected patient origin.

<b>Carolinas Medical Center (CMC) MRI Services Historical Patient Origin</b>		
<b>County</b>	<b>Last Full FY</b>	
	<b>01/01/2020-12/31/2020</b>	
	<b># of Patients</b>	<b>% of Total</b>
Mecklenburg	7,939	50.6%
Gaston	1,196	7.6%
York, SC	1,150	7.3%
Union	924	5.9%
Cabarrus	616	3.9%
Cleveland	541	3.4%
Lancaster, SC	390	2.5%
Lincoln	339	2.2%
Iredell	283	1.8%
Catawba	231	1.5%
Stanly	222	1.4%
Burke	157	1.0%
Other*	1,715	10.9%
<b>Total</b>	<b>15,703</b>	<b>100.0%</b>

Source: Section C, page 35

\*Includes other counties and other states as stated on page 35 of the application.

<b>Carolinas Medical Center (CMC) MRI Services Projected Patient Origin</b>						
<b>County</b>	<b>1<sup>st</sup> Full FY</b>		<b>2<sup>nd</sup> Full FY</b>		<b>3<sup>rd</sup> Full FY</b>	
	<b>CY 2028</b>		<b>CY 2029</b>		<b>CY 2030</b>	
	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>
Mecklenburg	8,627	50.6%	8,832	50.6%	9,041	50.6%
Gaston	1,299	7.6%	1,330	7.6%	1,361	7.6%
York, SC	1,249	7.3%	1,279	7.3%	1,309	7.3%
Union	1,004	5.9%	1,028	5.9%	1,053	5.9%
Cabarrus	669	3.9%	685	3.9%	701	3.9%
Cleveland	588	3.4%	602	3.4%	616	3.4%
Lancaster, SC	424	2.5%	434	2.5%	445	2.5%
Lincoln	368	2.2%	377	2.2%	386	2.2%
Iredell	308	1.8%	315	1.8%	323	1.8%
Catawba	251	1.5%	257	1.5%	263	1.5%
Stanly	241	1.4%	247	1.4%	253	1.4%
Burke	170	1.0%	174	1.0%	178	1.0%
Other*	1,863	10.9%	1,908	10.9%	1,953	10.9%
<b>Total</b>	<b>17,062</b>	<b>100.0%</b>	<b>17,467</b>	<b>100.0%</b>	<b>17,882</b>	<b>100.0%</b>

Source: Section C, page 37

\*Includes other counties and other states as stated on page 37 of the application.

In Section C, pages 36-37, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant assumes no change to patient origin and projects patient origin based on the facility's historical patient origin for MRI services during CY 2020.
- The applicant assumes a 1.7 percent growth rate based on the projected population growth in Mecklenburg County.

### **Analysis of Need**

In Section C, pages 39-50, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

#### Need for Additional Fixed MRI Capacity for Patients Choosing Atrium Health (pages 41-45)

To demonstrate need, the applicant begins with the historical utilization growth of MRI services at Atrium Health and Carolinas Imaging Services (CIS) (jointly owned by CMHA and Charlotte Radiology). Exhibit C.4 contains data from the 2018 to the proposed 2022 SMFPs illustrating their growth in weighted MRI scans. Atrium Health and CIS experienced a 2.1 percent annual growth in total weighted MRI scans from FY 2016 through FY 2019 on their hospital-based and freestanding fixed units. The applicant states that providing additional capacity for patients choosing Atrium Health is the best alternative to meet the 2021 SMFP need for one fixed MRI scanner in Mecklenburg County.

The applicant states that in addition to Atrium Health's growth in MRI utilization and its excess of weighted MRI scans over the SMFP planning threshold, Atrium Health has the highest complexity mix (weighted MRI scans/total MRI scans) among MRI providers in Mecklenburg County.

#### Need for Additional Hospital-Based MRI Capacity at CMC (pages 45-50)

According to the proposed 2022 SMFP, during FY 2020, CMC/Atrium Health Mercy (one hospital license) performed 6,022 weighted scans in excess of the 4,805 per unit planning threshold. The applicant states that CMC/Atrium Health Mercy had enough volume in FY 2020 to support 1.25 additional scanners. The applicant states that the two adult MRI scanners must accommodate all of CMC's inpatient and emergency MRI needs in addition to any outpatient MRI scans for patients whose condition requires an inpatient setting. The applicant states that based on its internal tracking, the excessive demand on CMC's capacity resulted in long turnaround times, inpatient backlogs, and more time in the hospital. As a result of the capacity restraints, CMC began shifting all routine scheduled outpatient MRIs on the two fixed MRI scanners located in the Morehead Medical Plaza, a separate building on the hospital campus. The applicant states that the proposed 3.0T MRI scanner will produce images in less time and allow CMC to better serve patients during episodes of high demand.

#### Growth in the Mecklenburg County Population (page 51)

The applicant cites data from the North Carolina Office of State Budget and Management (NCOSBM) to demonstrate the projected population growth in Mecklenburg County, particularly among the 65+ age cohort. The applicant states that older residents tend to utilize

healthcare services at a higher rate. The following table illustrates the projected growth rate between 2021 and 2030.

<b>Mecklenburg County Population Growth</b>			
<b>Year</b>	<b>Total Population</b>	<b>Population Age 65+</b>	<b>Percent Population Age 65+</b>
2021	1,138,138	141,073	12.4%
2030	1,329,914	205,566	15.5%
2021-2030 CAGR	1.7%	4.3%	

Source: Section C, page 50

The information is reasonable and adequately supported based on the following:

- The 2021 SMFP identifies the need for one additional fixed MRI scanner in Mecklenburg County
- Population growth, particularly among the 65+ age cohort is occurring in the service area.
- The applicant uses clearly cited and reasonable historical and projected data to identify the high utilization of its existing fixed MRI scanners and the capacity constraints of its hospital based and freestanding units.

Projected Utilization

In Section Q, the applicant provides historical and projected utilization, as illustrated in the following tables.

<b>CMC Historical and Projected Interim MRI Utilization</b>							
	<b>Last Full FY CY 2020</b>	<b>Interim Full FY CY 2021</b>	<b>Interim Full FY CY 2022</b>	<b>Interim Full FY CY 2023</b>	<b>Interim Full FY CY 2024</b>	<b>Interim Full FY CY 2025</b>	<b>Interim Full FY CY 2026</b>
# of MRI scanners	4	4	4	4	4	4	4
Unweighted Procedures	15,703	14,611	14,892	15,175	15,535	15,903	16,281
Weighted Procedures	21,808	20,219	20,608	20,999	21,497	22,007	22,529

Source: Section Q, Form C.2a

<b>CMC Projected MRI Utilization</b>				
	<b>Interim Full FY CY 2027</b>	<b>1<sup>st</sup> Full FY CY 2028</b>	<b>2<sup>nd</sup> Full FY CY 2029</b>	<b>3<sup>rd</sup> Full FY CY 2030</b>
# of MRI scanners	5	5	5	5
Unweighted Procedures	16,667	17,062	17,467	17,882
Weighted Procedures	23,064	23,611	24,171	24,745

Source: Section Q, Form C.2b

In Section Q, Form C, pages 1-5, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

To project utilization, the applicant demonstrates the high utilization of its eight existing fixed MRI scanners in Mecklenburg County; based on CMHA's internal data. The applicant does not include the unit located at Atrium Health Kenilworth Diagnostic Center #1 since it was not operational until April 2021. This application was due to the CON Section August 15, 2021. Therefore, there is very little data to report.

<b>Atrium Health Mecklenburg County Facilities Historical MRI Utilization</b>					
	<b>CY 2018</b>	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021*</b>	<b>CAGR</b>
CMC	24,766	24,655	21,808	23,796	-1.3%
Atrium Health Mercy	6,919	7,050	6,326	7,414	2.3%
Atrium Health Pineville	9,686	10,683	9,485	12,349	8.4%
Atrium Health University City	6,885	7,520	7,161	8,214	6.1%
<b>Total Weighted Scans</b>	<b>48,256</b>	<b>49,908</b>	<b>44,779</b>	<b>51,773</b>	<b>2.4%</b>

Source: Section Q, Form C, page 1

\*CY 2021 is based on actual January-May utilization and annual using historical seasonal utilization from CY 2019 and does not include COVID-19 impact CY 2020.

The applicant states that CMC has consistently performed above the need threshold and its complex MRI scans have impacted the average length of scan time, resulting in a need to shift some volume to other Atrium Health facilities in Mecklenburg County to decompress capacity. From CY 2018 to annualized 2021, total weighted scans at CMC declined 1.3 percent annually. The following table is based on CMHA's internal data and illustrates the decline in weighted scans resulting from the volume shift from CMC to the other Atrium Health facilities in Mecklenburg County.

<b>CMC Historical MRI Utilization</b>					
	<b>CY 2018</b>	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021*</b>	<b>CAGR</b>
Outpatient No Contrast	4,455	4,419	3,398	3,871	-4.6%
Outpatient with Contrast	6,128	6,417	5,835	6,153	0.1%
Inpatient No Contrast	4,163	3,964	3,512	3,996	-1.4%
Inpatient with Contrast	3,280	3,168	2,958	3,175	-1.1%
<b>Total Scans</b>	<b>18,026</b>	<b>17,968</b>	<b>15,703</b>	<b>17,196</b>	<b>-1.6%</b>
<b>Total Weighted Scans</b>	<b>24,766</b>	<b>24,655</b>	<b>21,808</b>	<b>23,796</b>	<b>-1.3%</b>

Source: Section Q, Form C, page 2 (2<sup>nd</sup> table)

\*CY 2021 is based on actual January-May utilization and annual using historical seasonal utilization from CY 2019 and does not include COVID-19 impact CY 2020.

The applicant states that the most significant shift has been for outpatient scans with no contrast which has allowed the facility to dedicate capacity for inpatient and emergency MRI as well as complex outpatient scans that must be performed at CMC. In Project F-11760-19, the applicant projected a shift in total weighted scans from CMC to the new Atrium Health Kenilworth Diagnostic Center #1 beginning CY 2021. The applicant states that this shift will allow CMC to free up additional capacity for future growth.

<b>CMC Shift to Atrium Kenilworth Diagnostic Center #1</b>			
	<b>CY 2021</b>	<b>CY 2022</b>	<b>CY 2023</b>
Total Weighted Scans	3,577	3,752	3,939

Source: Section Q, Form C, page 3, (1<sup>st</sup> table)

Based on Atrium Health’s combined historical growth in MRI utilization and the incremental capacity created following the shift of some volume from CMC to Atrium Health Kenilworth Diagnostic Center #1, the applicant projects CMC’s growth in MRI utilization to be consistent with Atrium Health’s historical growth rate. Atrium Health’s total weighted scans increased 2.4 percent annually from CY 2018 annualized 2021.

Using Atrium Health’s historical growth rate, the applicant projects utilization with the shift to Atrium Health Kenilworth Diagnostic Center #1.

<b>CMC Projected MRI Utilization with Shift to Kenilworth</b>				
	<b>CY 2021</b>	<b>CY 2022</b>	<b>CY 2023</b>	<b>CY 2021-CY 2023 CAGR</b>
CMC Total Weighted Scans Prior to Shift	23,796	24,361	24,938	2.4%
Total Weighted Scans Shifted to Kenilworth from CMC	3,577	3,752	3,939	
CMC Total Weighted Scans after Kenilworth Shift	20,219	20,608	20,999	
CMC Total Unweighted Scans after Kenilworth Shift*	14,611	14,892	15,175	

Source: Section Q, Form C, page 4 (1<sup>st</sup> table)

\*Unweighted scans in CY 2022 and CY 2023 projected based on the CY 2021 ratio of weighted scans to unweighted scans (1.38) applied to projected weighted scans.

<b>CMC Projected MRI Utilization after Shift to Kenilworth</b>								
	<b>CY 2024</b>	<b>CY 2025</b>	<b>CY 2026</b>	<b>CY 2027</b>	<b>CY 2028</b>	<b>CY 2029</b>	<b>CY 2030</b>	<b>CY 2023-CY 2030 CAGR</b>
CMC Total Weighted Scans After Kenilworth	21,497	22,007	22,529	23,064	23,611	24,171	24,745	2.4%
CMC Total Unweighted Scans After Kenilworth Shift	15,535	15,903	16,281	16,667	17,062	17,467	17,882	

Source: Section Q, Form C, page 4 (2<sup>nd</sup> table)

\*Unweighted scans in CY 2024 and CY 2030 projected based on the CY 2021 ratio of weighted scans to unweighted scans (1.38) applied to projected weighted scans.

The applicant projects the need for the additional fixed MRI scanner at CMC which is consistent with the facility’s demonstrated need for an additional scanner for the last four years.



<b>CMC Projected MRI Utilization after Shift to Kenilworth* CY 2021-CY 2027</b>							
	<b>CY 2021</b>	<b>CY 2022</b>	<b>CY 2023</b>	<b>CY 2024</b>	<b>CY 2025</b>	<b>CY 2026</b>	<b>CY 2027</b>
CMC after Shift	20,219	20,608	20,999	21,497	22,007	22,529	23,064
Fixed MRI Units	4	4	4	4	4	4	4
MRI Unit Need (4,805 Weighted Scans per Unit)	4.2	4.3	4.4	4.5	4.6	4.7	4.8
MRI Deficit/ (Surplus)	0.2	0.3	0.4	0.5	0.6	0.7	0.8

Source: Section Q, Form C, page 4 (3<sup>rd</sup> table)

\*Total Weighted Scans

<b>CMC Projected MRI Utilization after Shift to Kenilworth* CY 2028-CY 2030</b>			
	<b>1<sup>st</sup> FFY CY 2028</b>	<b>2<sup>nd</sup> FFY CY 2029</b>	<b>3<sup>rd</sup> FFY CY 2030</b>
CMC after Shift	23,611	24,171	24,745
Fixed MRI Units	4	4	4
MRI Unit Need (4,805 Weighted Scans per Unit)	4.9	5.0	5.1
MRI Deficit/ (Surplus)	0.9	1.0	1.1

Source: Section Q, Form C, page 5 (1<sup>st</sup> table)

\*Total Weighted Scans

The applicant states that the proposed project is expected become operational on April 1, 2027. The first three project years will be April 1, 2027 to March 31, 2028, April 1, 2028 to March 31, 2029, and April 1, 2029 to March 31, 2030, respectively. The applicant converts the project's calendar year MRI utilization to Project Year 3 utilization to be consistent with the Criteria and Standards Rule for MRI scanner, based on the following formula:  $PY = CY\ 2029 \times 0.75 + CY\ 2030 \times 0.25$ .

<b>CMC Conversion of Fiscal Year 3 Volume to Project Year 3 Volume</b>			
	<b>CY 2029</b>	<b>CY 2030</b>	<b>Project Year 3</b>
Total Weighted Scans CY	24,171	24,745	
% OF CY that is PY	75%	25%	
Total Weighted Scan PY	18,129	6,186	<b>24,315</b>

Source: Section Q, Form C, page 5

The applicant projects CMC's MRI utilization in the third project year.

<b>CMC Project Year 3 Utilization</b>	
	<b>Project Year 3</b>
Total Weighted Scans	24,315
Fixed MRI Units	5
Average Weighted Scan per Fixed MRI Unit	4,863
MRI Unit Need (4,805 Weighted Scans per Unit)	5.1

Source: Section Q, Form C, page 5 (3<sup>rd</sup> table)

Projected utilization is reasonable and adequately supported based on the following:

- There is a need determination in the 2021 SMFP for a fixed MRI scanner in the Mecklenburg County MRI service area.
- The methodology and assumptions utilized by the applicant were reasonable and adequately supported.
- CMC's existing fixed MRI scanners have consistently performed above the MRI planning threshold as determined by the SMFP.

### **Access to Medically Underserved Groups**

In Section C, page 56, the applicant states:

*“CMC provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment... CMHA will continue to serve this population as dictated by the mission of CMHA, which is the foundation for every action taken.*

...

*Patients who do not qualify for financial assistance will be offered an installment payment plan. Patients will receive the appropriate medical screening examination and any necessary stabilizing treatment for emergency medical conditions, regardless of ability to pay.”*

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

<b>Medically Underserved Groups</b>	<b>Percentage of Total Patients</b>
Low income persons	
Racial and ethnic minorities	59.8%
Women	59.4%
Persons with Disabilities	
Persons 65 and older	22.6%
Medicare beneficiaries	29.5%
Medicaid recipients	18.7%

Source: Section C, page 57

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- As stated in the proformas, a significant proportion of the facility's proposed services will be provided to Medicaid, uninsured persons and Medicare recipients.
- CMHA has policies designed to ensure access to services, including financial assistance.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, ... persons [persons with disabilities], and other underserved groups and the elderly to obtain needed health care.

#### NA-Both Applications

Neither applicant proposes to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

- (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.

#### C

#### Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

In Section E, pages 67-68, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

*Maintain the Status Quo*-The applicant states that the existing fixed MRI scanner located at Novant Health Matthews Medical Center performed 7,600 weighted MRI scans in FY 2020. The MRI scanner is available 24 hours per day, 7 days per week and currently operating at its "practical limits." Therefore, maintaining the status quo was not an option.

*Add Mobile MRI at Novant Health Matthews Medical Center*-The applicant states that adding a mobile MRI scanner is not a viable alternative due to the high demand on the limited number of the existing mobile scanners owned by the applicant.

*Add fixed MRI at Another Novant Health Location*-The applicant considered developing the proposed scanner at one of its freestanding outpatient centers offering fixed MRI services as a more cost-effective alternative. However, the two existing freestanding outpatient centers are located approximately 30 minutes from Novant Health Matthews Medical Center. The applicant states that it would not be the least costly or more effective alternative.

On page 68, the applicant states that its proposal is the most effective alternative because the proposed MRI scanner will be located in an existing space designated as an IDTF, a cost-effective and convenient alternative for patients in need of outpatient MRI services.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- Maintaining the status quo of a fixed MRI scanner at NHI Matthews would not address the need in the 2021 SMFP for an additional fixed MRI scanner in Mecklenburg County.
- Developing the proposed fixed MRI scanner at another freestanding outpatient imaging center that offers fixed MRI services in Mecklenburg County was determined to be less effective because the proposed location was deemed more efficient and geographically superior.
- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

### **F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

In Section E, pages 72-74, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

*Develop the MRI Scanner in Existing Space*-The applicant proposes to develop a fixed MRI scanner to be installed in a new patient tower under development on CMC's main campus. The applicant states that developing the MRI scanner in the existing building would require demolition and extensive build-out to create the pathway, support infrastructure and space required. The required construction would disrupt the Pediatric ED access on the exterior of the building.

*Develop MRI at Another Location*-The applicant states that the current capacity restraints at CMC warrants the need for the additional MRI scanner. The two existing MRI scanners located in the main hospital building at CMC are not enough to meet the demand and regular surges in volume.

*Develop a Freestanding MRI*-The applicant states that this alternative was rejected based on the demand for MRI services from a broad range of patients including inpatients, emergency patients, observation patients, and outpatients with morbidities and other complexities. Further, a freestanding MRI cannot be used for inpatient or complex outpatients who require hospital-based setting nor are they available for emergency scans.

*Acquire a 1.5T MRI*-The existing 3.0T MRI scanner is located at MMP on the main hospital campus of CMC. However, the scanner is not accessible to inpatient and emergency patients. Accessing the 3.0T MRI scan has been a source of frustration for physicians due to the wait times and turnaround. Further, the applicant states that the 3.0T MRI has twice the strength and can provide a more detailed image, allowing for a more accurate diagnosis.

On page 72-74, the applicant states that its proposal is the most effective alternative because:

- The proposal would be more cost-effective because the MRI scanner will be located in a new patient tower that is already under construction with sufficient accommodation for the two MRI scanners and the proposed MRI scanner.
- The proposed MRI scanner will alleviate the current capacity constraints of the existing MRI scanners.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The proposed project would meet the need for one additional fixed MRI scanner in Mecklenburg County identified in the 2021 SMFP.
- The proposal would allow the applicant to address the current capacity constraints and accommodate utilization growth.
- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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.

C

Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

## **Capital and Working Capital Costs**

In Section Q, Form F.1a, the applicant projects the total capital cost of the project, as shown in the table below.

<b>NHI Matthews Capital Costs</b>	
Construction/Renovation Contract(s)	\$1,243,325
Architecture/Engineering Fees	\$106,500
Medical Equipment	\$1,600,335
Non-Medical Equipment	\$382,917
Furniture	\$171,909
Consulting Fees	\$28,400
Other (Escalation Allowance)	\$511,752
Other (Contingency)	\$337,944
Other (Information Technology)	\$181,272
Other (Special Inspections)	\$25,000
Other (Low Voltage-Nurse, Call, etc.)	\$30,000
Other (Security)	\$21,097
<b>Total Capital Costs</b>	<b>\$4,640,451</b>

In Exhibit F.1, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- Medical equipment costs are based on quotes from vendors.
- Construction costs, including architectural and engineering design services are based on contractor estimates.

In Section F, page 71, the applicant projects that start-up costs will be \$33,448 and initial operating expenses will be \$249,500 for a total working capital of \$282,948. On pages 71-21, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- Start-up costs are based on salary, benefits, rent, supplies and utility expense incurred during the first 18 months of operation of the MRI scanner.
- Initial operating costs is based on the anticipated net income loss during the partial and first full year of operation.

**Availability of Funds**

In Section F, page 69, the applicant states that the capital cost will be funded, as shown in the table below.

<b>Sources of Capital Cost Financing</b>		
Type	Novant Health, Inc.	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$4,640,451	\$4,640,451
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
<b>Total Financing</b>	<b>\$4,640,451</b>	<b>\$4,640,451</b>

\* OE = Owner's Equity

In Section F, page 72, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital	Amount
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$282,948
Lines of credit	\$0
Bonds	\$0
<b>Total</b>	<b>\$282,948</b>

In Exhibit F.2, the applicant provides a letter from the senior vice-president of Operational Finance and Revenue Cycle for Novant Health, Inc., stating their commitment of accumulated reserves to fund the project. Exhibit F.2 also contains financial statements for Novant Health for year ending December 2020. Novant Health had over \$700 million in cash and cash equivalents and over \$8.6 billion in total current assets to fund the project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based the information provided in Section F and Exhibit F.2. of the application.

**Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the second and third full fiscal years following completion of the project, as shown in the table below.

NHI Matthews	1 <sup>st</sup> FFY FY 2025	2 <sup>nd</sup> FFY FY 2026	3 <sup>rd</sup> FFY FY 2027
Total Procedures	2,184	3,120	4,368
Total Gross Revenues (Charges)	\$5,680,443	\$8,358,366	\$12,052,764
Total Net Revenue	\$1,069,165	\$1,573,200	\$2,268,554
Average Net Revenue per Procedure	\$490	\$504	\$519
Total Operating Expenses (Costs)	\$1,250,420	\$1,455,775	\$1,658,736
Average Operating Expense per Procedure	\$573	\$467	\$380
Net Income	(\$181,255)	\$117,425	\$609,818

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q page 133 and Form F.2b. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Projected gross revenue is based on 2020 actual gross charges by payor mix for NHI SouthPark MRI outpatients, increased by inflation percentage annually.
- Deductions, such as charity care, are based on the actual percentage of gross patient revenue value of charity care provided in CY 2020 at Novant Health Matthews Medical Center for outpatients receiving an MRI scan. Bad debt estimates are based on NHI SouthPark experience in CY 2020 for outpatients receiving an MRI scan.



- Percentage allocation for each payor mix is based on historical payor mix of outpatients who received an MRI scan at Novant Health Matthews Medical Center during CY 2020.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

### **F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

### **Capital and Working Capital Costs**

In Section Q, Form F.1a, the applicant projects the total capital cost of the project, as shown in the table below.

<b>CMHA Capital Costs</b>	
Construction/Renovation Contract(s)	\$1,626,695
Architecture/Engineering Fees	\$202,500
Medical Equipment	\$2,693,183
Non-Medical Equipment	\$172,839
Furniture	\$2,000
Consulting Fees	\$200,000
Financing Costs	\$25,715
Interest during Construction	\$221,967
Other	\$680,915
<b>Total Capital Costs</b>	<b>\$5,825,814</b>

In Section Q, Form F.1a, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- Medical equipment costs are based on estimates from the vendor plus associated freight and sales tax.
- Non-medical equipment and furniture costs are based on estimates from the vendor.
- The applicant based other costs, such as, architect and engineering costs, consultant fees and contingency, on its experience with similar projects.

In Section F, page 78, the applicant states that there will be no start-up or initial operating costs associated with this project since the project does not involve a new service or facility.

**Availability of Funds**

In Section F, page 76, the applicant states that the capital cost will be funded, as shown in the table below.

<b>Sources of Capital Cost Financing</b>		
Type	The Charlotte- Mecklenburg Hospital Authority	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$5,825,814	\$5,825,814
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$5,825,814	\$5,825,814

\* OE = Owner's Equity

In Exhibit F.2-1, the applicant provides a letter from the executive vice-president and chief financial officer for the Charlotte-Mecklenburg Hospital Authority stating their commitment of accumulated reserves to fund the project. Exhibit F.2-1 also contains financial statements for the Charlotte-Mecklenburg Hospital Authority for year ending December 2020. Charlotte-Mecklenburg Hospital Authority had over \$900 million in cash and cash equivalents and over \$13 billion in total current assets to fund the project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based the information provided in Section F and Exhibit F.2-1 of the application.

**Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

<b>Carolinas Medical Center MRI Services</b>	<b>1<sup>st</sup> FFY CY 2028</b>	<b>2<sup>nd</sup> FFY CY 2029</b>	<b>3<sup>rd</sup> FFY CY 2030</b>
Total Procedures*	23,611	24,171	24,745
Total Gross Revenues (Charges)	\$91,274,740	\$96,243,527	\$101,482,803
Total Net Revenue	\$24,704,879	\$26,049,756	\$27,467,845
Average Net Revenue per Procedure	\$1,046	\$1,078	\$1,110
Total Operating Expenses (Costs)	\$6,708,793	\$7,189,712	\$7,589,545
Average Operating Expense per Procedure	\$284	\$297	\$307
Net Income	\$17,996,086	\$18,860,044	\$19,878,300

\*After shift to Kenilworth of 3,939 weighted scans; Form C, page 3.

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Patient services gross revenue is based on the applicant’s projected payor mix and average charge for the service with the expectancy of payor mix shifts in the coming project years.
- Operating expenses such as, taxes and benefits, supplies (medical, housekeeping, laundry), utilities, and depreciation are based on FY2020 historical experience for CMC. Some expenses were inflated 3.0% annually.
- Projected charges, revenues and operating expenses are reasonable and adequately supported based on the information provided in Section Q of the application.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
  - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
  - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C  
Both Applications

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, Acute Care Beds, and shown in Figure 5.1.”* Therefore, for the purpose of this review, Mecklenburg County is the service area. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved fixed MRI scanners located in the Mecklenburg County service area, summarized from Table 17E-1 of 2021 SMFP.

Fixed MRI Scanners in Mecklenburg County			
Provider	# of Fixed MRI Scanners	Total MRI Scans	Adjusted Total
Atrium Health Pineville	2	8,131	10,374
Atrium Health University City	1	6,084	7,539
Carolina Medical Center-Main	4	18,146	25,072
Carolina Medical Center-Mercy	1	5,606	7,091
Novant Health Huntersville Medical Center	2	6,450	7,759
Novant Health Matthews Medical Center	1	6,647	8,179
Novant Health Mint Hill Medical Center	1	3,245	3,894
Novant Health Presbyterian Medical Center-Charlotte Orthopedic Hospital	1	3,113	3,544
Novant Health Presbyterian Medical Center-Main	2	11,073	14,644
Novant Health Presbyterian Medical Center-Novant Health Imaging Museum	1	3,084	3,569
Atrium Health Kenilworth Diagnostic Center #1	1	0	0
Carolinas Imaging Services-Ballantyne	1	3,858	4,414
Carolinas Imaging Services-Huntersville	1	3,455	3,929
Carolinas Imaging Services-SouthPark	1	3,168	3,764
Carolina NeuroSurgery & Spine Associates Charlotte	1	4,271	4,505
Novant Health Imaging Ballantyne	1	3,270	3,645
Novant Health Imaging SouthPark*	1	4,646	5,030
OrthoCarolina Ballantyne	1	8,252	8,494
OrthoCarolina Spine Center	1	6,819	7,333
<b>Totals</b>	<b>25</b>		

\*Novant Health Imaging SouthPark received a CON for a 2nd MRI 2/11/21

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

In Section G, page 79, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in Mecklenburg County. The applicant states:

*“NHI Matthews proposes to acquire a fixed MRI scanner and to operate the MRI scanner at a new IDTF and outpatient diagnostic center to address high MRI scan demand at Novant Health facilities and to offer a low-cost alternative.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area.

- There is a need determination in the 2021 SMFP for the proposed fixed MRI scanner.
- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanner.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

### **F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

In Section G, page 86, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in Mecklenburg County. The applicant states:

*“The proposed project involves the development of an additional fixed MRI scanner at CMC, which is in response to a need determination in the 2021 SMFP for an additional fixed MRI scanner to be located in Mecklenburg County. Thus, the 2021 SMFP has determined that additional fixed MRI capacity is needed in Mecklenburg County...Atrium’s health volume of weighted scans in excess of the planning threshold is higher than any other provider in Mecklenburg County...”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area based on the following:

- There is a need determination in the 2021 SMFP for the proposed fixed MRI scanner.
- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanners in Mecklenburg County.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (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.

C  
 Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

In Section Q, Form H, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

<b>NHI Matthews</b>				
<b>Position</b>	<b>Partial CY FTE Staff</b>	<b>Projected FTE Staff</b>		
	<b>4/1/2024- 9/30/2024</b>	<b>1<sup>st</sup> FFY FY 2025</b>	<b>2<sup>nd</sup> FFY FY 2026</b>	<b>3<sup>rd</sup> FFY FY 2027</b>
Manager	0.15	0.30	0.30	0.30
Patient Access Specialist	0.50	1.00	1.00	1.00
MRI Technologists	0.72	1.44	1.44	1.44
<b>Total</b>	<b>1.37</b>	<b>2.74</b>	<b>2.74</b>	<b>2.74</b>

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Section H, pages 81-83, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately demonstrates its methods to recruit staff, which include recruitment through Novant Health’s regional and corporate human resources, advertisements in trade journals and local newspapers.
- As an existing provider of MRI services in Mecklenburg County, the applicant has existing training and continued education programs in place and provides supporting documentation in Exhibit H.3.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

**F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

In Section Q, Form H, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	Current FTE Staff	Projected FTE Staff		
	As of 12/31/2020	1 <sup>st</sup> FFY CY 2028	2 <sup>nd</sup> FFY CY 2029	3 <sup>rd</sup> FFY CY 2030
Radiology Technologists	18.7	20.7	22.7	23.9
Supervisory	0.9	1.0	1.00	1.0
<b>Total</b>	<b>20.0</b>	<b>22.0</b>	<b>24.0</b>	<b>25.0</b>

Totals may not foot due to rounding

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 88-89, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the information provided in Section H, pages 88-89, and in Section Q, Form H, as described above.

**Conclusion**



The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

#### **Ancillary and Support Services**

In Section I, page 85, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 86-87, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services. All of the necessary ancillary and support services are provided by the facility staff, corporate staff or regional contracts.

#### **Coordination**

In Section I, page 87, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit 1.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant's established relationships with local health care and social service providers will be extended to NHI Matthews.
- In partnership with Mecklenburg and Union County health departments and other community partners, Novant Health Matthews Medical Center developed *Community Health Needs Assessments* to identify urgent health needs in the community and to

respond by offering health and wellness programming, clinical services and financial support.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

### **F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

### **Ancillary and Support Services**

In Section I, page 90, the applicant identifies the necessary ancillary and support services for the proposed services. On page 90, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is an existing provider of MRI services with ancillary and support services in place.
- The applicant provides letters of support from those that currently provide the MRI interpretation services, stating their willingness to continue providing these services.

### **Coordination**

In Section I, page 91, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on its established relationships with area healthcare providers. In Exhibit I.2, the applicant provides letters of support from those that currently provide MRI interpretation services, stating their willingness to continue providing these services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA  
Both Applications

The applicants do not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
  - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
  - (iii) would cost no more than if the services were provided by the HMO; and
  - (iv) would be available in a manner which is administratively feasible to the HMO.

NA  
Both Applicants

None of the applicants are an HMO. Therefore, Criterion (10) is not applicable to this review.

- (11) Repealed effective July 1, 1987.

- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C  
Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

In Section K, page 90, the applicant states that the project involves renovating 4,319 square feet of existing space. Line drawings are provided in Exhibit K.2.

On page 91, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal. The proposal involves the renovation of an existing space that was formally used as a chemotherapy infusing clinic.

On page 91, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The proposed project involves the renovation of an existing clinic.
- The applicant states that the project's design will be in compliance with all applicable federal, state, and local building codes, and requirements for energy efficiency and consumptions.

On page 91, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

**F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

In Section K, page 94, the applicant states that the project involves renovating 779 square feet of existing space. Line drawings are provided in Exhibit C.1-2.

On pages 94-95, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal. The project will require minimal construction costs because it involves the development of space that is currently under construction and is part of larger project to develop a new patient tower that will accommodate the proposed MRI scanner.

On page 95, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The project will not “*result in additional general conditions costs or other overhead costs*” because it will be constructed as part of a large project.
- CMHA has set aside excess revenues from previous years to pay for projects without resulting in and increasing in costs or charges to pay for the project.

On pages 30-31, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

The proposed NHI Matthews is not an existing facility, therefore there is no historical payor mx to report.

**F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of seven fixed MRI scanners.

In Section L, page 98, the applicant provides the historical payor mix during CY 2020 for the proposed services, as shown in the table below.

<b>Carolinas Medical Center Historical Payor Mix, CY 2020</b>	
<b>Payor Category</b>	<b>MRI Services as Percent of Total</b>
Self-Pay	15.3%
Charity Care <sup>^</sup>	
Medicare*	29.5%
Medicaid*	18.7%
Insurance*	34.7%
Other**	1.8%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans

\*\*Including Workers Compensation and TRICARE

<sup>^</sup>CMHA internal data does not include charity care as a Payor source for patients. Patients in any payor category can receive charity care.

In Section L, page 98, the applicant states:

*“CMHA internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care.”*

In Section L, page 99, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area*
Female	59.4%	51.9%
Male	40.4%	48.1%
Unknown	0.2%	0.0%
64 and Younger	77.4%	88.5%
65 and Older	22.6%	11.5%
American Indian	0.6%	0.8%
Asian	1.0%	6.3%
Black or African-American	25.3%	33.0%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	40.2%	46.1%
Other Race	0.0%	13.7%
Declined / Unavailable	32.8%	0.0%

\*The percentages can be found online using the United States Census Bureau's QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and ... persons [with disabilities] to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C  
Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an

Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

In section L, page 96, the applicant states that it is not obligated under any applicable federal regulations to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 96, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against NHI Matthews since the diagnostic center does not exist yet.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

**F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 100, the applicant states:

*“CMC has no obligation to provide a specific uncompensated care amount, community service, or access to care by medical underserved, minorities, or handicapped persons.”*

In Section L, page 101, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments



- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C  
Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

In Section L, page 97, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

<b>Novant Health Imaging Matthews Projected Payor Mix, FY 2027</b>	
<b>Payor Category</b>	<b>MRI Services as Percent of Total</b>
Self-Pay (includes charity care)	3.7%
Medicare*	39.3%
Medicaid*	5.6%
Insurance*	47.7%
Other (governmental)	3.6%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 3.7% of total services will be provided to self-pay and charity care patients, 39.3% to Medicare patients and 5.6% to Medicaid patients.

On page 97, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported. The applicant based the projected payor mix on the historical payor mix for outpatient MRI scans performed at NHI Matthews.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion based on analysis stated above.

**F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

In Section L, page 102, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

<b>Carolinas Medical Center (MRI Services) Projected Payor Mix, CY 2030</b>	
<b>Payor Category</b>	<b>MRI Services as Percent of Total</b>
Self-Pay	7.7%
Medicare*	31.5%
Medicaid*	20.1%
Insurance*	37.5%
Other**	3.2%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans

\*\*Including Workers Compensation and TRICARE

^CMHA internal data does not include charity care as a payor source for patients. Patients in any payor category can receive charity care.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 7.7% of total services will be provided to self-pay patients, 31.5% to Medicare patients and 20.1% to Medicaid patients.

On page 102, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported. The applicant projects payor mix based on the historical FY 2020 payor mix for MRI services at CMC.

The Agency reviewed the:

- Application
- Exhibits to the application

- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion based on the reasons stated above.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C  
Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

In Section L, page 98, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

**F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

In Section L, page 103, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C  
Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

In Section M, page 100, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following;

- Novant Health has existing clinical agreements with health professional training programs in the Mecklenburg County service area.
- The applicant states that NHI Matthews will work with any interested health professional training to establish a clinical training program at the proposed diagnostic center.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

**F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of seven fixed MRI scanners.

In Section M, page 105, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M-1. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- CMHA’s established relationships with health professional training programs, including Central Piedmont Community College, Queens University of Charlotte, University of North Carolina at Charlotte, Gardner-Webb University, and Presbyterian School of Nursing.
- CMHA’s contractual agreement with University of North Carolina at Chapel Hill to manage the Charlotte Area Health Education Center (AHEC), who coordinates various educational programs and produces continuing medical education programming for employees of Atrium Health.
- CMHA and the University of North Carolina at Charlotte offer a collaborative program for registered nurses to obtain a master’s degree and professional nurse anesthetist training (CRNA program).

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.
- (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.

**C**  
**Both Applications**

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, Acute Care Beds, and shown in Figure 5.1.”* Therefore, for the purpose of this review, Mecklenburg County is the service area. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved fixed MRI scanners located in the Mecklenburg County service area, summarized from Table 17E-1 of 2021 SMFP.

<b>Fixed MRI Scanners in Mecklenburg County</b>			
<b>Provider</b>	<b># of Fixed MRI Scanners</b>	<b>Total MRI Scans</b>	<b>Adjusted* Total</b>
Atrium Health Pineville	2	8,131	10,374
Atrium Health University City	1	6,084	7,539
Carolina Medical Center-Main	4	18,146	25,072
Carolina Medical Center-Mercy	1	5,606	7,091
Novant Health Huntersville Medical Center	2	6,450	7,759
Novant Health Matthews Medical Center	1	6,647	8,179
Novant Health Mint Hill Medical Center	1	3,245	3,894
Novant Health Presbyterian Medical Center-Charlotte Orthopedic Hospital	1	3,113	3,544
Novant Health Presbyterian Medical Center-Main	2	11,073	14,644
Novant Health Presbyterian Medical Center-Novant Health Imaging Museum	1	3,084	3,569
Atrium Health Kenilworth Diagnostic Center #1	1	0	0
Carolinas Imaging Services-Ballantyne	1	3,858	4,414
Carolinas Imaging Services-Huntersville	1	3,455	3,929
Carolinas Imaging Services-SouthPark	1	3,168	3,764
Carolina NeuroSurgery & Spine Associates Charlotte	1	4,271	4,505
Novant Health Imaging Ballantyne	1	3,270	3,645
Novant Health Imaging SouthPark**	1	4,646	5,030
OrthoCarolina Ballantyne	1	8,252	8,494
OrthoCarolina Spine Center	1	6,819	7,333
<b>Totals</b>	<b>25</b>		

\*Total MRI scans = unweighted scans = patients. Adjusted Total = Weighted Scans

\*\* Novant Health Imaging SouthPark received a CON for a 2nd MRI 2/11/21

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

**NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 102, the applicant states:

*“...It will increase the current capacity of MRI scanner services in the service area. The GW SIGNA Pioneer 3T MRI scanner will allow more complex MRI scans to be performed in the south Mecklenburg County Community.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 102, the applicant states:

*“Ultimately this type of care provides value-safe, more affordable care with better outcomes and is centered on our patients’ unique needs. With focus on keeping people healthy, some traditional fee-for-service payments will be replaced by newly negotiated agreements focusing on value, where quality and outcomes factor into how much providers and facilities are paid.*

...

*As an IDTF, NHI Matthews will be a lower cost alternative to hospital-based MRI scanner in Mecklenburg County, which benefits insurance plans, as well as patient out-of-pocket costs due to high deductibles.”*

See also Sections B, C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 105, the applicant states:

*“The Novant Health Utilization Review Plan will be used at NHI Matthews...The UR Team strives to ensure the achievement of quality and the most effective levels(s) of care. The UR team performs evaluations for medical necessity using either InterQual or payor specific criteria for patients in the acute care, observation, and outpatient setting.*

...

*The Novant Health Risk Management Plan will be used at NHI Matthews...Risk Management identifies and presents risk exposures and assures pro-active risk assessments are conducted.”*

See also Sections B, C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 106, the applicant states:

*“Services are available to all persons including: (a) Low-income persons, (b) racial and ethnic minorities, (c) women, (d) handicapped persons, (e) elderly, and (f) other underserved persons, including the medical indigent referred by their attending physicians.”*

See also Section B, L and C of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant’s representations about how it will ensure the quality of the proposed services.
- 3) Medically underserved groups will have access to the proposed services based on the applicant’s representations about access by medically underserved groups and the projected payor mix.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described above.

### **F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 107, the applicant states:

*“The proposed project is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to fixed MRI services.”*



Regarding the impact of the proposal on cost effectiveness, in Section B, page 29, the applicant states:

*“Further, CMC, as a part of the larger CMHA system, benefits from the significant cost savings measures through the consolidation of multiple services and large economies of scale.”*

See also Sections B, C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section B, pages 27-28, the applicant states:

*“CMHA is dedicated to providing the highest quality care and is continually recognized locally and nationally for its commitment to delivering efficient, quality care. Each year, CMHA facilities are recognized by many of the top accrediting and ranking organizations in the industry.*

...

*CMHA’s commitment to providing quality care is further demonstrated by its Performance Improvement, Utilization, and Risk Management Plans.”*

See also Sections B, C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section B, page 28, the applicant states:

*“The proposed project will improve access to MRI scanners in the service area. CMHA has long-promoted economic access to its services as it historically has provided services to all persons in need of medical care, regardless of race, creed, age, national origin, handicap, or ability to pay as demonstrated in CMHA’s Non-Discrimination policies provided in Exhibit B.20-4.”*

See also Section B, L and C of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant’s representations about how it will ensure the quality of the proposed services and the applicant’s record of providing quality care in the past.

- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described above.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

### C Both Applications

**F-12113-21/Novant Health Imaging Matthews/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP NHI Matthews** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located in the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County.

In Section Q, Form O, the applicant identifies the independent treatment diagnostic facilities (IDTF) and diagnostic centers (HOPD) located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 16 of this type of facility with fixed MRI scanners located in North Carolina.

In Section O, pages 109-111, the applicant states:

*“At Novant Health, patient safety is about keeping patients safe and free from harm when they are in Novant Health’s care. Novant Health applies evidence-based practice methods to prevent medical errors by building accountability for finding and fixing system problems.*

...

*To promote quality patient care and identify and reduce incidents that could result in injury/or financial loss to Novant Health, it is the policy of Novant Health to have in place: a) an ongoing program monitoring patient care issues and environment of care, b) An ongoing process to revise policies and procedures as necessary and appropriate to minimize patient, team member or visitor injury, c) an ongoing and systematic effort to achieve those goals.*

...

*The Risk and Claims Management Program is a part of an organizational approach to identification and management of various organizational risks...*

...

*The Utilities Management Program addresses the safe operation, maintenance and emergency response procedures for these critical operating systems and evaluation, assessment, and improvement in operational costs without compromise to service or quality.*

...

*Effective infection prevention practices include measures to prevent, identify, and control infections or potential pathogens which are community acquired or healthcare associated in nature.”*

...

*“Neither NHI Matthews nor any other Novant Health hospital was found by Division of Health Service Regulations or CMS to have had any incidents resulting in a finding of immediate jeopardy during the 18-month look-back period.”*

After reviewing and considering information provided by the applicant the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

**F-12117-21/Carolinas Medical Center/ Acquire no more than one fixed MRI scanner pursuant to the need determination in the 2021 SMFP**

CMHA proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) pursuant to the need determination in the 2021 SMFP, for a total of five fixed MRI scanners.

In Section Q, Form O, the applicant identifies the acute care hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 23 of this type of facility located in North Carolina.

In Section O, page 111, the applicant states that each of the facilities identified in Form O “*has continually maintained all relevant licensure certification, and accreditation,*” during the 18 months immediately preceding the submittal of the application. On page 111, the applicant identified one incident at Atrium Health Cleveland that resulted in immediate jeopardy. The facility was cited on November 12, 2020, however, the applicant states that action has been taken to correct the deficiencies and the facility was back in compliance on December 11, 2020. According to the files in the Acute Care and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care have not occurred in any of these facilities. After reviewing and considering information provided by the applicant and by the Acute Care and Home Care Licensure and Certification Section and considering the quality of care provided at all 23 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

G.S. 131E-183(b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C  
Both Applications

The Criteria and Standards for Magnetic Resonance Imaging Scanners, promulgated in 10A NCAC 14C .2700, are applicable to this review.

**SECTION .2700 - CRITERIA AND STANDARDS FOR MAGNETIC RESONANCE IMAGING SCANNER**

**10A NCAC 14C .2703 PERFORMANCE STANDARDS**

- (a) *An applicant proposing to acquire a mobile magnetic resonance imaging (MRI) scanner shall:*
- (1) *demonstrate that each existing mobile MRI scanner which the applicant or a related entity owns a controlling interest in and operates in the mobile MRI region in which the proposed equipment will be located, except temporary MRI scanners, performed 3,328 weighted MRI procedures in the most recent 12 month period for which the applicant has data [Note: This is not the average number of weighted MRI procedures performed on all of the applicant's mobile MRI scanners.]; with the exception that in the event an existing mobile MRI scanner has been in operation less than 12 months at*

- the time the application is filed, the applicant shall demonstrate that this mobile MRI scanner performed an average of at least 277 weighted MRI procedures per month for the period in which it has been in operation;*
- (2) *demonstrate annual utilization in the third year of operation is reasonably projected to be at least 3328 weighted MRI procedures on each of the existing, approved and proposed mobile MRI scanners owned by the applicant or a related entity to be operated in the mobile MRI region in which the proposed equipment will be located [Note: This is not the average number of weighted MRI procedures performed on all of the applicant's mobile MRI scanners.]; and*
  - (3) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule*

**-NA- All Applications-** None of the applicants propose to acquire a mobile MRI scanner. Therefore, this rule is not applicable to this review.

- (b) *An applicant proposing to acquire a fixed magnetic resonance imaging (MRI) scanner, except for fixed MRI scanners described in Paragraphs (c) and (d) of this Rule, shall:*
  - (1) *demonstrate that the existing fixed MRI scanners which the applicant or a related entity owns a controlling interest in and locates in the proposed MRI service area performed an average of 3,328 weighted MRI procedures in the most recent 12-month period for which the applicant has data;*

**-C- NHI Matthews.** The MRI service area is Mecklenburg County. In Section C, page 56, the applicant states that there are eleven existing or approved fixed MRI scanners owned and operated by Novant Health in Mecklenburg County. According to the Proposed 2022 SMFP, the eleven fixed MRI scanners performed an average of 4,519 weighted MRI procedures during FY 2020 which exceeds the required average of 3,328 weighted MRI procedures per scanner in this performance standard.

County	Facility	Adjusted Total	MRI Scanners	Average Weighted MRI Scanner per Scanner
Mecklenburg	Novant Health Huntersville Medical Center	9,384	2	4,519
Mecklenburg	Novant Health Matthews Medical Center	7,619	1	
Mecklenburg	Novant Health Mint Hill Medical Center	3,550	1	
Mecklenburg	Novant Health Presbyterian Medical Center-Charlotte Orthopedic Hospital	3,261	1	
Mecklenburg	Novant Health Presbyterian Medical Center-Main	15,299	2	
Mecklenburg	Novant Health Presbyterian Medical Center-Novant Health Imaging Museum	2,837	1	
Mecklenburg	Novant Health Imaging Ballantyne	3,201	1	
Mecklenburg	Novant Health Imaging SouthPark	4,559	2	
	<b>Totals</b>	<b>49,710</b>	<b>11</b>	

**-C- CMHA.** The MRI service area is Mecklenburg County. In Section C, page 61, the applicant states that it owns and operates eleven fixed MRI scanners in Mecklenburg County, at seven Atrium Health locations. The one fixed MRI located at Atrium Health Kenilworth is excluded since it had not become operational until April 2021. During the most recent 12-month period

for which CMHA has data (June 2020 to May 2021) CMHA performed an average of 5,728 weighted MRI procedures which exceeds the required average of 3,328 weighted MRI procedures per scanner in this performance standard.

	OP No Contrast	OP Contrast	IP No Contrast	IP Contrast	Total Weighted	Fixed Magnet	Total Average
CMC	3,643	6,120	3,708	3,146	23,065	4	5,766
Atrium Healthy Mercy	2,170	764	1,940	588	7,014	1	7,014
Atrium Health Pineville	3,181	2,358	1,984	862	10,811	2	5,406
Atrium Health University City	2,978	1,766	1,191	426	7,885	1	7,885
CIS-Ballantyne	2,836	1,563			5,024	1	5,024
CIS-South Park	2,145	1,654			4,461	1	4,461
CIS Huntersville	2,758	1,424			4,752	1	4,752
Mecklenburg					<b>63,011</b>	<b>11</b>	<b>5,728</b>

(2) *demonstrate that each existing mobile MRI scanner which the applicant or a related entity owns a controlling interest in and operates in the proposed MRI service area except temporary MRI scanners, performed 3,328 weighted MRI procedures in the most recent 12 month period for which the applicant has data [Note: This is not the average number of weighted MRI procedures performed on all of the applicant's mobile MRI scanners.];*

-NA- **NHI Matthews.** In Section C, page 56, the applicant states that the applicant or any related entity they own a controlling interest in has not operated a mobile MRI scanner in the proposed MRI service area at the time of the submission of this application.

-NA- **CMHA.** In Section C, page 62, the applicant states that the applicant or any related entities they own a controlling interest in do not own or operate a mobile MRI scanner in the proposed MRI service area.

(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:*

- (A) *1,716 weighted MRI procedures in MRI service areas in which the SMFP shows no fixed MRI scanners are located,*
- (B) *3,775 weighted MRI procedures in MRI service areas in which the SMFP shows one fixed MRI scanner is located,*
- (C) *4,118 weighted MRI procedures in MRI service areas in which the SMFP shows two fixed MRI scanners are located,*
- (D) *4,462 weighted MRI procedures in MRI service areas in which the SMFP shows three fixed MRI scanners are located, or*
- (E) *4,805 weighted MRI procedures in MRI service areas in which the SMFP shows four or more fixed MRI scanners are located;*

- C- **NHI Matthews.** In Section C, page 57, the applicant states that it projects to perform 72,376 on its eleven weighted MRI procedures and the one proposed fixed MRI scanner during the third year (FY 2027) of operation following completion of the proposed project, an average of 6,031 weighted MRI scans per scanner [ $72,376 / 12 = 6,031$ ] which exceeds the required average of 4,805 weighted MRI procedures per scanner in this performance standard. The discussion regarding projected utilization in Section Q is incorporated herein by reference.
  
- C- **CMHA.** In Section C, page 62, the applicant states that it projects to perform 82,450 weighted MRI procedures on its twelve existing fixed MRI scanners and the one proposed fixed MRI scanner during the third year (FY 2030) of operation following completion of the proposed project, for an average of 6,342 weighted MRI scans per scanner [ $82,450 / 13 = 6,342$ ] which exceeds the required average of 4,805 weighted MRI procedures per scanner in this performance standard. The discussion regarding projected utilization in Section Q is incorporated herein by reference.
  - (4) *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:*
    - (A) *1,716 weighted MRI procedures in MRI service areas in which the SMFP shows no fixed MRI scanners are located,*
    - (B) *3,775 weighted MRI procedures in MRI service areas in which the SMFP shows one fixed MRI scanner is located,*
    - (C) *4,118 weighted MRI procedures in MRI service areas in which the SMFP shows two fixed MRI scanners are located,*
    - (D) *4,462 weighted MRI procedures in MRI service areas in which the SMFP shows three fixed MRI scanners are located, or*
    - (E) *4,805 weighted MRI procedures in MRI service areas in which the SMFP shows four or more fixed MRI scanners are located;*
  
- C- **NHI Matthews.** In Section C, page 58, the applicant states that it projects to perform 4,828 on the one proposed fixed MRI scanner during the third year (FY 2027) of operation following completion of the proposed project, which exceeds the required average of 4,805 weighted MRI procedures per scanner in this performance standard. The discussion regarding projected utilization in Section Q is incorporated herein by reference.
  
- NA- **CMHA.** In Section C, page 63, The applicant states that the proposed MRI scanner will not be located at a different site from any of the other existing and approved MRI scanners owned by the applicant or a related entity.
  - (5) *demonstrate that annual utilization of each existing, approved and proposed mobile MRI scanner which the applicant or a related entity owns a controlling interest in and locates in the proposed MRI service area is reasonably expected to perform 3,328 weighted MRI procedures in the third year of operation following completion of the*

*proposed project [Note: This is not the average number of weighted MRI procedures to be performed on all of the applicant's mobile MRI scanners.]; and*

- NA- **NHI Matthews.** In Section C, page 56, the states that applicant or any related entity has not operated a mobile MRI scan in the proposed MRI service area at the time of the submission of this application
- NA- **CMHA.** The applicant or any related entity does not own or operate a mobile MRI scan in the proposed MRI service area.
  - (6) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule.*
- C- **NHI Matthews.** The applicant's assumptions and data supporting the methodology used for each projection required by this Rule are described in Section Q.
- C- **CMHA.** The applicant's assumptions and data supporting the methodology used for each projection required by this Rule are described in Section Q.
- (c) *An applicant proposing to acquire a fixed dedicated breast magnetic resonance imaging (MRI) scanner for which the need determination in the State Medical Facilities Plan was based on an approved petition for an adjustment to the need determination shall:*
  - (1) *demonstrate annual utilization of the proposed MRI scanner in the third year of operation is reasonably projected to be at least 1,664 weighted MRI procedures which is .80 times 1 procedure per hour times 40 hours per week times 52 weeks per year; and*
  - (2) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule.*
- NA- **All Applications-** None of the applicants propose the acquisition of a dedicated fixed breast MRI scanner. Therefore, this rule is not applicable to this review.
- (d) *An applicant proposing to acquire a fixed extremity MRI scanner for which the need determination in the State Medical Facilities Plan was based on an approved petition for an adjustment to the need determination shall:*
  - (1) *demonstrate annual utilization of the proposed MRI scanner in the third year of operation is reasonably projected to be at least 80 percent of the capacity defined by the applicant in response to 10A NCAC 14C .2702(f)(7); and*
  - (2) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule.*
- NA- **All Applications-** None of the applicants propose the acquisition of a dedicated fixed extremity MRI scanner. Therefore, this rule is not applicable to this review.



- (e) *An applicant proposing to acquire a fixed multi-position MRI scanner for which the need determination in the State Medical Facilities Plan was based on an approved petition for a demonstration project shall:*
- (1) *demonstrate annual utilization of the proposed multi-position MRI scanner in the third year of operation is reasonably projected to be at least 80 percent of the capacity defined by the applicant in response to 10A NCAC 14C .2702(g)(7); and*
  - (2) *document the assumptions and provide data supporting the methodology used for each projection required in this Rule.*

-NA- **All Applications-** None of the applicants propose the acquisition of a dedicated fixed multi-position MRI scanner. Therefore, this rule is not applicable to this review.

## COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2019 State Medical Facilities Plan, no more than one fixed MRI scanner may be approved for Mecklenburg County in this review. Because the two applications in this review collectively propose to develop two additional fixed MRI scanners to be located in Mecklenburg County, both the applications cannot be approved for the total number of fixed MRI scanners proposed. Therefore, after considering all the information in each application and reviewing each application individually against all applicable statutory and regulatory review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved.

Below is a brief description of each project included in this review.

**Project ID#F-12113-21/Novant Health Imaging Matthews/ (NHI Matthews)** proposes to develop a new diagnostic center by acquiring one fixed MRI scanner. The proposed diagnostic center would be operated as an Independent Diagnostic Treatment Facility (IDTF) located at the former chemotherapy infusion clinic at NHI Matthews in Mecklenburg County. The applicant proposes to perform 4,828 total weighted MRI procedures on the proposed fixed MRI scanner from October 1, 2026–September 30, 2027, the third full year of operation following completion of the project.

**Project ID#F-12117-21/Carolinas Medical Center/ (CMC)** acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) for a total of five fixed MRI scanners. The applicant proposes to perform an average 4,863 total weighted MRI procedures on the four fixed MRI scanners and the one proposed fixed MRI scanner from January 1, 2030-December 31, 2030, the third full year of operation following completion of the project.

### **Conformity with Statutory and Regulatory Review Criteria**

The applications submitted by **NHI Matthews and CMHA** are conforming with all applicable statutory and regulatory review criteria.

An application that is not conforming or conforming as conditioned with all applicable statutory and regulatory review criteria cannot be approved. Both applications are conforming to all applicable statutory and regulatory review criteria. Therefore, regarding this comparative factor, both applications are equally effective alternatives.

### **Scope of Services**

With regard to scope of services, applications submitted by **NHI Matthews and CMHA** are both in response to the 2021 State Medical Facilities Plan (SMFP) which includes a need determination for one fixed MRI scanner. Carolinas Medical Center is an existing acute care hospital. **NHI Matthews** is proposing to develop an Independent Diagnostic Testing Facility (IDTF)/outpatient diagnostic facility. An inpatient acute care hospital is able to provide a much broader scope of services than an outpatient diagnostic facility. Therefore, with regard to scope of services, **CMHA** is the more effective alternative.

**Historical Utilization**

The following table illustrates utilization of the existing fixed MRI scanners provided in the **2021** SMFP representing FY 2019 and the **2022** SMFP representing FY 2020 reported utilization.

Fixed MRI Scanners in Mecklenburg County*			
		FY2019	FY 2020
Provider	# of Fixed MRI Scanners	Total Weighted Procedures	Total Weighted Procedures
Atrium Health Pineville	2	10,374	9,842
Atrium Health University City	1	7,539	7,309
Carolina Medical Center-Main	4	25,072	23,426
Carolina Medical Center-Mercy	1	7,091	6,621
Novant Health Huntersville Medical Center	2	7,759	9,384
Novant Health Matthews Medical Center	1	8,179	7,619
Novant Health Mint Hill Medical Center	1	3,894	3,550
Novant Health Presbyterian Medical Center-Charlotte Orthopedic Hospital	1	3,544	3,261
Novant Health Presbyterian Medical Center-Main	2	14,644	15,299
Novant Health Presbyterian Medical Center-Novant Health Imaging Museum	1	3,569	2,837
Atrium Health Kenilworth Diagnostic Center #1*	1	0	0
Carolinas Imaging Services-Ballantyne	1	4,414	4,842
Carolinas Imaging Services-Huntersville	1	3,929	4,245
Carolinas Imaging Services-SouthPark	1	3,764	4,095
Carolina NeuroSurgery & Spine Associates Charlotte	1	4,505	4,028
Novant Health Imaging Ballantyne	1	3,645	3,201
Novant Health Imaging SouthPark	1	5,030	4,559
OrthoCarolina Ballantyne	1	8,494	8,081
OrthoCarolina Spine Center	1	7,333	6,123
<b>Totals</b>	<b>25</b>	<b>132,779</b>	<b>128,322</b>

Source: 2021 SMFP, Table 17E-1, page 356, 2022 SMFP, Table 17E-1, pages 353-354  
 \*Atrium Health Kenilworth diagnostic center # 1 did not become operational until April 2021.

The following table illustrates utilization of the existing fixed MRI scanners for each applicant provided in the **2021** SMFP representing FY 2019 and the **2022** SMFP representing FY 2020 reported utilization. Each year, both applicants exceeded the 3,328 weighted average threshold in the Performance Standards for the most recent 12-month period.

	# of Fixed MRI Scanners		Total Weighted Procedures		Weighted Procedures per Scanner	
	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020
<b>Novant</b>	10	10	50,264	49,710	5,026	4,971
<b>CMHA</b>	11	11	62,183	60,380	5,653	5,489

**CMHA** performed the highest number of weighted MRI procedures per fixed MRI scanner in FY 2019 and FY 2020. Therefore, **CMHA** is the most effective alternative for this comparative factor.

**Geographical Accessibility (Location within the Service Area)**

The 2021 SMFP identifies the need for one fixed MRI scanner in Mecklenburg County. The following table illustrates the current location of the existing fixed MRI scanners in Mecklenburg County.

<b>Fixed MRI Scanners in Mecklenburg County*</b>			
<b>Provider</b>	<b># of Fixed MRI Scanners</b>	<b>Hospital Based or Freestanding</b>	<b>Location</b>
Atrium Health Pineville	2	Hospital Based	Charlotte
Atrium Health University City	1	Hospital Based	Charlotte
Carolina Medical Center-Main	4	Hospital Based	Charlotte
Carolina Medical Center-Mercy	1	Hospital Based	Charlotte
Novant Health Huntersville Medical Center	2	Hospital Based	Huntersville
Novant Health Matthews Medical Center	1	Hospital Based	Matthews
Novant Health Mint Hill Medical Center	1	Hospital Based	Mint Hill
Novant Health Presbyterian Medical Center-Charlotte Orthopedic Hospital	1	Hospital Based	Charlotte
Novant Health Presbyterian Medical Center-Main	2	Hospital Based	Charlotte
Novant Health Presbyterian Medical Center-Novant Health Imaging Museum	1	Hospital Based	Charlotte
Atrium Health Kenilworth Diagnostic Center #1*	1	Freestanding	Charlotte
Carolinas Imaging Services-Ballantyne	1	Freestanding	Charlotte
Carolinas Imaging Services-Huntersville	1	Freestanding	Huntersville
Carolinas Imaging Services-SouthPark	1	Freestanding	Charlotte
Carolina NeuroSurgery & Spine Associates Charlotte	1	Freestanding	Charlotte
Novant Health Imaging Ballantyne	1	Freestanding	Charlotte
Novant Health Imaging SouthPark	1	Freestanding	Charlotte
OrthoCarolina Ballantyne	1	Freestanding	Charlotte
OrthoCarolina Spine Center	1	Freestanding	Charlotte
<b>Totals</b>	<b>25</b>		

Source: 2021 SMFP, Table 17E-1, page 356, 2022 SMFP, Table 17E-1, pages 354-355  
 \*Atrium Health Kenilworth diagnostic center # did not become operational until April 2021

The following table illustrates the proposed location of each applicant's proposed fixed MRI scanner:

<b>Location of Proposed Fixed MRI Scanners</b>		
<b>Facility</b>	<b># of Fixed MRI Scanners</b>	<b>Locations</b>
<b>NHI Matthews</b>	1	Matthews
<b>CMHA</b>	1	Charlotte

Each applicant proposes to locate the fixed MRI scanner in Mecklenburg County. **NHI Matthews** proposes to locate a freestanding fixed MRI scanner in Matthews, and **CHMA** proposes to locate a hospital-based fixed MRI scanner in Charlotte. **NHI Matthews** is proposing to locate a freestanding fixed MRI scanner in a town that has one hospital-based MRI scanner and no freestanding MRI scanners. Therefore, the application submitted by **NHI Matthews** is a more effective alternative.

**Access by Service Area Residents**

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, Acute Care Beds, and shown in Figure 5.1.*” Therefore, for the purpose of this review, Mecklenburg County is the service area. Facilities may also serve residents of counties not included in their service area.

The following table illustrates access by service area residents during the third full fiscal year following project completion.

Applicant	Total Population to be Served	Mecklenburg County Residents to be served	Mecklenburg County Residents Served as a % of Total Patients
<b>NHI Matthews</b>	4,368	3,276	75.00%
<b>CMHA</b>	17,882	9,041	50.55%

\*Unweighted scans = patients

As shown in the table above, **NHI Matthews** projects to serve the highest percentage of service area residents during the third full fiscal year following project completion. However, **CMHA** proposes to serve a higher number of Mecklenburg County residents. Therefore, regarding projected service to residents of the service area, the application submitted by **CMHA** is a more effective alternative.

**Access by Underserved Groups**

Underserved groups are defined in G.S. 131E-183(a)(13) as follows:

*“Medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority.”*

For access by underserved groups, applications are compared with respect to three underserved groups: charity care patients (i.e., medically indigent or low-income persons), Medicare patients and Medicaid patients. Access by each group is treated as a separate factor.

The Agency may use one or more of the following metrics to compare the applications:

- Total charity care, Medicare or Medicaid patients
- Charity care, Medicare or Medicaid patients as a percentage of total patients
- Charity care, Medicare or Medicaid patients per MRI scanner
- Total charity care, Medicare or Medicaid dollars
- Charity care, Medicare or Medicaid dollars as a percentage of total gross or net revenues
- Charity care, Medicare or Medicaid dollars per MRI scanner

Whether the Agency used all the metrics listed above in this review was determined by whether every application included in this review included data that could be compared for each metric.

***Projected Medicare***

The following table compares projected Medicare as a percent of total scans and of total Medicare dollars in the third full fiscal year following project completion for each facility:

Applicant	Gross Revenue	MRI Scans	Medicare	Medicare as % of Gross Revenues	Medicare/MRI Scan
<b>NHI Matthews</b>	\$12,052,764	4,368	\$4,741,874	39.3%	\$1,086
<b>CMHA</b>	\$101,482,803	17,882	\$31,998,734	31.5%	\$1,789

\*Unweighted scans = patients

**NHI Matthews** proposes to serve 39.3% of total unweighted scans in its third year of operation to Medicare patients. As a percent of total MRI unweighted scans **CMHA** proposes to serve 31.5% of total unweighted scans in its third year of operation to Medicare patients. Therefore, regarding Medicare as a percentage of total scans, the application submitted by **NHI Matthews** is a more effective alternative. **CMHA** proposes the highest dollar amount of Medicare and the highest dollar amount of Medicare dollars per scan. Therefore, regarding these two measures, **CMHA** is the most effective alternative regarding Medicare dollars.

However, NHI Matthews bills for “professional fees” which cover professional interpretation of MRI studies by radiologists as an expense line in their proformas. CMHA does not bill for “professional fees” nor does CMHA include an expense line in their proformas for professional fees. These differences in billing, impact revenues (both gross and net) and expenses, do not allow for a comparison between the applications. Thus, the result of this analysis is inconclusive.

***Projected Medicaid***

The following table compares projected Medicaid as a percent of total scans and of total Medicaid dollars in the third full fiscal year following project completion for each facility:

Applicant	Gross Revenue	MRI Scans	Medicaid	Medicaid as % of Gross Revenues	Medicaid /MRI Scan
<b>NHI Matthews</b>	\$12,052,764	4,368	\$677,068	5.6%	\$155
<b>CMHA</b>	\$101,482,803	17,882	\$20,385,890	20.1%	\$1,140

**NHI Matthews** proposes to perform 5.6% of unweighted scans in its third year of operation to Medicaid patients, which equals \$677,068. **CMHA** proposes to serve 20.1% of its unweighted scans its third year of operation to Medicaid patients, which equals \$20,285,890. Therefore, regarding Medicaid as percent of total patients and Medicaid dollars, the application submitted by **CHMA** is a more effective alternative.

However, NHI Matthews bills for “professional fees” which cover professional interpretation of MRI studies by radiologists as an expense line in their proformas. CMHA does not bill for “professional fees” nor does CMHA include an expense line in their proformas for professional fees. These differences in billing, impact revenues (both gross and net) and expenses, do not allow for a comparison between the

applications. Thus, the result of this analysis is inconclusive.

***Projected Charity Care***

The following table compares projected charity care as a percent of gross revenue in the third full fiscal year following project completion and charity care per MRI scan for each facility:

Applicant	Gross Revenue Project Year 3	MRI Scans	Charity Care Project Year 3	Charity Care as % of Gross Revenue	Charity Care / MRI Scan
<b>NHI Matthews</b>	\$12,052,764	4,368	\$307,345	2.54%	\$70.26
<b>CMHA</b>	\$101,482,803	17,882	\$7,768,659	7.65%	\$434.44

**NHI Matthews** proposes to provide \$307,345 in charity care in its third year of operation. This is 2.54% of gross revenue. **NHI Matthews'** projected charity care per scan is \$70.26. **CMHA** proposes to provide \$7,768,659 in charity care in its third year of operation. This is 7.65% of gross revenue. **CMHA's** projected charity care per scan is \$434.44. As a percent of gross revenue, **CMHA** projects to provide the higher percentage of charity care and higher dollar amount of charity care in the third project year and the highest charity care per scan. Therefore, regarding charity care as a percent of gross revenue and charity care per MRI scan, the application submitted by **CMHA** is a more effective alternative.

However, **NHI Matthews** bills for "professional fees" which cover professional interpretation of MRI studies by radiologists as an expense line in their proformas. **CMHA** does not bill for "professional fees" nor does **CMHA** include an expense line in their proformas for professional fees. These differences in billing, impact revenues (both gross and net) and expenses, do not allow for a comparison between the applications. Thus, the result of this analysis is inconclusive.

***Projected Charity Care as a Percent of Net Revenue***

The following table compares projected charity care as a percent of net revenue in the third full fiscal year following project completion for each facility:

Applicant	Net Revenue Project Year 3	Charity Care Project Year 3	Charity Care as % of Net Revenue
<b>NHI Matthews</b>	\$2,268,554	\$307,345	13.5%
<b>CMHA</b>	\$27,467,845	\$7,768,659	28.3%

**NHI Matthews** proposes to provide \$307,345 in charity care in its third year of operation. This is 13.5% of net revenue. **CHMA** proposes to provide \$7,768,659 in charity care in its third year of operation. This is 28.3% of net revenue. As a percent of net revenue, **CMHA** projects to provide a higher percentage of charity care in the third project year. Therefore, regarding charity care as a percent of net revenue, the application submitted by **CMHA** is a more effective alternative.

However, **NHI Matthews** bills for "professional fees" which cover professional interpretation of MRI studies by radiologists as an expense line in their proformas. **CMHA** does not bill for "professional fees" nor does **CMHA** include an expense line in their proformas for professional fees. These differences in billing, impact revenues (both gross and net) and expenses, do not allow for a comparison between the

applications. Thus, the result of this analysis is inconclusive.

**Competition (Access to a New or Alternate Provider)**

Both applicants and/or related entities provide MRI services in the service area of Mecklenburg County; Although neither of the applicants would qualify as a new or alternative provider in the service area, **NHI Matthews** is proposing a freestanding fixed MRI scanner in the town of Matthews. Matthews has one fixed MRI scanner located at Novant Health Matthews Medical Center. NHI Matthews is proposing an alternative for outpatient fixed MRI services in Matthews. Therefore, regarding this comparative factor, the application submitted by **NHI Matthews** is a more effective alternative.

**Projected Average Net Revenue per Patient Day, Surgical Case or Procedure**

The following table compares projected average net revenue per patient day, surgical case or procedure in the third full fiscal year following project completion for each facility. Generally, regarding this factor, the application proposing the lowest average net revenue per patient day, surgical case or procedure is the more effective alternative since a lower average may indicate a lower cost to the patient or third-party payor.

Average Net Revenue per Patient Weighted MRI Procedure 3 <sup>rd</sup> Full FY			
Applicant	Total # of Weighted MRI Procedures	Net Revenue	Average Net Revenue per Weighted MRI Procedure
<b>NHI Matthews</b>	4,828	\$2,268,554	\$469.87
<b>CMHA</b>	24,745	\$27,467,845	\$1,110.03

As shown in the table above, **NHI Matthews** projects the lowest average net revenue per weighted MRI procedure in the third full fiscal year following project completion. Therefore, regarding this comparative factor, the application submitted by **NHI Matthews** is a more effective alternative.

However, NHI Matthews bills for “professional fees” which cover professional interpretation of MRI studies by radiologists as an expense line in their proformas. CMHA does not bill for “professional fees” nor does CMHA include an expense line in their proformas for professional fees. These differences in billing, impact revenues (both gross and net) and expenses, do not allow for a comparison between the applications. Thus, the result of this analysis is inconclusive.

**Projected Average Operating Expense per Patient Procedure**

The following table compares projected average operating expense per patient day, surgical case or procedure in the third full fiscal year following project completion for each facility. Generally, regarding this factor, the application proposing the lowest average operating expense per patient day, surgical case or procedure is the more effective alternative since a lower average may indicate a lower cost to the patient or third-party payor or a more cost-effective service.



Average Operating Expense per Patient Weighted MRI Procedure 3 <sup>rd</sup> Full FY			
Applicant	Total # of Weighted MRI Procedures	Operating Expense	Average Operating Expense per Weighted MRI Procedure
<b>NHI Matthews</b>	4,828	\$1,658,736	\$343.56
<b>CMHA</b>	24,745	\$7,589,545	\$306.71

As shown in the table above, **CMHA** projects the lowest average operating expense per patient day, surgical case or procedure in the third full fiscal year following project completion. Therefore, regarding this comparative factor, the application submitted by **CMHA** is a more effective alternative.

However, NHI Matthews bills for “professional fees” which cover professional interpretation of MRI studies by radiologists as an expense line in their proformas. CMHA does not bill for “professional fees” nor does CMHA include an expense line in their proformas for professional fees. These differences in billing, impact revenues (both gross and net) and expenses, do not allow for a comparison between the applications. Thus, the result of this analysis is inconclusive.

### SUMMARY

The following table lists the comparative factors and indicates whether each application was more effective, less effective, equally effective or inconclusive for each factor. The comparative factors are listed in the same order they are discussed in the Comparative Analysis which should not be construed to indicate an order of importance.

Comparative Factor	NHI Matthews	CMHA
Conformity with Statutory and Regulatory Review Criteria	Equally Effective	Equally Effective
Scope of Services	Less Effective	<b>More Effective</b>
Historical Utilization	Less Effective	<b>More Effective</b>
Geographic Accessibility (Location within the Service Area)	<b>More Effective</b>	Less Effective
Access by Service Area Residents	Less Effective	<b>More Effective</b>
Projected Medicare	Inconclusive	Inconclusive
Projected Medicaid	Inconclusive	Inconclusive
Charity Care	Inconclusive	Inconclusive
Charity Care as a Percent of Net Revenue	Inconclusive	Inconclusive
Competition (Access to a New or Alternative Provider)	<b>More Effective</b>	Less Effective
Projected Average Net Revenue per Procedure	Inconclusive	Inconclusive
Projected Average Operating Expense per Procedure	Inconclusive	Inconclusive

Both applications are conforming to all applicable statutory and regulatory review criteria, and thus both applications are approvable standing alone. However, collectively they propose a total of two fixed MRI scanners in Mecklenburg County, but the need determination is for only one fixed MRI scanner. Therefore, only one application for one MRI scanner can be approved.

As shown in the table above, **NHI Matthews** was determined to be a more effective alternative for the following factors:

- Geographic Accessibility (Location within the Service Area)

- Competition (Access to a New or Alternative Provider)

As shown in the table above, **CHMA** was determined to be a more effective alternative for the following three factors:

- Scope of Services
- Historical Utilization
- Access by Service Area Residents

## DECISION

Each application is individually conforming to the need determination in the 2021 SMFP for one additional fixed MRI scanner in Mecklenburg County as well as individually conforming to all review criteria. However, G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of fixed MRI scanners that can be approved by the Healthcare Planning and Certificate of Need Section.

Based upon the independent review of each application and the Comparative Analysis, the Agency determined that the application submitted by **CMHA** is the most effective alternative proposed in this review for the development of one additional fixed MRI scanner and is approved.

While the application submitted by **NHI Matthews** is approvable standing alone, the approval of both applications would result in the approval of more fixed MRI scanners than are determined to be needed, and therefore, the application submitted by **NHI Matthews** is denied.

**CMHA** proposes to acquire one fixed MRI scanner at Carolinas Medical Center (“CMC”) for a total of five fixed MRI scanners. The application submitted by **CMHA**, is approved subject to the following conditions:

- 1. Charlotte-Mecklenburg Hospital Authority (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop one fixed MRI scanner pursuant to the need determination in the 2021 SMFP to be located at Carolinas Medical Center for a total of no more than five MRIs.**
- 3. Upon completion of the project, Carolinas Medical Center shall be licensed for no more than five fixed MRI scanners.**
- 4. Progress Reports:**
  - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**

- b. The certificate holder shall complete all sections of the Progress Report form.**
  - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
  - d. Progress reports shall be due on the first day of every fourth month. The first progress report shall be due on October 1, 2022. The second progress report shall be due on February 1, 2023 and so forth.**
- 5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 6. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
- 7. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
  - a. Payor mix for the services authorized in this certificate of need.**
  - b. Utilization of the services authorized in this certificate of need.**
  - c. Revenues and operating costs for the services authorized in this certificate of need.**
  - d. Average gross revenue per unit of service.**
  - e. Average net revenue per unit of service.**
  - f. Average operating cost per unit of service.**
- 7. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**