

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: September 27, 2023

Findings Date: October 4, 2023

Project Analyst: Tanya M. Saporito

Co-Signer: Lisa Pittman

COMPETITIVE REVIEW

Project ID #: O-12353-23
Facility: Delaney Radiology
FID #: 030359
County: New Hanover
Applicant(s): Delaney Radiologists Group, P.L.L.C.
Project: Develop one fixed MRI scanner in New Hanover County pursuant to the 2023 SMFP need determination

Project ID #: O-12361-23
Facility: Novant Health New Hanover Regional Medical Center
FID #: 943372
County: New Hanover
Applicant(s): Novant Health, Inc.
Novant Health New Hanover Regional Medical Center, LLC
Project: Develop one fixed MRI scanner in New Hanover County pursuant to the 2023 SMFP need determination

Project ID #: O-12370-23
Facility: Wilmington Health at Porters Neck-8090 Market Street
FID #: 230324
County: New Hanover
Applicant(s): Wilmington Health, PLLC
Project: Develop one fixed MRI scanner in New Hanover County pursuant to the 2023 SMFP need determination

Project ID #: O-12374-23
Facility: EmergeOrtho-Wilmington Porters Neck
FID #: 230344
County: New Hanover
Applicant(s): EmergeOrtho, P.A.
Project: Develop one fixed MRI scanner in New Hanover County pursuant to the 2023 SMFP need determination

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-All Applications

Need Determination

The 2023 State Medical Facilities Plan (SMFP) includes a need methodology for determining the need for additional fixed MRI scanners in North Carolina by service area. Application of the need methodology in the 2023 SMFP identified a need for one fixed MRI scanner in the New Hanover County service area. Four applications were received by the Healthcare Planning and Certificate of Need Section (CON Section), each proposing to acquire one fixed MRI scanner, for a total of four MRI scanners. However, pursuant to the need determination, only one fixed MRI scanner may be approved in this review.

Policies

One policy in Chapter 4 of the 2023 SMFP are applicable to all four applications received in response to the need determination: *Policy GEN-3: Basic Principles*. Additionally, one policy in the 2023 SMFP is applicable to one application: *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities* is applicable to Project ID #O-12361-23, Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC's proposal to develop one fixed MRI in New Hanover County.

Policy GEN-3

Policy GEN-3 on page 30 of the 2023 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.”

O-12353-23 / Delaney Radiologists Group, PLLC / Acquire one fixed MRI scanner

Delaney Radiologists Group, PLLC, hereinafter referred to as “the applicant”, or DRG, proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP to be located at its existing diagnostic center, Delaney Radiology in Wilmington, in New Hanover County. The applicant also owns a fixed MRI scanner at Delaney Radiology-Main, 1025 Medical Center Drive, also in Wilmington. Additionally, the applicant, in partnership with Novant Health New Hanover Regional Medical Center, also owns and operates a fixed MRI scanner at Diagnostic Imaging Partners in Onslow County.

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

Policy GEN-3. In Section B, pages 27-29, the applicant explains why it believes its application is conforming to Policy GEN-3.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose developing more fixed MRI scanners than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in the service area;
 - The applicant adequately documents how the project will promote equitable access to MRI services in the service area; and

- The applicant adequately documents how the project will maximize healthcare value for the resources expended.

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC, hereinafter referred to as “the applicant”, or NH, proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP to be located on the main hospital campus in Wilmington, in New Hanover County. Upon project completion, the applicant will own and operate a total of six fixed MRI scanners, three of which will be located at the main hospital (the applicant’s other fixed MRI scanners are or will be located at NHHH Medical Mall campus, NHHH Orthopedic Hospital campus, and NHHH Scotts Hill campus).

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

Policy GEN-3. In Section B, pages 26-27, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 30 of the 2023 SMFP states:

“Any person proposing a capital expenditure greater than \$4 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 for 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.”

The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 28-29, the applicant provides a written statement describing the project's plan to assure improved energy efficiency and water conservation. The applicant states that the proposed project will ensure the facility complies with all of the latest North Carolina regulations regarding energy and water conservation. The applicant provides supporting documentation in Exhibit B.21.

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 application is consistent with Policy GEN-4.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose developing more fixed MRI scanners than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in the service area;
 - The applicant adequately documents how the project will promote equitable access to MRI services in the service area; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
- The applicant adequately demonstrates the proposal is consistent with Policy GEN-4 based on its representations that the project includes a plan for energy efficiency and water conservation.

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

Wilmington Health, PLLC hereinafter referred to as "the applicant", or Wilmington Health, is an existing multispecialty medical group practice with several locations in eastern North Carolina. The applicant proposes to acquire one fixed MRI scanner to be developed at one of the existing physician office buildings located at 8090 Market Street in Wilmington, Wilmington Health at Porters Neck. Pursuant to N.C. Gen. Stat. §131E-176(7a), the acquisition

of the proposed fixed MRI scanner will result in the development of a diagnostic center. On pages 23 and 33 of the application, the applicant states it currently operates one fixed MRI scanner at one of its existing diagnostic centers, located at 1202 Medical Center Drive in Wilmington.

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

Policy GEN-3. In Section B, pages 27-31, the applicant explains why it believes its application is conforming to Policy GEN-3.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose developing more fixed MRI scanners than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in the service area;
 - The applicant adequately documents how the project will promote equitable access to MRI services in the service area; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

EmergeOrtho, P.A., hereinafter referred to as “the applicant”, or EmergeOrtho, is an existing orthopedic physician practice with several locations in North Carolina. The applicant proposes to acquire one fixed MRI scanner to be developed at one of the existing medical office buildings located at 8115 Market Street in Wilmington, EmergeOrtho-Wilmington Porters Neck. Pursuant to N.C. Gen. Stat. §131E-176(7a), the acquisition of the proposed fixed MRI scanner will result in the development of a diagnostic center. On page 22 of the application, the applicant states it operates a total of eight fixed and mobile MRI scanners in the state.

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

Policy GEN-3. In Section B, pages 25-26, the applicant explains why it believes its application is conforming to Policy GEN-3.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose to develop more fixed MRI scanners than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of MRI services in the service area;
 - The applicant adequately documents how the project will promote equitable access to MRI services in the service area; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.

- (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
All Applications

O-12353-23 / Delaney Radiologists Group, PLLC / Acquire one fixed MRI scanner

Delaney Radiologists Group, PLLC proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP and develop a diagnostic center, to be located at Delaney Radiology, an existing medical office practice located at 1025 Medical Center Drive in Wilmington.

Patient Origin

In Chapter 17, page 331, the 2023 SMFP defines the service area for a fixed MRI scanner as “the same as an Acute Care Bed Service area as defined in Chapter 5 and shown in Figure 5.1”. In Chapter 5, page 31, the 2023 SMFP defines the service area for Acute Care Beds as “...Counties with at least one licensed acute care hospital that are not grouped with another county are single county service areas.” In Figure 5.1 on page 36 of the 2023 SMFP New Hanover County is shown as a single county service area. The applicant proposes to locate the fixed MRI scanner at an existing medical office and thus develop a diagnostic center in Wilmington in New Hanover County. Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

The following table from application page 33 illustrates historical patient origin for existing services at Delaney Radiology for the last full fiscal year (FY), calendar year (CY) 2022:

Delaney Radiology Historical Patient Origin – CY 2022

| COUNTY | CY 2022 | |
|--------------|---------------|---------------|
| | # PTS. | % OF TOTAL |
| New Hanover | 40,031 | 63.5% |
| Brunswick | 10,102 | 16.0% |
| Pender | 5,289 | 8.4% |
| Columbus | 2,308 | 3.7% |
| Duplin | 1,686 | 2.7% |
| Onslow | 1,560 | 2.5% |
| Other^ | 2,041 | 3.2% |
| Total | 63,017 | 100.0% |

Percentages may not sum due to rounding.

^On page 33 the applicant states “Other” includes <1% from the remaining counties in North Carolina and other states.

The following table from application page 34 illustrates projected patient origin for the proposed fixed MRI services at Delaney Radiology for the first three full FYs, CYs 2025-2027:

Delaney Radiology Projected Patient Origin – Fixed MRI Services

| COUNTY | 1 ST FULL FY (CY 2025) | | 2 ND FULL FY (CY 2026) | | 3 RD FULL FY (CY 2027) | |
|--------------|-----------------------------------|---------------|-----------------------------------|---------------|-----------------------------------|---------------|
| | # PTS. | % OF TOTAL | # PTS. | % OF TOTAL | # PTS. | % OF TOTAL |
| New Hanover | 2,867 | 62.5% | 3,058 | 62.5% | 3,249 | 62.5% |
| Brunswick | 845 | 18.4% | 901 | 18.4% | 957 | 18.4% |
| Pender | 320 | 7.0% | 341 | 7.0% | 363 | 7.0% |
| Columbus | 177 | 3.9% | 189 | 3.9% | 201 | 3.9% |
| Duplin | 157 | 3.4% | 167 | 3.4% | 177 | 3.4% |
| Onslow | 89 | 1.9% | 94 | 1.9% | 100 | 1.9% |
| Other^ | 136 | 3.0% | 145 | 3.0% | 154 | 3.0% |
| Total | 4,590 | 100.0% | 4,896 | 100.0% | 5,202 | 100.0% |

Percentages may not sum due to rounding.

^On page 34 the applicant states “Other” includes <1% from the remaining counties in North Carolina and other states.

As the table above shows, the applicant projects that approximately 62.5% of the projected total patients who will use the proposed fixed MRI scanner at Delaney Radiology will originate from the New Hanover County fixed MRI service area.

In Section C, page 34, the applicant states projected patient origin for the proposed fixed MRI services are based on Delaney Radiology's CY 2022 and CY 2023 year to date experience providing mobile MRI services. The applicant's assumptions are reasonable and adequately supported because they are based on the applicant's historical experience providing mobile MRI services.

Analysis of Need

In Section C.4, pages 36-49, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- There is a need in the 2023 SMFP for one fixed MRI scanner in the New Hanover County fixed MRI service area.
- High historical mobile MRI scanner volume at Delaney Radiology since 2004.
- Need to enhance access to Delaney Radiology MRI services, and the limitations of providing only mobile MRI services.
- Need for cost effective MRI services in the service area.
- Service area demographics and population growth projections, particularly for the 65+ age group, the group more likely to utilize MRI services.
- Demographic and socio-economic composition of the service area and surrounding counties, particularly the medically underserved populations; and the health status of service area populations.
- The need in the service area for a wide-bore MRI scanner that can effectively treat claustrophobic and obese patients, and the need for enhanced breast imaging capacity.
- The existence of a large, established MRI referral base in the service area that continues to contribute to high MRI volume at Delaney Radiology.

The information is reasonable and adequately supported for the following reasons:

- The 2023 SMFP identifies the need for one additional fixed MRI scanner in the New Hanover County fixed MRI service area.
- The applicant provides information and data to support its assertions regarding service area population growth and aging, and the inability of existing mobile MRI services to effectively serve its patients.

- The applicant provides historical utilization data that shows high utilization of the existing mobile MRI services.
- The applicant provides reliable information to support the need for fixed MRI services to serve its patient base more effectively and efficiently.

Projected Utilization

In Section Q, page 112, the applicant provides projected utilization of the proposed fixed MRI scanner, as illustrated in the following table:

| Delaney Radiology Projected MRI Utilization, First Three Project Years | | | | |
|-------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| | PARTIAL FY 9/1/24-12/31/24 | 1ST FULL FY CY 2025 | 2ND FULL FY CY 2026 | 3RD FULL FY CY 2027 |
| Number of Units | 1 | 1 | 1 | 1 |
| # Procedures (unweighted) | 1530 | 4,590 | 4,896 | 5,202 |
| # Weighted Procedures | 1,680 | 5,041 | 5,377 | 5,713 |

In Section Q, pages 113-117, the applicant provides the assumptions and methodology used to project utilization for the proposed fixed MRI, as summarized below:

Step 1: Review historical mobile MRI utilization – The applicant examined its historical utilization for the two existing mobile MRI scanners with which it contracts and determined that the compound annual growth rate (CAGR) in MRI procedures at Delaney Radiology from CY 2019-2022 was 1.5%. See the table that illustrates this utilization on page 113.

Step 2: Project annual growth rate through the third project year – Using the 1.5% CAGR calculated in Step 1, the applicant projected growth of MRI procedures at during the first partial year (CY 2023) and the first interim year (CY 2024). Thereafter, the applicant applied a 2.5% growth rate through the third PY, CY 2027. See the table that illustrates these calculations on page 114. The applicant states the increase in growth is reasonable for the following reasons:

- *“Robust historical utilization of Delaney Radiology mobile MRI services.*
- *Delaney’s annualized CY2023 year-to-date (Jan-Mar) volume is 7,128 MRI procedures (unadjusted for contrast), an increase of 3.6 percent over CY2022 volume.*
- *Delaney is adding a fifth day of mobile MRI access on the RAYUS mobile MRI unit beginning April 17, 2023, which will support incremental MRI growth during the interim and partial year.*
- *Projected population growth and demographics in the proposed service area and resulting increasing demand for MRI services.*
- *Operational efficiencies gained by the proposed 3T fixed MRI service and reduction in scheduling time per patient encounter, thereby improving patient throughput and equipment capacity.*
- *Qualitative benefits of the proposed project vis a vis cost and access described in Section C.4.*
- *Support for the proposed project documented in letters of support...”*

Steps 3 and 4: Project recapture of “Patient leakage” – The applicant states that during 2022 it referred a total of 538 patients who could not be accommodated on the existing mobile MRI scanner due to claustrophobia or obesity. The applicant proposes to acquire a wide-bore fixed MRI scanner that will more effectively accommodate those claustrophobic or obese patients, and projects growth of those patients using the same 1.5% rate based on historical experience. The applicant projects to capture 85% of those patients and provides a table in Step 4 on page 116 to illustrate the projections.

Step 5: Projected fixed and mobile MRI scans – The applicant projects scans to be performed on its proposed fixed and existing mobile MRI scanners using the following assumptions, from application page 116:

- *“Total MRI scans were calculated in Step 4.*
- *Delaney Radiology assumes the fixed MRI will operate Monday-Saturday (306 days per year) and will perform 16 MRI scans per day during each of the first three project years. Delaney Radiology used the following formula to project fixed MRI scans:
Partial Year = (102 days x 15 MRI scans per day)
Year 1 = (306 days x 15 MRI scans per day)
Year 2 = (306 days x 16 MRI scans per day)
Year 3 = (306 days x 17 MRI scans per day)...”*

The applicant projects its mobile MRI Scans by subtracting projected fixed MRI scans from the total projected MRI scans. See the table on application page 116 that illustrates these calculations. The applicant’s use of 15, 16 and 17 MRI scans per day is supported by its historical utilization, as shown in Section C.

Step 6: Determine adjusted MRI procedures – The applicant projects adjusted MRI procedures based on its historical CY 2022 MRI procedures, for both fixed and mobile MRI procedures. See the tables that illustrate the calculations on application page 117.

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

- There is a need determination in the 2023 SMFP for a fixed MRI scanner in the New Hanover County MRI service area and this proposed project will meet that need.
- The applicant’s projections of MRI scans to be performed are supported by its historical mobile MRI volumes and population growth projections.
- The applicant adequately demonstrates that its proposed fixed MRI scanner is reasonably expected to perform more than 3,364 adjusted MRI procedures in the third year of operation following the completion of the proposed project, as required by 10A NCAC 14C .2703(a)(7)(a).

Access to Medically Underserved Groups

In Section C, page 54, the applicant states:

“All individuals including low-income persons, racial and ethnic minorities, women, persons with disabilities, persons 65 and older, Medicare beneficiaries, Medicaid recipients, and other underserved groups, will continue to have access to Delaney Radiology’s MRI services, as clinically appropriate. Delaney Radiology does not and will not discriminate based on race, ethnicity, age, gender, disability, or sexual orientation. Policies to provide access to services by low-income, medically indigent, uninsured, or underinsured patients are described and provided in Exhibits C.6 and L.4.”

The applicant provides additional information regarding service to medically underserved groups on pages 54-55.

On page 55, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table:

Delaney Radiology Estimated Percentages

| PAYOR GROUP | ESTIMATED PERCENTAGE OF PATIENTS IN 3RD FULL FY |
|------------------------------|-----------------------------------------------------------------------|
| Low Income Persons | 10.0% |
| Racial and Ethnic Minorities | 19.0% |
| Women | 57.0% |
| Persons with Disabilities* | -- |
| Persons 65 and Older | 44.0% |
| Medicare Beneficiaries | 45.6% |
| Medicaid Beneficiaries | 3.5% |

*The applicant states on page 55 that it does not maintain data regarding the number of disabled persons it serves.

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:

- The applicant has historically provided access to mobile MRI services to underserved groups.
- The applicant states that all patients will continue to receive equitable access to fixed and mobile MRI services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Comments
- Response to comments

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

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP to be located on the main hospital campus in Wilmington. Upon project completion, the applicant will own and operate a total of six fixed MRI scanners, three of which will be located at the main hospital (the applicant’s other fixed MRI scanners are or will be located at NHHH Medical Mall campus, NHHH Orthopedic Hospital campus, and NHHH Scotts Hill campus).

Patient Origin

In Chapter 17, page 331, the 2023 SMFP defines the service area for a fixed MRI scanner as “the same as an Acute Care Bed Service area as defined in Chapter 5 and shown in Figure 5.1”. In Chapter 5, page 31, the 2023 SMFP defines the service area for Acute Care Beds as “...Counties with at least one licensed acute care hospital that are not grouped with another county are single county service areas.” In Figure 5.1 on page 36 of the 2023 SMFP New Hanover County is shown as a single county service area. The applicant proposes to locate the fixed MRI scanner in a medical office building adjacent to the main hospital in Wilmington in New Hanover County. Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 37, the applicant provides historical patient origin for its existing fixed MRI services at the hospital for CY 2022, as summarized below:

NHHHRMC Historical Patient Origin – Fixed MRI Services, CY 2022

| COUNTY | # PATIENTS | % OF TOTAL |
|--------------------------|--------------|---------------|
| New Hanover | 2,864 | 41.9% |
| Brunswick | 1,327 | 19.4% |
| Pender | 898 | 13.1% |
| Onslow | 642 | 9.4% |
| Columbus | 304 | 4.4% |
| Duplin | 216 | 3.2% |
| Other Counties & States* | 586 | 8.6% |
| Total | 6,837 | 100.0% |

*The applicant states on page 37 that “Other Counties & States” includes 62 additional counties.

In Section C page 39, the applicant provides projected patient origin for the first three project years, FYs 2025-2027, for the proposed fixed MRI services, as summarized below:

| COUNTY | 1 ST FULL FY | | 2 ND FULL FY | | 3 RD FULL FY | |
|--------------------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
| | 10/01/2024-09/30/2025 | | 10/01/2025-09/30/2026 | | 10/01/2026-09/30/2027 | |
| | PATIENTS | % OF TOTAL | PATIENTS | % OF TOTAL | PATIENTS | % OF TOTAL |
| New Hanover | 3,872 | 41.9% | 3,955 | 41.9% | 4,136 | 41.9% |
| Brunswick | 1,751 | 19.4% | 1,831 | 19.4% | 1,915 | 19.4% |
| Pender | 1,183 | 13.1% | 1,237 | 13.1% | 1,293 | 13.1% |
| Onslow | 849 | 9.4% | 887 | 9.4% | 928 | 9.4% |
| Columbus | 397 | 4.4% | 415 | 4.4% | 434 | 4.4% |
| Duplin | 289 | 3.2% | 302 | 3.2% | 316 | 3.2% |
| Other Counties & States* | 776 | 8.6% | 812 | 8.6% | 849 | 8.6% |
| Total | 9,027 | 100.0% | 9,440 | 100.0% | 9,871 | 100.0% |

*The applicant states on page 37 that "Other Counties & States" includes 62 additional counties.

In Section C, page 39, the applicant provides the assumptions and methodology used to project patient origin. The applicant's assumptions are reasonable and adequately supported because they are based on the applicant's historical patient origin data for MRI services.

Analysis of Need

In Section C, pages 42-51, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- NHNHRMC need for an additional fixed MRI scanner due to existing scheduling issues and capacity constraints that cannot be met by adding additional mobile MRI hours. The applicant states the existing fixed scanners are scheduled several weeks in advance. Additionally, NH is expanding its service line and recruiting new providers, which creates delays in providing necessary and timely MRI services to its patients.
- Need for advanced MRI services for the applicant's oncology, neurology, cardiology, and pediatric patients.
- Service area population growth indicates the need for additional fixed MRI capacity. The applicant states that, from 2018-2023, the New Hanover County population, which represents 41.9% of projected MRI patients at NHRMC increased by 5.8% overall. Older population cohorts increased by even greater percentages during that same time. The applicant states the older population groups are the groups more likely to utilize MRI services. The population in the remaining counties that comprise the proposed service area increased by 8.4% from 2018-2023, with the older populations similarly experiencing a higher growth rate than younger population groups. The applicant states the total population of the six-county service area is projected to increase by 7.2% from 2023-2028, and the 65+ population is projected to increase by 15.5% during the same time.
- New Hanover County life expectancy is increasing among all age groups, according to data from the North Carolina State Center for Health Statistics cited by the applicant.

The increased life expectancy increases the chance of health conditions that require MRI services.

- New Hanover County MRI utilization has increased by a CAGR of 3.56% from FY 2016-FY 2021. The applicant states the historical utilization, combined with projected population growth and increased life expectancy in the service area, supports the need for additional MRI capacity, particularly a 3T MRI scanner that has additional capacity to provide a larger variety of MRI scans for the area’s patients.

Projected Utilization

In Section Q, Form C.2b, the applicant provides projected utilization for the first three project years, FYs 2025-2027 (10/1-9/30), as illustrated in the following table:

| | 1 ST FULL FY FY 2025 | 2 ND FULL FY FY 2026 | 3 RD FULL FY FY 2027 |
|---------------------------|------------------------------------|------------------------------------|------------------------------------|
| Number of Units | 3 | 3 | 3 |
| # Procedures (unweighted) | 9,027 | 9,440 | 9,871 |
| # Weighted Procedures | 14,370 | 15,028 | 15,713 |

In Section Q, “*Utilization Methodology and Assumptions*”, the applicant provides the assumptions and methodology used to project utilization for the proposed fixed MRI, as summarized below:

Step 1: Calculate New Hanover County five year MRI CAGR – The applicant examined MRI utilization in New Hanover County as a whole from FY 2016-FY 2021 as reported in the 2018-2023 SMFPs and calculated a five-year CAGR of 3.56%.

Step 2: Project New Hanover County MRI scans and annual growth – Relying on the historical utilization rates, the applicant projected total New Hanover County MRI utilization from FY 2021-FY 2027. The applicant also calculated annual MRI growth in each year.

Step 3: Calculate NHNHRMC five year MRI CAGR by facility – The applicant examined historical MRI utilization at NHNHRMC from FY 2017-FY 2022 as reported in the 2019-2023 SMFPs and its own internal data for each of the facilities that owns or operates a fixed MRI scanner in New Hanover County. The applicant calculated a five-year CAGR for each facility and determined the CAGR at NHNHRMC for fixed MRI services during that time was 4.3%. The applicant also calculated a ratio of MRI scans to adjusted MRI scans at each NH facility based on FY 2022 data. The applicant provides tables that illustrate these calculations in Section Q of the application.

Step 4: Project NHNHRMC MRI scans – Relying on the historical MRI utilization rates at each of the Novant Health New Hanover facilities and applying the CAGR calculated for FY 2017-FY 2022, the applicant projects MRI scans from FY 2023-FY 2027. Following is a summary of the methodology and assumptions specific to projected MRI utilization at NHNHRMC:

- The applicant projected MRI scans by applying the five-year CAGR from Step 3.
- The applicant projected a shift of scans that would shift to NH Scotts Hill when that MRI scanner is operational (see Project ID #O-12124-21).
- The applicant applied the ratio calculated in Step 3 to project MRI scans through the third project year, FY 2027.
- The applicant calculated the number of MRI scans per MRI scanner that will be performed at NHHHRMC.

The applicant projected the number of MRI scans to be performed at each of the NH locations using similar methodologies. See the tables in Section Q that illustrate the projections at each location.

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

- There is a need determination in the 2023 SMFP for a fixed MRI scanner in the New Hanover County fixed MRI service area and this proposed project will meet that need.
- The applicant's projections of MRI scans to be performed are supported by historical MRI volumes on its existing fixed MRI scanners.
- The applicant adequately demonstrates that its proposed fixed MRI scanner is reasonably expected to perform more than 3,494 adjusted MRI procedures in the third year of operation following the completion of the proposed project, as required by 10A NCAC 14C .2703(a)(7)(a).

Access to Medically Underserved Groups

In Section C, page 57, 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 medically indigent referred by their attending physicians.

NH New Hanover is a not-for-profit organization that does not discriminate against any class of patient based on age, sex, religion, race, handicap, ethnicity, or ability to pay.”

On page 59, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table:

| GROUP | ESTIMATED PERCENTAGE OF TOTAL PATIENTS DURING THE THIRD FULL FISCAL YEAR |
|------------------------------|--------------------------------------------------------------------------------|
| Low income persons | 18.3% |
| Racial and ethnic minorities | 35.0% |
| Women | 60.0% |
| Persons with disabilities* | -- |
| Persons 65 and older | 54.3% |
| Medicare beneficiaries | 54.3% |
| Medicaid beneficiaries | 12.5% |

*The applicant states on page 59 that NH New Hanover “does not track this metric”.

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:

- The applicant has historically provided access to MRI services to underserved groups and states it will continue to do so.
- The applicant states estimated percentages are based on the historical experience of patients served at NHHNHRMC.
- The applicant states that all patients will continue to receive equitable access to low-cost MRI services with the approval of the proposed fixed MRI.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Comments
- Response to comments

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

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner to be developed at an existing physician office building in Wilmington, and develop a diagnostic center, for a total of two fixed MRI scanners at two facilities in Wilmington.

Patient Origin

In Chapter 17, page 331, the 2023 SMFP defines the service area for a fixed MRI scanner as “the same as an Acute Care Bed Service area as defined in Chapter 5 and shown in Figure 5.1”. In Chapter 5, page 31, the 2023 SMFP defines the service area for Acute Care Beds as “...Counties with at least one licensed acute care hospital that are not grouped with another county are single county service areas.” In Figure 5.1 on page 36 of the 2023 SMFP New Hanover County is shown as a single county service area. The applicant proposes to locate the fixed MRI scanner at an existing physician office building and thus develop a diagnostic center in Wilmington in New Hanover County. Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 36, the applicant states the proposed location for the fixed MRI scanner is currently a physician office practice and thus has no fixed MRI patient origin to report. The applicant previously contracted with a mobile MRI provider and provides historical patient origin for the mobile MRI services for most of CY 2022 until the contract was terminated, as summarized below:

WH Historical Patient Origin – Mobile MRI Services, 1/1/22-11/30/22

| COUNTY | # PATIENTS | % OF TOTAL |
|--------------|------------|---------------|
| New Hanover | 140 | 34.6% |
| Pender | 138 | 34.3% |
| Onslow | 80 | 19.7% |
| Brunswick | 34 | 8.4% |
| Other* | 12 | 2.9% |
| Total | 403 | 100.0% |

*The applicant states on page 36 that “Other” includes Columbus Carteret, Wake and Duplin counties, as well as other states.

In Section C page 38, the applicant provides projected patient origin for the first three project years, CYs 2025-2027, for the proposed fixed MRI services, as summarized below:

Wilmington Health at Porters Neck Projected MRI Services

| COUNTY | 1 ST FULL FY CY 2025 | | 2 ND FULL FY CY 2026 | | 3 RD FULL FY CY 2027 | |
|--------------|------------------------------------|---------------|------------------------------------|---------------|------------------------------------|---------------|
| | PATIENTS | % OF TOTAL | PATIENTS | % OF TOTAL | PATIENTS | % OF TOTAL |
| New Hanover | 972 | 55.0% | 1,377 | 55.0% | 1,833 | 55.0% |
| Pender | 493 | 27.9% | 699 | 27.9% | 930 | 27.9% |
| Onslow | 225 | 12.8% | 319 | 12.8% | 425 | 12.8% |
| Other* | 76 | 4.3% | 108 | 4.3% | 144 | 4.3% |
| Total | 1,766 | 100.0% | 2,503 | 100.0% | 3,332 | 100.0% |

*The applicant states on page 38 that “Other” includes Bladen, Brunswick, Carteret, Columbus, Duplin, Sampson and Wake counties, as well as other states.

In Section C, page 38, the applicant provides the assumptions and methodology used to project patient origin. The applicant’s assumptions are reasonable and adequately supported because they are based on the applicant’s historical patient origin data for mobile MRI services at the Porters Neck location and fixed MRI services at its other Wilmington diagnostic center.

Analysis of Need

In Section C, pages 40-50, 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 in New Hanover County based on service area population growth. The applicant cites data from the North Carolina Office of State Budget and Management (NCOSBM) that shows the population of New Hanover County increased by 12.9% between 2013-2023, which was higher than the population growth in the state as a whole during the same time period. The applicant notes that the counties surrounding New Hanover County, some of which comprise the applicant's proposed service area, are also among the fastest growing counties in the state. The applicant cites NCOSBM data to show projected population growth in New Hanover and surrounding counties is projected to increase at a higher rate than the state as a whole from 2023-2028.
- The older population of New Hanover County, age 65 and over increased by 39.2% from 2013-2023. That same population group is projected to increase by 12.5% from 2023-2028 and will comprise 20% of the total New Hanover County population by 2028. Citing data from the North Carolina Center for Health Statistics, the applicant states that typically older population groups utilize MRI and other health services more frequently than younger populations, which substantiates the need for additional fixed MRI capacity in the service area.
- Fixed MRI utilization in New Hanover County generated the need in the 2023 SMFP for an additional fixed scanner in the county, despite the anomalous decrease in utilization during FY 2020 as a result of the COVID-19 pandemic. The applicant states there is a need in the county for freestanding MRI capacity that could offer outpatient MRI scans more cost effectively than hospital-based services. Similarly, a freestanding fixed MRI scanner in the Porters Neck area in the northeast section of the county would increase accessibility to service area residents and provide the only non-hospital based fixed MRI services to the population.
- The applicant examined New Hanover County MRI providers' 2022 license renewal applications (LRAs) and found that, while New Hanover County residents comprise 52.1% of the total patient origin for MRI services in New Hanover County, many residents of surrounding counties sought MRI services in New Hanover County. Thus, the applicant states that its position as a physician network with a large referral base uniquely positions it to be able to provide fixed MRI services in a freestanding setting that will efficiently and cost-effectively serve New Hanover County and surrounding counties' residents.

Projected Utilization

In Section Q, Form C.2b, the applicant provides projected utilization for the first three project years, CYs 2025-2027 for the proposed fixed MRI scanner at Porters Neck, as illustrated in the following table:

WH Porters Neck Projected Utilization

| | PARTIAL FY 9/15/24-12/31/24 | 1 ST FULL FY CY 2025 | 2 ND FULL FY CY 2026 | 3 RD FULL FY CY 2027 |
|---------------------------|--------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Number of Units | 1 | 1 | 1 | 1 |
| # Procedures (unweighted) | 404 | 1,766 | 2,503 | 3,332 |
| # Weighted Procedures | 444 | 1,945 | 2,767 | 3,697 |

In Section Q, “*Form C Utilization – Assumptions and Methodology*”, the applicant provides the assumptions and methodology used to project utilization for the proposed fixed MRI, as summarized below:

- The applicant states its fiscal year is a calendar year. The applicant projects that the proposed fixed MRI scanner will be operational on September 15, 2024. The applicant states its first three full FYs are CYs 2025-2027.
- The applicant began offering mobile MRI services at its 1202 Medical Center Drive location in 2018, and states scan volumes with and without contrast increased by 31% and 20%, respectively. The applicant calculated a CAGR from CY 2018-CY 2022 and CY 2019-CY 2022 based on historical utilization. The applicant states overall MRI utilization increased by a CAGR of 6.5% from CY 2019-CY 2022. To determine total adjusted scans, the applicant used the methodology found in the 2023 SMFP. The applicant provides a table to illustrate these calculations on page one of its *Assumptions* in Section Q.
- The applicant examined historical mobile MRI utilization at its Market Street location for the same time periods and calculated a CAGR from CY 2018-CY 2022 and CY 2019-CY 2022 as with its fixed MRI services. The applicant states its mobile MRI services were suspended from July 2020-April 2021 due to flooding at the facility, which resulted in overall mobile MRI utilization at Market Street from CY 2019-CY 2022 of 0.0%, although outpatient scans with contrast increased by a CAGR of 6.6% from CY 2019-2022 and 0.9% from CY 2019-2022. The applicant provides a table to illustrate these calculations on page two of its *Assumptions* in Section Q.
- The applicant combined historical fixed and mobile MRI utilization at each of the locations that provide MRI services and calculated an overall combined CAGR for adjusted MRI scans from CY 2018-CY 2022 of 19.4% and an overall combined CAGR for adjusted MRI scans from CY 2019-CY 2022 of 5.9%. The applicant states that, despite the utilization fluctuations as described above, overall MRI utilization by WH’s patients demonstrates strong growth. The applicant provides a table to illustrate these calculations on page three of its *Assumptions* in Section Q.

- The applicant projected future MRI utilization on the two fixed MRI scanners by applying the CY 2019-CY 2022 CAGR for total MRI utilization at Wilmington Health, 10.7% for MRI scans with contrast and 2.3% for MRI scans without contrast. The applicant states it believes these growth rates to be reasonable, given the historical growth rate based on WH's experience, the impact of providing fixed MRI services at the Porters Neck location, and the projected growth and aging of the New Hanover County population. The applicant provides a table to illustrate projected total MRI utilization on page four of its *Assumptions* in Section Q.
- The applicant states it typically refers approximately 600 MRI scans annually to other MRI providers outside the WH network and chose not to include these scans in its projections. The applicant provides a table on page four of its *Assumptions* in Section Q to illustrate that the growth rate that would be needed to achieve the MRI volume projected for PY three would be less than the actual historical growth rate.
- The applicant states it partnered with Carolina Sports Medicine in March 2023 and anticipates, based on the letters of support provided in Exhibit I.2, many referrals for MRI services. The applicant assumes total MRI utilization will be divided between the two WH locations, Market Street and Porters Neck.
- The applicant assumes utilization for the fixed MRI at the Porters Neck location will gradually ramp up after September 2024 when it becomes operational, beginning at 50% of the portion of scans projected at Porters Neck in the partial year 2024, 60% in CY 2025, 80% in CY 2026 and reaching 100% in the third project year, CY 2027. The applicant assumes a 50-50 split in fixed MRI scans between its two locations by the third project year, CY 2027. The applicant provides a table to illustrate projected total MRI utilization on page five of its *Assumptions* in Section Q.
- The applicant assumes that one unweighted MRI scan equals one patient in all three project years and the partial year.
- The applicant states that by using growth rates of 10.7% and 2.3% for MRI scans performed with and without contrast, respectively, the resulting total growth in fixed MRI scans is 6.1%. To test the reasonableness of its projections as presented, the applicant projected total fixed MRI scans using a lower total growth rate of 5.5% rather than 6.1%. The applicant states that even using the lower growth rate, the total number of projected fixed MRI scans exceeds the Performance Standards promulgated at 10A NCAC 14C .2703(a)(7)(a). The applicant provides a table to illustrate projected total MRI utilization on page six of its *Assumptions* in Section Q.

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

- There is a need determination in the 2023 SMFP for a fixed MRI scanner in the New Hanover County fixed MRI service area and this proposed project will meet that need.
- The applicant's projections of MRI scans to be performed are supported by historical MRI volumes on its existing fixed MRI scanner.

- The applicant provides letters of support that indicate projected referrals to WH for MRI services.
- The applicant adequately demonstrates that its proposed fixed MRI scanner is reasonably expected to perform more than 3,494 adjusted MRI procedures in the third year of operation following the completion of the proposed project, as required by 10A NCAC 14C .2703(a)(7)(a).

Access to Medically Underserved Groups

In Section C, page 58, the applicant states:

“Wilmington Health provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment. ...

In addition, Wilmington Health will accept various insurance plans, including Medicare and Medicaid, and will provide financial assistance to patients with financial hardships.

...

Moreover, Wilmington Health is committed to ensuring equitable access for persons 65 and older as well as persons with disabilities. ...”

On page 59, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table:

| GROUP | ESTIMATED PERCENTAGE OF TOTAL PATIENTS DURING THE THIRD FULL FISCAL YEAR |
|------------------------------|--------------------------------------------------------------------------|
| Low income persons* | -- |
| Racial and ethnic minorities | 13.9% |
| Women | 61.0% |
| Persons with disabilities* | -- |
| Persons 65 and older | 42.0% |
| Medicare beneficiaries | 44.5% |
| Medicaid beneficiaries | 2.0% |

*The applicant states on page 58 that it does not maintain data that includes “the number of low income or handicapped persons it serves.”

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:

- The applicant has historically provided access to MRI services to underserved groups and states it will continue to do so.
- The applicant states estimated percentages are based on the historical experience of patients served at WH.

- The applicant states it has a financial assistance policy that is available to both self-pay and commercially insured patients, thereby insuring equitable access to its services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Comments
- Response to comments

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

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner to be developed at one of the existing medical office buildings and develop a diagnostic center in Wilmington.

Patient Origin

In Chapter 17, page 331, the 2023 SMFP defines the service area for a fixed MRI scanner as “the same as an Acute Care Bed Service area as defined in Chapter 5 and shown in Figure 5.1”. In Chapter 5, page 31, the 2023 SMFP defines the service area for Acute Care Beds as “...Counties with at least one licensed acute care hospital that are not grouped with another county are single county service areas.” In Figure 5.1 on page 36 of the 2023 SMFP New Hanover County is shown as a single county service area. The applicant proposes to locate the fixed MRI scanner at an existing medical clinic and thus develop a diagnostic center in Wilmington in New Hanover County. Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 32, the applicant states the proposed location for the fixed MRI scanner is currently a medical office building where mobile MRI services have been offered in 2018. On page 31 the applicant provides historical patient origin for the mobile MRI services for CY 2022, as summarized below:

**EmergeOrtho-Wilmington Porters Neck
 Historical Patient Origin – Mobile MRI Services, 1/1/22-11/30/22**

| COUNTY | # PATIENTS | % OF TOTAL |
|--------------------|------------|---------------|
| New Hanover | 335 | 41.26% |
| Pender | 285 | 35.10% |
| Onslow | 132 | 16.26% |
| Brunswick | 16 | 1.97% |
| Duplin | 16 | 1.97% |
| Other NC Counties* | 19 | 2.34% |
| Other States | 9 | 1.11% |
| Total | 812 | 100.0% |

**The applicant states on page 31 that "Other" includes "all other North Carolina counties, each of which represents <1% of total patient origin."*

The applicant states on application page 32 that it also provides x-ray services at the Porters Neck location, and provides total patient origin for x-ray and mobile MRI services as shown in the following table:

**EmergeOrtho-Wilmington Porters Neck
 Historical Patient Origin – All Imaging Services, 1/1/22-11/30/22**

| COUNTY | # PATIENTS | % OF TOTAL |
|--------------------|--------------|---------------|
| New Hanover | 2,540 | 43.46% |
| Pender | 1,530 | 26.18% |
| Onslow | 964 | 16.49% |
| Brunswick | 420 | 7.19% |
| Duplin | 145 | 2.48% |
| Other NC Counties* | 191 | 3.27% |
| Other States | 55 | 0.94% |
| Total | 5,845 | 100.0% |

**The applicant states on page 31 that "Other" includes "all other North Carolina counties, each of which represents <1% of total patient origin."*

In Section C pages 34-35, the applicant provides projected patient origin for the first three project years, CYs 2025-2027, for the proposed fixed MRI services and for total imaging services (x-ray and fixed MRI), as summarized below:

**EmergeOrtho-Wilmington Porters Neck
 Projected Patient Origin – Fixed MRI Services, CYs 2025-2027**

| COUNTY | | | | | | |
|--------------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | # PATIENTS | % OF TOTAL | # PATIENTS | % OF TOTAL | # PATIENTS | % OF TOTAL |
| New Hanover | 1,260 | 46.8% | 1,768 | 46.0% | 2,139 | 45.9% |
| Pender | 965 | 35.9% | 1,376 | 35.8% | 1,668 | 35.8% |
| Onslow | 344 | 12.8% | 513 | 13.3% | 625 | 13.4% |
| Brunswick | 32 | 1.2% | 50 | 1.3% | 62 | 1.3% |
| Duplin | 32 | 1.2% | 50 | 1.3% | 62 | 1.3% |
| Other NC Counties* | 38 | 1.4% | 60 | 1.6% | 74 | 1.6% |
| Other States | 18 | 0.7% | 29 | 0.7% | 35 | 0.8% |
| Total | 2,689 | 100.0% | 3,846 | 100.0% | 4,665 | 100.0% |

*The applicant states on page 34 that "Other" includes "all other North Carolina counties, each of which represents <1% of total patient origin."

**EmergeOrtho-Wilmington Porters Neck
 Projected Patient Origin – Total Imaging Services, CYs 2025-2027**

| COUNTY | | | | | | |
|--------------------|--------------|---------------|--------------|---------------|---------------|---------------|
| | # PATIENTS | % OF TOTAL | # PATIENTS | % OF TOTAL | # PATIENTS | % OF TOTAL |
| New Hanover | 3,511 | 43.5% | 4,071 | 43.5% | 4,485 | 43.5% |
| Pender | 2,113 | 26.2% | 2,450 | 26.2% | 2,700 | 26.2% |
| Onslow | 1,331 | 16.5% | 1,543 | 16.5% | 1,701 | 16.5% |
| Brunswick | 580 | 7.2% | 673 | 7.2% | 742 | 7.2% |
| Duplin | 200 | 2.5% | 232 | 2.5% | 256 | 2.5% |
| Other NC Counties* | 266 | 3.3% | 309 | 3.3% | 340 | 3.3% |
| Other States | 70 | 0.9% | 81 | 0.9% | 90 | 0.9% |
| Total | 8,072 | 100.0% | 9,360 | 100.0% | 10,313 | 100.0% |

*The applicant states on page 35 that "Other" includes "all other North Carolina counties, each of which represents <1% of total patient origin."

In Section C, page 33, the applicant provides the assumptions and methodology used to project patient origin. The applicant's assumptions are reasonable and adequately supported because they are based on the applicant's historical patient origin data for mobile MRI and x-ray services at the Porters Neck location.

Analysis of Need

In Section C, pages 36-52, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- Need for one fixed MRI scanner in the New Hanover County fixed MRI service area pursuant to the need identified in the 2023 SMFP.
- New Hanover County currently has a total of six existing and one approved fixed MRI scanners, as well as mobile availability. The applicant examined MRI utilization data derived from 2018-2023 SMFPs that shows a five-year CAGR of 3.48% in total (fixed

and mobile) MRI utilization from FFY 2016-FFY 2021. The applicant also examined the MRI use rate per 1,000 for FFY 2017-FFY 2021 in the state as a whole and in New Hanover County specifically. The applicant found that the New Hanover County MRI use rate was higher than the state use rate, even during the anomalous time of the COVID-19 pandemic, when utilization decreased during FFY 2020. The applicant notes that in FFY 2021, approximately 47.6% of MRI patients served by New Hanover County MRI scanners were residents of counties other than New Hanover, which indicates growing demand in the county for fixed MRI services. See the tables on pages 37-38 that illustrate the data the applicant relied on.

- Fixed MRI utilization at EmergeOrtho at its Shipyard Boulevard location and mobile MRI utilization at the Porters Neck location show a three-year CAGR, from FFY 2018-FFY 2021 of 4.64% for weighted MRI procedures and 5.1% for unweighted MRI procedures. The applicant states patient access to the existing mobile MRI services at Porters Neck is sub-optimal because it is located in the parking lot, which makes access to the scanner difficult in inclement weather. Additionally, the mobile truck is several feet off the parking lot surface; patients who are unable to climb stairs must be lifted into the truck with a hydraulic lift. Likewise, the mobile MRI, with its closed bore, is unable to effectively accommodate obese or claustrophobic patients, or many of EmergeOrtho's orthopedic patients.
- The applicant states five of the seven existing and approved fixed MRI scanners are hospital based. The applicant states there is an economic benefit for both payers and patients who elect freestanding MRI services, because costs associated with hospital-based MRI services are typically higher than in a freestanding setting. The applicant examined the Blue Cross Blue Shield North Carolina Treatment Cost Estimator to provide a comparison of patient costs associated with existing MRI providers and to illustrate the difference between hospital-based and freestanding MRI services.
- The applicant examined New Hanover County demographic data from 2010-2020 published by the NCOSBM, which showed the population of New Hanover County increased by 11.3% during that time. That same data shows the population of New Hanover County is projected to increase by a CAGR of 1.23% from 2023-2027, an addition of approximately 11,986 residents. Additionally, the applicant examined NCOSBM data regarding the population aging in New Hanover County, since the older age groups are the groups more likely to seek medical treatment and imaging services, including MRI services. The NCOSBM data shows the over 65 population of New Hanover County is projected to increase by a CAGR of 2.45% from 2023-2027, while the overall New Hanover County population is projected to increase by a CAGR of 1.23% during that same time.
- The applicant examined data from the National Center for Health Statistics and the North Carolina Center for Health Statistics that show population health characteristics in New Hanover County. The data shows that the population of New Hanover County have rates of obesity and other health risk factors for which underscore the need for additional health services, including fixed MRI services.

- The applicant states there is a need in the county for improved geographic access to fixed MRI services. The six existing fixed MRI scanners are located in central Wilmington, though there is an approved fixed MRI scanner proposed to be located in the northern area of the county. The applicant discusses population growth projections, residential and commercial development, and transportation infrastructure issues that all combine to make access to the existing fixed MRI scanners difficult for those patients who live outside of the central area of Wilmington.
- The applicant documents physician and community support for the proposed fixed MRI scanner as referred to in its application and exhibits.

Projected Utilization

In Section Q, Form C.2b, page 123, the applicant provides projected utilization for the first three project years, CYs 2025-2027 for its existing x-ray unit and for the proposed fixed MRI scanner at EmergeOrtho-Wilmington Porters Neck, as well as the existing fixed MRI scanner located at EmergeOrtho Shipyard, as illustrated in the following tables:

EmergeOrtho-Wilmington Porters Neck Projected Utilization

| | 1 ST FULL FY CY 2025 | 2 ND FULL FY CY 2026 | 3 RD FULL FY CY 2027 |
|---------------------------|------------------------------------|------------------------------------|------------------------------------|
| X-ray | | | |
| Number of Units | 1 | 1 | 1 |
| # Procedures | 5,383 | 5,514 | 5,648 |
| Fixed MRI Scanner | | | |
| Number of Units | 1 | 1 | 1 |
| # Procedures (unweighted) | 2,689 | 3,846 | 4,665 |
| # Weighted Procedures | 2,764 | 3,952 | 4,794 |

EmergeOrtho-Shipyard Projected Utilization

| | 1 ST FULL FY CY 2025 | 2 ND FULL FY CY 2026 | 3 RD FULL FY CY 2027 |
|---------------------------|------------------------------------|------------------------------------|------------------------------------|
| Number of Units | 1 | 1 | 1 |
| # Procedures (unweighted) | 4,585 | 4,495 | 4,398 |
| # Weighted Procedures | 4,712 | 4,620 | 4,520 |

In Section Q, “*Form C.2.b Assumptions and Methodology*”, the applicant provides the assumptions and methodology used to project utilization for the proposed fixed MRI the existing fixed MRI at the Shipyard location, and the x-ray unit, as summarized below:

1. The applicant examined historical fixed MRI utilization at the Shipyard location from 2018-2022, which shows a CAGR of 7.09%, despite a temporary decrease in utilization during the COVID-19 pandemic. The applicant states it will use 2.36%, which represents one third of the historical MRI CAGR at its Shipyard location to project future MRI utilization at Shipyard. The applicant states this growth rate is reasonable because it is one-third of the historical

growth rate and is less than the historical growth rate in New Hanover County during the same time. The applicant also calculated a weighting ratio of 1.028 for the same time and states it will apply the weighting ratio to projected MRI procedures. The applicant provides tables on pages 126-127 to illustrate this growth. The applicant also examined EmergeOrtho-Wilmington Porters Neck mobile MRI utilization for the same time period and calculated a weighting ratio as it did with historical fixed MRI utilization.

2. Relying on population data from the NCOSBM and the 2017-2023 SMFPs, the applicant calculated a historical 15.79% market share for EmergeOrtho Coastal Region, which includes the fixed MRI scanner at Shipyard and the mobile utilization at the Wilmington-Porters Neck location. The applicant provides tables that illustrate these calculations on pages 127-129. The applicant assumes its market share of New Hanover County MRI procedures that will be performed at the Wilmington-Porters Neck location will be 4.5% in the first project year, 7.00% in the second project year and 8.5% in the third project year.
3. The applicant projects a shift of patients seeking MRI services from the Shipyard location to the Wilmington-Porters Neck location. The applicant projects that some of its patients will shift from the Shipyard mobile MRI services to the proposed fixed MRI services at the Wilmington-Porters Neck location based on ZIP codes to the north and northeast of the Shipyard location. The applicant projects a patient shift of 55%, 65% and 75%, respectively, in each of the three project years. See the maps, tables and other bulleted information that illustrate the applicant's reasoning and calculations on pages 129-132.
4. The applicant combines total "*organic*" MRI procedures that are projected to shift from the Shipyard location with the market share gain calculated in Step 2 and applies the previously calculated weighting ratio to project the total number of weighted fixed MRI procedures to be performed at the Wilmington-Porters Neck location in each of the first three project years. The applicant provides a table to illustrate these calculations on page 132.
5. The applicant subtracted those procedures projected to shift to the Wilmington-Porters Neck location to determine the total number of MRI procedures to be performed at the Shipyard location for the first three project years and provides a table on page 132 to illustrate the calculations.
6. The applicant totaled projected MRI procedures to be performed at both of its locations through the first three project years.

The applicant also operates one x-ray unit at its Porters Neck location and on page 132 it provides a table to illustrate the projected x-rays to be performed in each of the three project years following completion of this project. The applicant states it bases its projections of x-ray procedures to be performed on its historical utilization from CY 2017-2022, during which time it experienced a CAGR of 2.43% growth in x-ray procedures.

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

- There is a need determination in the 2023 SMFP for a fixed MRI scanner in the New Hanover County fixed MRI service area and this proposed project will meet that need.
- The applicant’s projections of MRI scans to be performed are supported by historical MRI volumes on its historical experience providing mobile MRI services.
- The applicant provides letters of support that indicate projected referrals to EmergeOrtho for MRI services.
- The applicant adequately demonstrates that its proposed fixed MRI scanner is reasonably expected to perform more than 3,494 adjusted MRI procedures in the third year of operation following the completion of the proposed project, as required by 10A NCAC 14C .2703(a)(7)(a).

Access to Medically Underserved Groups

In Section C, page 57, the applicant states:

“EmergeOrtho is fully committed to the health and well-being of all patients. EmergeOrtho has historically provided care and services to medically underserved populations, including each of the ... listed groups. ... The project will expand access for all categories of medically underserved patients, will offer lower out-of-pocket costs and provide greater patient convenience, all of which are high priority patient preferences.

...

Low income persons will have access to MRI services at EmergeOrtho through Cape Fear HealthNet, and in other circumstances of need evaluated on a case-by-case basis.”

On page 58, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table:

| GROUP | ESTIMATED PERCENTAGE OF TOTAL PATIENTS DURING THE THIRD FULL FISCAL YEAR |
|--------------------------------|--------------------------------------------------------------------------------|
| Low income persons* | 12.6% |
| Racial and ethnic minorities** | 12.9% |
| Women** | 54.8% |
| Persons with disabilities* | 8.4% |
| Persons 65 and older** | 45.5% |
| Medicare beneficiaries** | 36.1% |
| Medicaid beneficiaries** | 3.8% |

*The applicant states on page 58 that it does not track income demographics or disability status of its patients; estimates provided are based on “the most recently available U.S. Census Bureau demographics.”

**The applicant states these estimates are based on the applicant's CY 2022 MRI services data.

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:

- The applicant has historically provided access to MRI services to underserved groups and states it will continue to do so.
- The applicant states estimated percentages are based on the historical experience of patients served at EmergeOrtho.
- The applicant states it has provided and will continue to provide MRI services to any patient having a clinical need for MRI services, regardless of any factor that would qualify a patient as underserved.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Comments
- Response to comments

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 with disabilities, and other underserved groups and the elderly to obtain needed health care.

NA
All Applications

None of the applicants propose 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.

CA
All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section E, pages 66-68, 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 Delaney Radiology currently provides mobile MRI services, but the limitations posed by adverse weather since it is a coastal location and the limited availability of the mobile unit combine to present significant access limitations for its patients. Additionally, the applicant states the fees paid in the annual lease for mobile MRI services since 2004 could have purchased ten fixed MRI scanners. Thus, maintaining the status quo is not an option.
- Expand mobile MRI availability – The applicant states it considered expanding mobile MRI access at Delaney Radiology but states it has already maximized its existing mobile MRI services. Thus, expanding existing mobile MRI service is not an effective alternative.
- Acquire a 1.5T fixed MRI scanner – The applicant considered acquiring a 1.5T fixed MRI scanner rather than a 3T MRI scanner, but states there are currently several 1.5T fixed MRI scanners in New Hanover County. Additionally, a 3T MRI scanner produces higher quality images at a faster rate than a 1.5T MRI scanner. The better quality of the scans produced by a 3T MRI scanner helps to visualize smaller structures with more detail, thereby leading to more accurate diagnoses and better treatment planning for patients. Thus, acquiring a 1.5T fixed MRI scanner is not an effective alternative.

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

- The applicant states the proposed fixed MRI scanner will allow the applicant to more effectively accommodate its patients and provide high quality imaging with no cost increase over the existing 1.5T fixed MRI scanners.
- The applicant states the proposed fixed MRI scanner will provide needed MRI services to its patients for whom mobility is an issue, since it will be located inside the existing structure and not on an adjacent mobile pad.
- The applicant provides reasonable and adequately supported 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
- Response to written comments
- Remarks made at the public hearing

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

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located adjacent to the main hospital.

In Section E, pages 71-72, 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 maintaining the status quo is not a reasonable alternative because the existing fixed MRI scanners at NHHHRMC are currently operating above capacity and serve patients 24 hours per day, seven days per week. Additionally, patient acuity levels are increasing, necessitating lengthier hospital stays and more complex MRI scans. Outpatient MRI scans are often scheduled from four weeks to four months in advance, creating delays in diagnosis and treatment.
- Add mobile MRI days at NHHHRMC – The applicant states demand for mobile MRI services outpaces availability of existing mobile MRI scanners. In addition, mobile MRI scanners are limited in the types of scans provided and thus do not effectively meet patient needs for more complex MRI procedures and increased patient acuity. Thus, the applicant states adding additional mobile MRI days is not a reasonable alternative to meet patient needs.

On page 72, the applicant states that its proposal is the most effective alternative because the proposed fixed MRI scanner at the proposed location will maximize healthcare value by ensuring timely access to MRI services within the service area and increase the efficiency of advanced MRI scans.

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

- The applicant states that the proposal will provide advanced MRI scans to an increasing patient acuity and will increase quality of care, enhance patient experience, and improve operational efficiencies.
- The applicant provides reasonable and adequately supported information to explain why it believes the proposed project is the most effective alternative.

- The application is conforming to all other statutory and regulatory review criteria.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Comments
- Response to comments
- Remarks made at the public hearing

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

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner to be developed at an existing medical office building in Wilmington, and develop a diagnostic center, for a total of two fixed MRI scanners at two facilities in Wilmington.

In Section E, page 73, the applicant describes one alternative it considered and explains why that alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternative considered was:

- Develop the proposed fixed MRI scanner at a different location – The applicant states the proposed location minimizes construction costs because it will require renovation to existing space rather than new construction. Additionally, the proposed location allows for continuity of care for patients, since mobile MRI services have been provided at this location, and other imaging services are provided at this location. The applicant states having all imaging services at one location provides convenience and quality of care for its patients. Thus, developing the proposed fixed MRI scanner at an alternate WH location or a new location is not a reasonable alternative to meet patient needs.

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

- The applicant provides reasonable and adequately supported information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Comments
- Response to comments
- Remarks made at the public hearing

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

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section E, pages 68-71, 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 there is a need determination in the 2023 SMFP for an additional fixed MRI scanner in New Hanover County. The population in the county is growing and aging, and the existing fixed MRI scanners are currently centrally located in Wilmington. The applicant proposes a location in the northeastern portion of the county, which it states will improve patient access to freestanding fixed MRI services. In addition, the applicant states it cannot increase the available hours for the existing fixed MRI scanner at its Shipyard location beyond what it already has to meet patient need. Additionally, the mobile scanner with which the applicant contracts is already well utilized despite limitations with access and capability. Thus, maintaining the status quo is not an effective alternative.
- **Develop the proposed fixed MRI scanner at a different location** – The applicant states all six existing fixed MRI scanners are centrally located around and in Wilmington. The Porters Neck area is growing and developing, and the applicant serves patients who reside in the northeastern portion of the county and who would benefit from a freestanding fixed MRI scanner closer to their residence. Thus, developing the proposed fixed MRI scanner at an alternate location is not a reasonable alternative to meet patient needs.
- **Acquire different MRI equipment** – The applicant considered acquiring a different MRI scanner than the one proposed but determined that the proposed fixed MRI scanner would more effectively meet patient needs than a lesser strength magnet or a dedicated extremity scanner. Thus, the applicant determined that acquiring different equipment would not be an effective alternative to meet patient needs.

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

- The applicant provides reasonable and adequately supported information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Comments
- Response to comments
- Remarks made at the public hearing

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
All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

Capital and Working Capital Costs

In Section Q Form F.1a Capital Cost, page 118, the applicant projects the total capital cost of the project as shown in the table below:

Delaney Radiology Capital Cost

| | |
|---------------------|--------------------|
| Renovation Costs | \$883,821 |
| Medical Equipment | \$1,798,135 |
| Miscellaneous Costs | \$100,700 |
| Total | \$2,782,656 |

In Section Q, page 125, 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:

- Renovation cost is based on an estimate from a licensed architect.
- Medical equipment cost is based on vendor quotations.
- Furniture costs are based on the applicant’s experience with other diagnostic imaging projects.

In Section F, pages 70-71, the applicant states there will be no start-up costs or working capital associated with the project because Delaney Radiology is an existing diagnostic center with existing MRI technologists and other staff.

Availability of Funds

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

Sources of Capital Cost Financing

| TYPE | DELANEY RADIOLOGY |
|------------------------|--------------------|
| Loans | \$2,782,656 |
| Total Financing | \$2,782,656 |

In Exhibit F-2, the applicant provides a letter dated March 16, 2023, signed by the Senior Vice President, Commercial Lending of First Citizens Bank confirming the bank’s willingness to consider a loan in the amount of \$3 million to provide funding for the proposed capital needs of the project.

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years (FY), of operation, calendar years (CY) 2025-2027, following project completion. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the last two full fiscal years following project completion, as shown in the table below:

Delaney Radiology

| | 1ST PY CY 2025 | 2ND PY CY 2026 | 3RD PY CY 2027 |
|-----------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Total Procedures (unweighted) | 4,590 | 4,896 | 5,202 |
| Total Gross Revenues (Charges) | \$6,857,460 | \$7,314,624 | \$7,771,788 |
| Total Net Revenue | \$2,403,540 | \$2,563,776 | \$2,724,012 |
| Average Net Revenue per Procedure | \$524 | \$524 | \$524 |
| Total Operating Expenses (Costs) | \$1,452,200 | \$1,277,610 | \$1,112,987 |
| Average Operating Expense per Procedure | \$316 | \$261 | \$214 |
| Net Income | \$953,340 | \$1,286,166 | \$1,611,025 |

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, pages 125-126. 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 historical MRI payor mix and projected average charge through all three project years, with no projected increase in charges through the three project years.
- Charity care revenue is projected at 1.75% of gross revenue annually based on the applicant’s CY 2023 historical experience.
- Bad debt is represented as 2.2% of gross revenue annually based on the applicant’s CY 2023 historical experience.
- Net patient revenue is based on gross patient revenue less total deductions including charity care, contractual adjustments and bad debt based on the applicant’s experience.
- 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
- Response to written comments
- Remarks made at the public hearing

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.

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located adjacent to the main hospital.

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

| | |
|-------------------------------|--------------------|
| Construction/Renovation Costs | \$2,708,200 |
| Miscellaneous Costs | \$4,147,105 |
| Total | \$6,855,305 |

Capital Working Capital Cost

In Form F.1a and referenced exhibits 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 cost is based on vendor quotations.
- Construction costs for the addition of the fixed MRI suite are based on a quote from a licensed architect, who bases his estimate on experience with similar projects and input from a regional health contractor.

In Section F, page 75, the applicant states there are no start-up costs or initial operating expenses for the project, since NHNHRMC is an existing hospital that currently provides MRI services.

Availability of Funds

In Section F, page 73, the applicant states that the capital cost will be funded as shown in the table below:

Sources of Capital Cost Financing

| TYPE | SAIS-MOYOCK |
|---------------------------------------------------------|--------------------|
| Loans | \$0 |
| Cash and Cash Equivalents, Accumulated reserves or OE * | \$6,855,305 |
| Bonds | \$0 |
| Other (Specify) | \$0 |
| Total Financing | \$6,855,305 |

* OE = Owner's Equity

In Exhibit F.2, the applicant provides a letter dated April 10, 2023, signed by the Senior Vice President, Operational Finance & Revenue Cycle of Novant Health, Inc. confirming Novant Health, Inc.'s willingness to provide funding for the proposed capital needs of the project and the availability of those funds. Exhibit F.2 also contains the audited financial statements for Novant Health, Inc. and affiliates that documents the availability of sufficient funds for the capital needs of the project.

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation, which the applicant states are calendar years, following project completion. 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:

| NHNHRMC MRI Services | | | |
|-----------------------------------------|---------------------------|---------------------------|---------------------------|
| | 1ST FFY | 2ND FFY | 3RD FFY |
| | 10/1/24-9/30/25 | 10/1/25-9/30/26 | 10/1/26-9/30/27 |
| Total Procedures (unweighted) | 9,027 | 9,440 | 9,871 |
| Total Gross Revenues (Charges) | \$43,028,580 | \$46,346,414 | \$49,915,499 |
| Total Net Revenue | \$10,808,779 | \$11,642,219 | \$12,538,773 |
| Average Net Revenue per Procedure | \$1,197 | \$1,233 | \$1,270 |
| Total Operating Expenses (Costs) | \$4,182,419 | \$4,299,722 | \$4,422,291 |
| Average Operating Expense per Procedure | \$463 | \$455 | \$448 |
| Net Income | \$6,626,360 | \$7,342,497 | \$8,116,482 |

Source: Based on Form F.2b provided by the applicant. Revenue projections are based on MRI services at NHNHRMC main campus, which includes three fixed MRI scanners (two existing, one proposed).

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

- Gross revenue is based on the percentage in each payor category times the projected charge times projected number of scans.
- Expenses are based on FY 2022 expenses for salaries, taxes and benefits and are projected based on the applicant's experience.
- 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
- Comments
- Response to written comments
- Remarks made at the public hearing

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 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.

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

Capital and Working Capital Costs

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

| | |
|---------------------|--------------------|
| Renovation Costs | \$763,045 |
| Medical Equipment | \$1,860,035 |
| Miscellaneous Costs | \$540,662 |
| Total | \$3,163,742 |

In Section Q, “*Form F.1a Assumptions*”, 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:

- Renovation cost is based on an estimate from a licensed architect with experience with similar projects.
- Medical equipment cost is based on vendor quotations.

- Furniture costs, non-medical equipment costs and consultant fees are based on the applicant’s experience with other diagnostic imaging projects.

In Section F.3, pages 77-78, the applicant projects that start-up costs will be \$126,052 and initial operating expenses will be \$346,001, for a total working capital of \$472,053. On page 78, 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:

- The applicant bases the initial operating period on the first six months of operation during which cash outflow exceeds cash inflow.
- The applicant bases the calculation of cash outflow exceeding cash inflow on a period of four months of initial operation during which CMS accreditation is pending and then additional time for cash inflow to exceed cash outflow.
- Total estimated start-up expenses are based on two months of supplies, utility costs, staffing and other expenses excluding depreciation.

Availability of Funds

In Section F, page 75 the applicant states that the capital cost will be funded as shown in the table below:

Sources of Capital Cost Financing

| TYPE | WILMINGTON HEALTH, PLLC |
|------------------------|----------------------------|
| Loans | \$3,163,742 |
| Total Financing | \$3,163,742 |

In Section F, page 78 the applicant states that the working capital needs of the project will be funded as shown in the table below:

Sources of Working Capital Financing

| TYPE | WILMINGTON HEALTH, PLLC |
|------------------------|----------------------------|
| Loans | \$472,053 |
| Total Financing | \$472,053 |

In Exhibit F-2.1, the applicant provides a letter dated April 17, 2023 signed by the Senior Vice President of Southern Bank confirming the bank’s willingness to consider a loan in the amount of \$4.5 million to provide funding for the proposed capital and working capital needs of the project. The exhibit also provides a letter dated April 17, 2023, signed by the Chief Financial Officer of Wilmington Health, PLLC that commits the loaned funds to the project development. The letter also states that, should bank financing be unavailable, Wilmington Health, PLLC has sufficient funds in “*operations and/or cash reserves*” to cover the capital and working capital needs of the project.

Financial Feasibility

The applicant provides pro forma financial statements for the interim year and the first three full FYs of operation, CYs 2025-2027, following project completion. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the last full fiscal year following project completion, as shown in the table below:

| Wilmington Health | | | | |
|-----------------------------------------|-----------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | PARTIAL YEAR 9/15/24- 12/31/24 | 1ST PY CY 2025 | 2ND PY CY 2026 | 3RD PY CY 2027 |
| Total Procedures (unweighted) | 404 | 1,766 | 2,503 | 3,332 |
| Total Gross Revenues (Charges) | \$612,525 | \$2,755,245 | \$4,022,611 | \$5,514,362 |
| Total Net Revenue | \$195,717 | \$880,370 | \$2,737,286 | \$1,761,978 |
| Average Net Revenue per Procedure | \$484 | \$499 | \$514 | \$529 |
| Total Operating Expenses (Costs) | \$285,959 | \$1,109,027 | \$1,329,014 | \$1,455,348 |
| Average Operating Expense per Procedure | \$708 | \$628 | \$531 | \$437 |
| Net Income | (\$90,242) | (\$228,657) | (\$43,688) | \$306,630 |

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, “*Form F2.2 Assumptions*”. 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 historical CY 2022 payor mix and projected average charge through all three project years, increased by 3% annually.
- Bad debt is based on the applicant’s CY 2022 historical experience.
- Contractual adjustments by payor and charity care are based on the projected difference between gross revenue and net revenue, based on the applicant’s CY 2022 historical experience.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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.

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

Capital and Working Capital Costs

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

| | |
|---------------------|--------------------|
| Renovation Costs | \$640,902 |
| Medical Equipment | \$1,394,745 |
| Miscellaneous Costs | \$210,923 |
| Total | \$2,246,570 |

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:

- Renovation cost is based on a signed construction cost estimate dated March 27, 2023, from Adams Southeastern Construction.
- Medical equipment cost is based on a vendor quotation plus 7% sales tax.
- Furniture costs, non-medical equipment costs, financing costs and consultant fees are based on the applicant's experience.

In Section F.3, page 75, the applicant projects that start-up costs will be \$11,000 and initial operating expenses will be \$24,000, for a total working capital of \$35,000. On pages 75-76, 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:

- The applicant states it currently offers mobile MRI services at the Porters Neck location but estimates a three-month start-up period to accommodate the proposed fixed MRI scanner.
- The start-up costs include clinical staffing, inventory needs, equipment operation and occupying facility space for an estimated three month period.

- The initial operating expenses are based on an estimated three month period within which patients and staff will transition from the contracted mobile MRI scanner to the fixed MRI scanner.
- The applicant states cash revenue from current mobile MRI services consistently exceeds expenses and the applicant does not anticipate that will change during the transition from mobile MRI services to the fixed MRI scanner.

Availability of Funds

In Section F, page 73 the applicant states that the capital cost will be funded as shown in the table below:

| Sources of Capital Cost Financing | |
|------------------------------------------|--------------------|
| TYPE | EMERGEORTHO |
| Loans | \$2,246,570 |
| Total Financing | \$2,246,570 |

In Section F, page 76 the applicant states that the working capital needs of the project will be funded as shown in the table below:

| Sources of Working Capital Financing | |
|---------------------------------------------|-------------------------|
| TYPE | WILMINGTON HEALTH, PLLC |
| Loans | \$35,000 |
| Total Financing | \$35,000 |

In Exhibit F-2, the applicant provides a letter dated April 3, 2023, signed by the Market President of Truist Bank confirming the bank’s willingness to consider a loan in the amount of \$2.5 million to provide funding for the proposed capital and working capital needs of the project. The letter also states that EmergeOrtho, PA currently has “*excess deposits and cash flow which are far in excess of the current project cost*” to cover the capital and working capital needs of the project.

Financial Feasibility

The applicant provides pro forma financial statements for first three full FYs of operation, CYs 2025-2027, following project completion. In Form F.2b, the applicant projects that revenues will exceed operating expenses for the proposed fixed MRI scanner in each of the first three fiscal years, as shown in the table below:

EmergeOrtho

| | 1ST PY CY 2025 | 2ND PY CY 2026 | 3RD PY CY 2027 |
|-----------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Total Procedures (unweighted) | 2,689 | 3,846 | 4,665 |
| Total Gross Revenues (Charges) | \$3,230,853 | \$4,620,687 | \$5,604,717 |
| Total Net Revenue | \$1,066,129 | \$1,520,380 | \$1,843,399 |
| Average Net Revenue per Procedure | \$396 | \$348 | \$312 |
| Total Operating Expenses (Costs) | \$1,039,863 | \$1,337,647 | \$1,456,670 |
| Average Operating Expense per Procedure | \$387 | \$348 | \$312 |
| Net Income | \$26,266 | \$182,733 | \$386,729 |

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, “*Form F.2/3 Assumptions*”. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Patient services payor mix and average charges are based on the applicant’s historical CY 2022 payor mix projected through all three project years.
- Bad debt is based on the applicant’s historical experience at 1.25% of gross revenue annually projected through all three project years.
- Direct expenses are based on the applicant’s historical experience with its existing MRI services, projected forward.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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.

- (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
 All Applications

The 2023 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. The fixed MRI service area is a single county, except where there is no licensed acute care hospital located within the county.*” Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved fixed MRI scanners currently located in the New Hanover County service area, summarized from Table 17E-1, page 347 of the 2023 SMFP:

New Hanover County Fixed MRI Scanners

| PROVIDER | # OF FIXED SCANNERS | SERVICE TYPE | TOTAL MRI SCANS | ADJUSTED TOTAL |
|-------------------------------------------|---------------------|--------------------|-----------------|----------------|
| NHNHRMC* Medical Mall | 1 | Hospital Fixed | 2,686 | 2,961 |
| NHNHRMC Main Campus | 2 | Hospital Fixed | 8,496 | 13,656 |
| NHNHRMC Orthopedic Hospital | 1 | Hospital Fixed | 5,388 | 6,136 |
| Novant Health Scotts Hill Medical Center^ | 1 | Hospital Fixed | 0 | 0 |
| EmergeOrtho, P.A. | 1 | Freestanding Fixed | 4,510 | 4,612 |
| Wilmington Health, PLLC | 1 | Freestanding Fixed | 3,463 | 3,759 |

*Novant Health New Hanover Regional Medical Center

^NH Scotts Hill Medical Center was approved for a fixed MRI in Project ID #O-12124-21. That project is under development

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section G, page 77, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in the New Hanover fixed MRI service area. The applicant states:

“The high level of MRI utilization at Delaney Radiology supports the need to develop a fixed MRI scanner. The proposed project is needed to enhance access to Delaney Radiology’s well-utilized MRI services. As shown in Section C.4, Delaney Radiology demonstrates the need the population has for the proposed project based on demographic data specific to the service area, historical utilization, and qualitative benefits.”

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 2023 SMFP for the proposed fixed MRI scanner in the New Hanover County fixed MRI service area.
- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanners in the service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments and responses to those comments
- Remarks made at the public hearing
- 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.

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located adjacent to the main hospital.

In Section G, pages 83-85, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in the New Hanover County fixed MRI service area. On page 83 the applicant states:

“NH New Hanover proposes to acquire a fixed MRI scanner and to operate the MRI scanner to address high MRI scan demand at the medical center. The existing NH New Hanover MRI scanners are over their practical limits of capacity, having performed 6,828 adjusted MRI scans in FY2021 and 6,946 adjusted MRI scans in FY2022. This exceeds the SMFP definition of capacity (6,240 procedures annually).”

The applicant provides additional information regarding current delays in scheduling MRI scans for its patients, its efforts at physician recruitment and the types of advanced MRI scans it projects to perform, all of which the applicant states show there will be no unnecessary duplication of existing or approved MRI services in the service area. 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 2023 SMFP for the proposed fixed MRI scanner in the New Hanover County fixed MRI service area.
- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanners in the service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing
- 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.

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section G, page 85, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in the New Hanover County fixed MRI service area. The applicant states:

“... the proposed project is in response to a need determination for one additional fixed MRI scanner in the 2023 SMFP for New Hanover County. Currently, four of the six fixed MRI scanners in New Hanover County are hospital-based; the scanner approved in 2022, following a need determination in the 2021 SMFP, will also be hospital-based. As the demand for outpatient MRI services continues to increase, it is imperative that lower-cost freestanding MRI services be made available, not only to provide convenient and cost effective MRI services to patients, but also to help lessen capacity constraints on the existing hospital-based services in the region to better serve patients in need of inpatient care.”

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 2023 SMFP for the proposed fixed MRI scanner in the New Hanover County fixed MRI service area.

- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanners in the service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing
- 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.

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section G, pages 82-84, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in the New Hanover County fixed MRI service area. On page 83 the applicant states:

“EmergeOrtho does not propose to acquire and operate more fixed MRI scanners than are determined to be needed in the 2023 SMFP. ... EmergeOrtho’s proposed project will improve local access for New Hanover County residents to high quality and cost-effective outpatient MR imaging in a lower cost, geographically convenient, easily accessible freestanding diagnostic imaging setting.”

The applicant provides additional information on pages 83-84 regarding benefit to patients from the proposed location of the proposed MRI scanner and the support of EmergeOrtho’s referring physicians, the need for low cost freestanding fixed MRI services in the service area, and the relocation of the existing mobile MRI scanner to other host sites outside of New Hanover County, all of which the applicant states show there will be no unnecessary duplication of existing or approved MRI services in the service area. 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 2023 SMFP for the proposed fixed MRI scanner in the New Hanover County fixed MRI service area.

- The applicant adequately demonstrates that the proposed fixed MRI scanner is needed in addition to the existing or approved fixed MRI scanners in the service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing
- 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
 All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section Q Form H Staffing, the applicant provides the projected full-time equivalent (FTE) positions for the proposed fixed MRI service for the interim and first three full fiscal years (FY), calendar years (CY) 2025-2027 as summarized below:

| Delaney Radiology Proposed Staffing | | | | |
|--------------------------------------------|---------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| POSITION | PARTIAL YEAR CY 2024 | 1ST FULL FY CY 2025 | 2ND FULL FY CY 2026 | 3RD FULL FY CY 2027 |
| MRI Scheduler/Pre-Cert. | 1.0 | 1.0 | 1.0 | 1.0 |
| MRI Technologist | 3.0 | 3.0 | 3.0 | 3.0 |
| Total | 4.0 | 4.0 | 4.0 | 4.0 |

The assumptions and methodology used to project staffing are provided in Section Q, page 127. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 79-80, the applicant states it currently has staff in place and does not project any new FTE positions as a result of this project. The applicant provides examples of its proposed training and continuing education programs on page 80 and referenced exhibits.

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 it currently provides fixed MRI services and has staff in place to accommodate the additional fixed MRI services.
- The applicant adequately demonstrates its methods to train and retain staff, as well as its methods to ensure staff certification based on its historical experience.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located adjacent to the main hospital.

In Section Q Form H Staffing, the applicant provides the projected full-time equivalent (FTE) positions for the proposed fixed MRI services for the interim and first three full fiscal years, as summarized below:

NHNHRMC Staffing

| POSITION | 1ST FULL FY FY 2025 | 2ND FULL FY FY 2026 | 3RD FULL FY FY 2027 |
|------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| MRI Technologist | 20.62 | 20.62 | 20.62 |
| MRI Lead | 1.25 | 1.25 | 1.25 |
| Total | 21.87 | 21.87 | 21.87 |

The assumptions and methodology used to project staffing are provided in Section Q, “*Form H Staffing Assumptions*”. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 88-90, the applicant describes the methods to be used to recruit or fill new positions and its proposed 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 of recruiting staff, which includes recruitment through established regional and corporate human resources departments, the Novant Health website, newspapers and trade journals.
- The applicant adequately demonstrates its methods to train and retain staff, as well as its methods to ensure continued staff certification based on Novant Health’s experience.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section Q Form H Staffing, the applicant provides the projected FTE positions for the proposed fixed MRI service for the first three full FYs, CYs 2025-2027 as summarized below:

Wilmington Health Proposed Staffing

| POSITION | 1 ST FULL FY CY 2025 | 2 ND FULL FY CY 2026 | 3 RD FULL FY CY 2027 |
|-------------------|------------------------------------|------------------------------------|------------------------------------|
| MRI Technologists | 3.0 | 3.0 | 3.0 |
| Patient Rep | 1.0 | 1.0 | 1.0 |
| Total | 4.0 | 4.0 | 4.0 |

The assumptions and methodology used to project staffing are provided in Section Q, “*Form H Assumptions*”. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 87-88, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. On pages 87-88 the applicant states it partners with Cape Fear Community College, Miller Motte College, UNC Wilmington School of Nursing and Caring for Life for staff training 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 intent to recruit and retain qualified staff for the FTE positions it proposes.
- The applicant adequately demonstrates its methods of training and retain staff, as well as its methods to ensure staff will acquire and maintain appropriate certification.
- The applicant provides evidence of existing training programs it offers.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section Q Form H Staffing, the applicant provides the projected FTE positions for the proposed fixed MRI service for the first three full FYs, CYs 2025-2027 as summarized below:

EmergeOrtho Proposed Staffing

| POSITION | 1 ST FULL FY CY 2025 | 2 ND FULL FY CY 2026 | 3 RD FULL FY CY 2027 |
|------------------------|------------------------------------|------------------------------------|------------------------------------|
| MRI Technologists | 1.25 | 1.75 | 2.00 |
| Administrator/CEO | 0.05 | 0.05 | 0.05 |
| Business Office | 0.75 | 0.75 | 0.75 |
| Clerical (Scheduler) | 0.75 | 0.75 | 0.75 |
| Other (Sales Liaison) | 0.10 | 0.10 | 0.10 |
| Other (MRI Tech Asst.) | 1.25 | 1.75 | 2.00 |
| Total | 4.15 | 5.15 | 5.65 |

The assumptions and methodology used to project staffing are provided in Section H, page 85. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 85-88, 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 intent to recruit and retain qualified staff for the FTE positions it proposes.
- The applicant adequately demonstrates its methods to train and retain staff, as well as its methods to ensure staff will acquire and maintain appropriate certification.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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
All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

Ancillary and Support Services

In Section I, page 82, the applicant identifies the necessary ancillary and support services for the proposed services and explains how each ancillary and support service will be made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant currently provides fixed MRI services at Delaney Radiology and currently provides the necessary ancillary and support services.
- The applicant states it will continue to provide the necessary ancillary and support services following the addition of the proposed fixed MRI.

Coordination

In Section I, pages 83-84, the applicant states it has established relationships with local health care and social services providers in the service area because it has been providing services for over 40 years. The applicant provides letters of support in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant currently has established relationships with other local healthcare and social services providers.
- The applicant confirms it will continue those relationships upon project completion.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located adjacent to the main hospital.

Ancillary and Support Services

In Section I, page 92, the applicant identifies the necessary ancillary and support services for the proposed MRI services. On pages 93-94, the applicant explains how each ancillary and support service 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 provides a letter signed by the SVP & President, NHRMC & Coastal Market that documents support for the necessary ancillary and support services.
- The applicant currently provides ancillary and support services for its existing MRI services and documents that those services will continue to be provided.

Coordination

In Section I, page 94, the applicant describes its efforts to develop 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 the following:

- The applicant currently has transfer agreements with area hospitals.
- The applicant documents that it offers education, outreach and screening programs with community organizations and social services organizations and states it will continue those relationships following the addition of the proposed fixed MRI scanner.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

Ancillary and Support Services

In Section I, page 89, the applicant identifies the necessary ancillary and support services for the proposed MRI services and explains how each ancillary and support service will be made available. The applicant 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 provides a letter signed by the Chief Executive Officer of Wilmington Health, PLLC that documents support for the necessary ancillary and support services.
- The applicant provides support letters from area physicians who express support for the project and indicate an intent to refer patients for MRI services.

Coordination

In Section I, page 90, the applicant describes its efforts to develop 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 the following:

- The applicant currently has existing relationships with the local healthcare community and other healthcare and community benefit pharmacies.
- The applicant documents that it offers education, outreach and screening programs with community organizations and social services organizations and states it will continue those relationships following the addition of the proposed fixed MRI scanner.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

Ancillary and Support Services

In Section I, page 89, the applicant identifies the necessary ancillary and support services for the proposed MRI services. On pages 89-90, the applicant explains how each ancillary and support service will be made available and provides supporting documentation in Exhibits I-1 and I.2. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant provides a March 14, 2023, letter signed by the existing medical director at EmergeOrtho Coastal Region that documents support for the proposed project.
- The applicant currently provides ancillary and support services for its existing MRI services and documents that those services will continue to be provided.

Coordination

In Section I, page 94, the applicant describes its efforts to develop 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 the following:

- The applicant states board-certified radiologists currently read MR images pursuant to an existing radiology services agreement and will continue to provide that service following project completion.
- The applicant states it is a long-standing provider of MRI services and as such, has existing professional relationships within the broader healthcare community, which will continue following project completion.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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
All Applications

None of the applicants 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, none of the applicants projects providing 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
All Applications

None of the applicants is 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
All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section K, page 87, the applicant states the project involves renovating 795 square feet of space to build out an MRI suite in existing space in the existing building. Line drawings are provided in Exhibit K-2.

On page 88, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states its architect based construction cost on their experience with similar projects, a detailed review of the project and published construction costing data.

- The applicant provides a letter from its licensed architect in Exhibit K.3 certifying the renovation costs.

On page 88, 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 applicant states the project will not increase charges to the public or projected reimbursement rates, because those rates are set by Medicare, Medicaid or private payors.
- The applicant states the project will be developed to ensure efficient design and compliance with all applicable federal, state and local building codes, as well as requirements for energy efficiency and consumption.

On page 88, the applicant identifies any applicable energy saving and water conservation features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located adjacent to the main hospital.

In Section K, page 98 the applicant states the project involves constructing 2,462 square feet of new space adjacent to the existing radiology department of the hospital. Line drawings are provided in Exhibit K.1.

On page 99 the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the applicant's statement that the project architect reviewed the necessary construction and provided an estimate based on that review. The applicant provides a cost estimate from a licensed architect in Exhibit F.1.

On page 80, 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 applicant states the proposed project will reduce the cost of MRI services in the service area since it will be developed in existing space and will be a freestanding facility.
- The applicant states payors will incur a lower charge structure in the proposed freestanding facility, which lowers the cost of services to the patient.

On pages 99-100, the applicant identifies any applicable energy saving and water conservation features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section K, page 87, the applicant states the project involves renovating 1,750 square feet of existing space in the existing building for both the MRI scanner and support space. Line drawings are provided in Exhibit C.1-1

On pages 93-94, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant proposes to renovate existing space to house the proposed fixed MRI scanner, which the applicant states will keep construction costs low.
- The applicant provides a detailed construction cost estimate in Exhibit C.1-2.

On page 94, 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 applicant states the project will not increase costs and charges to the public because the costs incurred to develop the project are minimal since they involve renovating existing space rather than new construction.
- The applicant states the project will be developed to ensure efficient design and compliance with all applicable federal, state, and local building codes, as well as requirements for energy efficiency and consumption.

On page 94, the applicant identifies any applicable energy saving and water conservation features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

In Section K, page 93, the applicant states the project involves renovating 650 square feet of existing space at the Porters Neck facility. Line drawings are provided in Exhibit K.2

On pages 93-94, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant proposes to renovate existing space to house the proposed fixed MRI scanner, which the applicant states will keep construction costs low.
- The applicant provides a detailed construction cost estimate in Exhibit K.3.

On page 94, 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 applicant states the project will not increase costs of providing diagnostic services because the applicant will obtain competitive market quotes from equipment vendors and negotiate the scanner acquisition.
- The applicant states the project will increase productivity, patient safety and scheduling efficiency and help contain costs.

On page 94, the applicant identifies any applicable energy saving and water conservation features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

- (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;

C – All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

In Section L, page 91, the applicant provides the historical payor mix during CY 2022 for its existing diagnostic center services, as shown in the table below:

**Delaney Radiology
 Diagnostic Imaging Historical Payor Mix CY 2022**

| PAYOR CATEGORY | DIAGNOSTIC IMAGING SERVICES AS PERCENT OF TOTAL |
|----------------------|----------------------------------------------------|
| Self-Pay | 3.0% |
| Charity Care* | -- |
| Medicare** | 44.0% |
| Medicaid** | 3.0% |
| Insurance** | 46.6% |
| Workers Compensation | 0.8% |
| Other (Government) | 2.6% |
| Total | 100.0% |

*On application page 91, the applicant states charity care is included in the "self-pay" category.

**Includes managed care plans

In Section L, page 92, 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 | 77.7% | 52.3% |
| Male | 22.3% | 47.7% |
| Unknown | -- | -- |
| 64 and Younger | 56.0% | 81.1% |
| 65 and Older | 44.0% | 18.9% |
| American Indian | -- | 0.6% |
| Asian | 0.1% | 1.5% |
| Black or African American | 3.4% | 13.1% |
| Native Hawaiian or Pacific Islander | -- | 0.1% |
| White or Caucasian | 23.1% | 77.3% |
| Other Race | -- | 8.5% |
| Declined / Unavailable | 73.3% | -- |

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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.

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

In Section L, page 103, the applicant provides the historical payor mix during CY 2022 for all of NHHNHRMC, as shown in the following table:

NHHNHRMC Historical Payor Mix CY 2022

| PAYOR CATEGORY | MRI SERVICES AS PERCENT OF TOTAL |
|----------------------|----------------------------------|
| Self-Pay | 3.1% |
| Charity Care | 4.8% |
| Medicare** | 40.1% |
| Medicaid** | 16.5% |
| Insurance** | 29.9% |
| Workers Compensation | 0.3% |
| TRICARE | 2.7% |
| Other (Government) | 2.6% |
| Total | 100.0% |

**Includes managed care plans

In Section L, page 104, 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 | 61.2% | 50.5% |
| Male | 38.8% | 49.5% |
| Unknown | 0.0% | 0.0% |
| 64 and Younger | 62.4% | 83.2% |
| 65 and Older | 37.6% | 16.8% |
| American Indian | 0.9% | 1.3% |
| Asian | 0.6% | 6.1% |
| Black or African American | 17.5% | 13.6% |
| Native Hawaiian or Pacific Islander | 0.1% | 0.3% |
| White or Caucasian | 73.3% | 59.3% |
| Other Race | 4.8% | 19.4% |
| Declined / Unavailable | 2.8% | 0.0% |

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

- Response to written comments
- Remarks made at the public hearing

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.

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner

In Section L, page 97, the applicant states this proposal will create a new diagnostic center and thus the applicant has no historical patient origin for fixed MRI services. However, the applicant contracts with a mobile MRI vendor that ceased operation in November 2022. On page 98 the applicant provides the historical payor mix for the mobile MRI services provided from 1/1/2022-11/30/2022, as shown in the table below:

WH Mobile MRI Historical Payor Mix 1/1/2022-11/30/2022

| PAYOR CATEGORY | MRI SERVICES AS PERCENT OF TOTAL |
|---------------------------------------------------|----------------------------------|
| Self-Pay | 1.2% |
| Charity Care* | -- |
| Medicare** | 44.4% |
| Medicaid** | 1.0% |
| Insurance** | 45.4% |
| Other (Includes Workers Compensation and TRICARE) | 8.0% |
| Total | 100.0% |

*The applicant states its internal data "does not include Charity Care as a payor source for patients."

**Includes managed care plans

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 | 61.0% | 52.3% |
| Male | 39.0% | 47.7% |
| Unknown | 0.0% | 0.0% |
| 64 and Younger | 58.0% | 81.1% |
| 65 and Older | 42.0% | 18.9% |
| American Indian | 0.2% | 0.6% |
| Asian | 1.1% | 1.5% |
| Black or African American | 10.7% | 13.1% |
| Native Hawaiian or Pacific Islander | 0.1% | 0.1% |
| White or Caucasian | 72.8% | 82.3% |
| Other Race | 1.7% | 2.3% |
| Declined / Unavailable | 13.3% | 0.0% |

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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.

O-12374-23 / EmergeOrtho PA/Acquire one fixed MRI scanner

In Section L, page 102, the applicant provides the historical payor mix during CY 2022 for EmergeOrtho-Wilmington Porters Neck, as shown in the table below:

EmergeOrtho Historical Payor Mix CY 2022

| PAYOR CATEGORY | DIAGNOSTIC IMAGING SERVICES AS PERCENT OF TOTAL |
|----------------------|----------------------------------------------------|
| Self-Pay | 0.44% |
| Charity Care | 0.00% |
| Medicare** | 37.42% |
| Medicaid** | 3.08% |
| Insurance** | 49.523% |
| Workers Compensation | 1.29% |
| TRICARE | 7.88% |
| Other | 0.36% |
| Total | 100.0% |

**Includes managed care plans

In Section L, page 103, 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 | 54.84% | 52.3% |
| Male | 45.16% | 47.7% |
| Unknown | 0.0% | 0.0% |
| 64 and Younger | 54.47% | 81.1% |
| 65 and Older | 45.53% | 18.9% |
| American Indian | 1.03% | 0.6% |
| Asian | 0.68% | 1.5% |
| Black or African American | 8.42% | 13.1% |
| Native Hawaiian or Pacific Islander | 0.15% | 0.1% |
| White or Caucasian | 68.07% | 78.5% |
| Other Race | 2.63% | 6.2% |
| Declined / Unavailable | 19.02% | 0.0% |

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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
All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 93, the applicant states it is under no obligation under federal regulations to provide uncompensated care or community service or access by minorities and handicapped persons.

In Section L, page 94, 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
- Response to written comments
- Remarks made at the public hearing

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

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 105, the applicant states that it has no obligation to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 105, 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
- Response to written comments
- Remarks made at the public hearing

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

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner

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 that it has no obligation to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 100, 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
- Response to written comments
- Remarks made at the public hearing

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

O-12374-23 / EmergeOrtho PA/Acquire one fixed MRI scanner

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 104, the applicant states that it has no obligation to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 104, 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 applicant states that in May 2022 an adult patient’s caretaker filed a complaint with the federal Office of Civil Rights, alleging denial of service due to patient disability. EmergeOrtho addressed the complaint and the OCR determined that no additional action was necessary. The matter was closed by OCR on June 1, 2022.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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
 All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

In Section L, page 94, the applicant projects the following payor mix for the proposed MRI services during the third full fiscal year of operation following project completion, as shown in the table below:

**DELANEY RADIOLOGY
 PROJECTED PAYOR MIX CY 2027**

| PAYOR CATEGORY | FIXED MRI SERVICES AS PERCENT OF TOTAL |
|----------------------|----------------------------------------|
| Self-Pay | 2.3% |
| Charity Care* | -- |
| Medicare** | 45.6% |
| Medicaid** | 3.5% |
| Insurance** | 44.2% |
| Workers Compensation | 2.9% |
| Other (Government) | 1.5% |
| Total | 100.0% |

*On application page 94, the applicant states charity care is included in the “self-pay” category.

**Includes managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 2.3% of total fixed MRI services will be provided to self-pay patients, 45.6% to Medicare patients and 3.5% to Medicaid patients.

On page 94, 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 because it is based on the historical payor mix based on CY 2022 and partial CY 2023 for Delaney Radiology.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

In Section L, page 106, the applicant projects the following payor mix for the proposed fixed MRI services during the third full fiscal year of operation following project completion, as shown in the table below:

NHNHRMC Projected Payor Mix MRI Services FY 2027

| PAYOR CATEGORY | MRI SERVICES AS PERCENT OF TOTAL |
|-----------------------|-------------------------------------|
| Self-Pay | 1.6% |
| Charity Care | 4.1% |
| Medicare** | 54.3% |
| Medicaid** | 12.5% |
| Insurance** | 22.0% |
| Workers Compensation* | -- |
| TRICARE* | -- |
| Other (Government) | 5.5% |
| Total | 100.0% |

*Applicant did not provide projected payor mix for these categories for MRI services, though it is included in the total NHNHRMC projected payor mix.

**Includes managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.6% of total services will be provided to self-pay patients, 4.1% to charity care patients, 54.3% to Medicare patients and 12.5% to Medicaid patients.

On page 106 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 because it is based on the applicant's historical payor mix for MRI services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner

In Section L, page 101, the applicant projects the following payor mix for the proposed MRI services during the third full fiscal year of operation following project completion, as shown in the table below:

Wilmington Health Projected Payor Mix, CY 2027

| PAYOR CATEGORY | MRI SERVICES AS PERCENT OF TOTAL |
|---------------------------------------------------|----------------------------------|
| Self-Pay | 0.6% |
| Charity Care* | -- |
| Medicare** | 44.5% |
| Medicaid** | 2.0% |
| Insurance** | 48.1% |
| Other (Includes Workers Compensation and TRICARE) | 4.8% |
| Total | 100.0% |

*The applicant states its internal data "does not include Charity Care as a payor source for patients."

**Includes managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.6% of total fixed MRI services will be provided to self-pay patients, 44.5% to Medicare patients and 2.0% to Medicaid patients.

On pages 100-101, 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 because it is based on FY 2022 historical payor mix for the applicant's mobile MRI services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12374-23 / EmergeOrtho PA/Acquire one fixed MRI scanner

In Section L, page 105, the applicant projects the following payor mix for the proposed MRI services during the third full fiscal year of operation following project completion, as shown in the table below:

EMERGEORTHO MRI PROJECTED PAYOR MIX CY 2027

| PAYOR CATEGORY | FIXED MRI SERVICES AS PERCENT OF TOTAL |
|-----------------------|-----------------------------------------------|
| Self-Pay | 0.63% |
| Charity Care | 1.50% |
| Medicare* | 36.12% |
| Medicaid* | 3.67% |
| Insurance* | 48.99% |
| Workers Compensation | 2.25% |
| TRICARE | 6.43% |
| Other | 0.30% |
| Total | 100.0% |

*Includes managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 0.63% of total fixed MRI services will be provided to self-pay patients, 36.12% to Medicare patients and 3.67% to Medicaid patients.

On page 104, 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 because it is based on CY 2022 historical payor mix for MRI services.

The Agency reviewed the:

- Application
- Exhibits to the application

- Written comments
- Response to written comments
- Remarks made at the public hearing

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
All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

In Section L, page 96, the applicant adequately describes the range of means by which patients will have access to the proposed fixed MRI services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Response to written comments
- Remarks made at the public hearing

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

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

In Section L, page 107, 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
- Response to written comments
- Remarks made at the public hearing

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

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner

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
- Response to written comments
- Remarks made at the public hearing

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

O-12374-23 / EmergeOrtho PA/Acquire one fixed MRI scanner

In Section L, pages 106-107, 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
- Response to written comments
- Remarks made at the public hearing

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.

All Applications. In Sections M in each application, each of the applicants describes the extent to which health professional training programs in the area have or will have access to their facility for training purposes and provides supporting documentation in the referenced exhibits.

The Agency reviewed the:

- Applications
- Exhibits to the applications
- Written comments
- Responses to written comments
- Remarks made at the public hearing

Based on that review, the Agency concludes that all of the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, all of the applications are conforming to this criterion.

- (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 All Applications

The 2023 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. The fixed MRI service area is a single county, except where there is no licensed acute care hospital located within the county.”* Therefore, for the purpose of this review, the fixed MRI service area is New Hanover County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved fixed MRI scanners currently located in the New Hanover County service area, summarized from Table 17E-1, page 347 of the 2023 SMFP:

New Hanover County Fixed MRI Scanners

| PROVIDER | # OF FIXED SCANNERS | SERVICE TYPE | TOTAL MRI SCANS | ADJUSTED TOTAL |
|-------------------------------------------|---------------------|--------------------|-----------------|----------------|
| NHNHRMC* Medical Mall | 1 | Hospital Fixed | 2,686 | 2,961 |
| NHNHRMC Main Campus | 2 | Hospital Fixed | 8,496 | 13,656 |
| NHNHRMC Orthopedic Hospital | 1 | Hospital Fixed | 5,388 | 6,136 |
| Novant Health Scotts Hill Medical Center^ | 1 | Hospital Fixed | 0 | 0 |
| EmergeOrtho, P.A. | 1 | Freestanding Fixed | 4,510 | 4,612 |
| Wilmington Health, PLLC | 1 | Freestanding Fixed | 3,463 | 3,759 |

*Novant Health New Hanover Regional Medical Center

^NH Scotts Hill Medical Center was approved for a fixed MRI in Project ID #O-12124-21. That project is under development

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 98, the applicant states:

“Delaney Radiology expects the acquisition of a new MRI scanner to have a positive effect on competition in the service area because it will increase the current capacity of MRI scanner services in the service area. ... the addition of Delaney’s proposed 3T MRI to New Hanover County introduces new technology to the area without increasing costs to patients or third-party payors.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 98, the applicant states:

“This project will not affect the cost to patients or payors for the services provided by Delaney Radiology because reimbursement rates are set by the federal government and commercial insurers regardless of the type of MRI machine. The capital expenditure for this project is necessary to ensure that Delaney Radiology will continue to provide high-quality services that are accessible to patients. ...

Delaney Radiology notes that its average MRI treatment costs reflect a global bill, which includes the technical and professional components. Patients do not incur an additional professional fee for MRI procedures performed at Delaney Radiology.”

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

Regarding the impact of the proposal on quality, in Section N, page 99, the applicant states:

“Delaney Radiology is committed to developing and carrying out a performance improvement plan to ensure safety and quality. The objective is to make certain a mechanism is in place, which will ensure the occurrence of an ongoing evaluation of various aspects of the operation of the MRI scanner, both medical and non-medical. The plan provides a methodology to monitor, analyze, and improve performance.”

See also Section O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 100, the applicant states:

“The Delaney Radiology fixed MRI scanner will be readily accessible to any resident of Wilmington with access to the Cape Fear Public Transportation Authority, operating as Wave Transit. The Wave Transit Route 205 (Long Leaf Park) Stop 11100 is directly in front of Delaney Radiology-Main. One-way daily fares range from \$1.00 to \$2.00.

Delaney Radiology attempts to address the barriers to access in its daily operation. Delaney Radiology does not discriminate against any class of patient based on age, sex, religion, race, handicap, ethnicity, or ability to pay.

Delaney Radiology actively participates in both the Medicaid and Medicare programs.”

See also Sections C and L 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 written comments
- Remarks made at the public hearing
- 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.

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located adjacent to the main hospital.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 111, the applicant states:

“NH New Hanover expects the acquisition of a new MRI scanner to have a positive effect on competition in the service area because it will increase the current capacity of MRI scanner services in the service area. The current existing fixed MRI scanner at NH New Hanover are nearing the practical limits of their capacity. This creates delays in receiving scans or causes patients and physicians to seek MRI scans at other locations. The proposed Siemens MAGNETOM Vida 3.0T MRI scanner will allow more complex MRI scans to be performed in New Hanover County. This allows patients to stay in the community for these advanced scans and ultimately lowers their costs in time and travel.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 111, the applicant states:

“Novant Health is delivering value and quality in outcomes through its population health management programs. This approach encourages wellness and preventive care and managing existing conditions to slow or reverse the progression of disease, all while lowering the overall cost of care. The key to the population health management approach is coordinated care, with physicians, nurses, pharmacists, dieticians, social workers referral coordinators, and others working together to give patients the customized care they want and need.”

See also pages 111-113, Sections C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 113-114, the applicant states:

“Quality at NH New Hanover is derived from its commitment to excellence in all aspects of care throughout the healthcare system. Quality care at the organization is provided by highly skilled and compassionate teams using advanced technology, treatment protocols, and carefully outlined safety and quality assurance standards

based on the tenets that care is patient-centered, safe, timely, effective, efficient, and equitable. Quality goals, measures, and efforts are established and monitored by the NH New Hanover board of directors and monitored at a higher system level by the Novant Health Coastal Region board of directors.”

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 114-115, the applicant states:

“NH New Hanover provides services to all persons regardless of race, sex, age, religion, creed, disability, national origin, or ability to pay.”

See also pages 115-116 and Sections C and L 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
- Response to written comments
- Remarks made at the public hearing
- 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.

O-12370-23 / Wilmington Health, PLLC /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 104, the applicant states:

“The proposed project will enhance competition in the service area by promoting cost effectiveness, quality, and access to freestanding MRI services in New Hanover County.”

Regarding the impact of the proposal on cost effectiveness, in Section B, pages 30-31, the applicant states:

“Wilmington Health’s vision statement sets forth its focus on maximizing healthcare value through reducing the cost of care while maintaining high quality. For its fifty year history, Wilmington Health has demonstrated a commitment to providing high quality, low cost healthcare to all of its patients, and over the past decade in particular through its Accountable Care Organization (ACO) participation. ... Based on data collected and analyzed from Medicare participants’ claims, in 2012, Wilmington Health showed an average total yearly expenditure by a Medicare patient of \$7,019, down 11.7 percent from the organization’s 2010 numbers and \$2,844 less than all other recent MSSP participants, a 28.8 percent savings. Overall, between 2010 and 2012, Wilmington Health saved Medicare approximately \$34.1 million. In addition, Wilmington Health saved Medicare approximately \$3.2 million and \$3.4 million in 2019 and 2020, respectively.

...
Wilmington Health also had the second lowest cost of care (per capita total expenditures) in the state of North Carolina.”

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

Regarding the impact of the proposal on quality, in Section B, pages 31-32, the applicant states:

“Wilmington Health is known for providing high quality services and expects the proposed project to provide patients significant benefits in terms of safety and quality, access, and value through expanded service capacity while bolstering its high quality standard of care. Central to Wilmington Health’s care for thousands of patients each year are its mission and vision, which embody its focus on quality.”

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, pages 114-115, the applicant states:

“The proposed project will expand access to lower-cost freestanding MRI services in the service area, including to historically medically underserved groups. Wilmington Health has long-promoted economic access to its services and it historically has provided services to all persons in need of medical care, regardless of race, sex, creed, age, national origin, handicap, or ability to pay as stated in Wilmington Health’s Language and Communication Assistance Policy provided in Exhibit B.20-4. This policy also establishes Wilmington Health’s interpretation and communication assistance services to ensure the provision of the utmost in culturally competent care, particularly for non-native English speakers.”

See also Sections B, C and L 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
- Response to written comments
- Remarks made at the public hearing
- 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.

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 110, the applicant states:

“The proposed project will promote cost effective, high quality and accessible MRI services With this project to acquire one fixed MRI scanner, EmergeOrtho, as an experienced diagnostic imaging provider, is expecting to enhance competition in the service area by augmenting the medical diagnostic imaging services it currently offers in New Hanover County, and promoting improved patient access to quality, cost-effective, and accessible diagnostic imaging.”

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

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 110-111, the applicant states:

“EmergeOrtho will develop the Porters Neck fixed MRI scanner project in a cost-effective manner. ... As a dedicated outpatient center, EmergeOrtho offers affordable prices on imaging exams, and for most patients the simplicity of ne bill with no additional facility or radiologist fee.

...

The development of the fixed MRI service in Porters Neck represents an efficient use of an existing building that can be accomplished in a timely and cost-effective manner.”

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

Regarding the impact of the proposal on quality, in Section N, pages 111-112, the applicant states:

“EmergeOrtho is an experienced local provider of healthcare and diagnostic imaging services and is dedicated to ensuring quality and patient safety through compliance with all applicable regulatory standards established regarding diagnostic imaging. Patient safety and quality will be incorporated into all aspects of the project, including equipment selection and installation, facility renovation, staff credentialing and education, patient selection and scheduling, and continuous quality measures and patient satisfaction surveys.”

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 112-113, the applicant states:

“EmergeOrtho has historically provided care and services to all medically underserved populations. EmergeOrtho does not discriminate based on income, race, ethnicity, creed, color, age, religion, national origin, gender, physical or mental handicap, sexual orientation, or any other factor that would classify a patient as underserved.

EmergeOrtho is a participating Medicare and Medicaid provider serving the elderly and medically indigent populations in New Hanover County and surrounding communities.”

See also Sections C, L and O 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
- Response to written comments
- Remarks made at the public hearing
- 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
All Applications

O-12353-23 / Delaney Radiologists Group, P.L.L.C. /Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

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

In Section O, page 106, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care that occurred in either of its facilities. Diagnostic centers are not subject to DHSR license requirements. 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.

O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located adjacent to the main hospital.

In Section Q, Form O, the applicant identifies the hospitals and other facilities located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of 37 of this type of facility located in North Carolina.

In Section O.5, page 122, the applicant reports that, during the 18 months immediately preceding the submittal of the application, one incident related to quality of care occurred in the NHNHRMC main campus on June 24, 2022, for which the facility was back in compliance on August 22, 2022. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, two incidents related to quality of care occurred in two facilities: the incident at the NHNHRMC main campus and one incident at NH Forsyth Medical Center on October 12, 2022, for which the facility was back in compliance on February 17, 2023. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all Novant Health facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

O-12370-23 / Wilmington Health, PLLC / Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

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

In Section O, page 109, the applicant states that, during the 18 months immediately preceding the submittal of the application, *“Each of the facilities identified in Form O has continually maintained all relevant licensure, certification, and accreditation...”*

Diagnostic centers are not subject to DHSR license requirements. 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.

O-12374-23 / EmergeOrtho, P.A. /Acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP

The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP.

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

In Section O, page 117, the applicant states: *“Diagnostic centers are not licensed facilities, therefore there are no Division of Health Service Regulation license requirements. However, EmergeOrtho has never had its Medicare or Medicaid provider agreement terminated. Each of the EmergeOrtho diagnostic imaging centers listed on Form O has provided quality care and operated in compliance with Medicare Conditions of Participation during the 18 months immediately preceding the submittal of this application.”*

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.

(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-All 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 **fixed MRI** scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period shall:*

- (1) *identify the existing fixed MRI scanners owned or operated by the applicant or a related entity and located in the proposed fixed MRI scanner service area;*
 - NA- **Delaney Radiology.** Neither the applicant nor any related entity owns or operates a fixed MRI scanner in the proposed fixed MRI scanner service area.
 - C- **NH and NHNHRMC.** In Section C, page 62 the applicant states it currently owns or operates four fixed MRI scanners in the fixed MRI scanner service area.
 - C- **Wilmington Health.** In Section C, page 61 the applicant states it owns or operates one fixed MRI scanner in the fixed MRI scanner service area.
 - C- **EmergeOrtho.** In Section C, page 59 the applicant states it owns and operates one fixed MRI scanner in the proposed fixed MRI scanner service area.
- (2) *identify the approved fixed MRI scanners owned or operated by the applicant or a related entity and located in the proposed fixed MRI scanner service area;*
 - NA- **Delaney Radiology.** In Section C, page 57, the applicant states that neither the applicant nor any related entity has been approved to own or operate a fixed MRI scanner located in the proposed fixed MRI scanner service area.
 - C- **NH and NHNHRMC.** In Section C, page 62 the applicant identifies one approved fixed MRI scanner proposed to be located at NH Scotts Hill Medical Center in the proposed fixed MRI scanner service area.
 - NA- **Wilmington Health.** In Section C, page 61 the applicant states that neither the applicant nor any related entity has been approved to own or operate a fixed MRI scanner located in the proposed fixed MRI scanner service area.
 - NA- **EmergeOrtho.** In Section C, page 60, the applicant states that neither the applicant nor any related entity has been approved to own or operate a fixed MRI scanner located in the proposed fixed MRI scanner service area.

(3) *identify the existing mobile MRI scanners owned or operated by the applicant or a related entity that provided mobile MRI services at host sites located in the proposed fixed MRI scanner service area during the 12 months before the application deadline for the review period;*

-NA- **Delaney Radiology.** In Section C, page 57 the applicant states that neither the applicant nor any related entity owns or operates a mobile MRI scanner in the proposed fixed MRI scanner service area. The applicant states it is a joint venture member with Novant Heath New Hanover Regional Medical Center (NHNHRMC) in Porters Neck Imaging, LLC (PNI) which owns and operates a mobile MRI scanner that serves Delaney Radiology on Saturdays. However, the applicant states that neither Delaney Radiology nor NHNHRMC holds a controlling interest in PNI.

-NA- **NH and NHNHRMC.** In Section C, page 62 the applicant states there are no existing mobile MRI scanners owned or operated by the applicant or a related entity that provided mobile MRI services at host sites located in the proposed fixed MRI scanner service area during the 12 months before application deadline.

-NA- **Wilmington Health.** In Section C, page 61 the applicant states that neither the applicant nor any related entity owns or operates a mobile MRI scanner in the proposed fixed MRI scanner service area.

-NA- **EmergeOrtho.** In Section C, page 60 the applicant states that neither the applicant nor any related entity owns or operates a mobile MRI scanner in the proposed fixed MRI scanner service area.

(4) *identify the approved mobile MRI scanners owned or operated by the applicant or a related entity that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area;*

-NA- **Delaney Radiology.** In Section C, page 58 the applicant states that neither the applicant nor any related entity has been approved to own or operate a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

-NA- **NH and NHNHRMC.** In Section C, page 62 the applicant states that neither the applicant nor any related entity has been approved to own or operate a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

-NA- **Wilmington Health.** In Section C, page 61 the applicant states that neither the applicant nor any related entity has been approved to own or operate a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

-NA- **EmergeOrtho.** In Section C, page 60 the applicant states that neither the applicant nor any related entity has been approved to own or operate a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

- (5) *provide projected utilization of the MRI scanners identified in Subparagraphs (a)(1) through (a)(4) of this Paragraph and the proposed fixed MRI scanner during each of the first three full fiscal years of operation following completion of the project;*
- C- **Delaney Radiology.** In Section Q, Form C.2b, page 112, the applicant provides projected utilization for its proposed fixed MRI scanner during each of the first three full fiscal years of operation following project completion.
- C- **NH and NHRMC.** In Section Q, Form C.2b, the applicant provides projected utilization for its existing fixed MRI scanners and the proposed fixed MRI scanner during each of the first three full fiscal years of operation following project completion.
- C- **Wilmington Health.** In Section Q, Form C.2b, the applicant provides projected utilization for its existing fixed MRI scanner and the proposed fixed MRI scanner during each of the first three full fiscal years of operation following project completion.
- C- **EmergeOrtho.** In Section Q, Form C.2b, the applicant provides projected utilization for its existing and proposed fixed MRI scanners during each of the first three full fiscal years of operation following project completion.
- (6) *provide the assumptions and methodology used to project the utilization required by Subparagraph (a)(5) of this Paragraph;*
- C- **Delaney Radiology.** In Section Q, “*Assumptions to Projected Utilization*”, pages 113-117, the applicant provides projected utilization of the proposed fixed MRI scanner through the first three full fiscal years of operation following project completion.
- C- **NH and NHRMC.** In Section Q, “*Utilization Methodology and Assumptions*”, the applicant provides the assumptions and methodology used to project utilization of its existing and proposed fixed MRI scanners.
- C- **Wilmington Health.** In Section Q, “*Form C Assumptions and Methodology*”, the applicant provides the assumptions and methodology used to project utilization of its existing and proposed fixed MRI scanners.
- C- **EmergeOrtho.** In Section Q, “*Form C.2b Assumptions and Methodology*”, the applicant provides the assumptions and methodology used to project utilization of its existing and proposed fixed MRI scanners.
- (7) *project that the fixed MRI scanners identified in Subparagraphs (a)(1) and (a)(2) of this Paragraph and the proposed fixed MRI scanner shall perform during the third full fiscal year of operation following completion of the project as follows:*
- (a) *3494 or more adjusted MRI procedures per MRI scanner if there are two or more fixed MRI scanners in the fixed MRI scanner service area;*

- (b) *3058 or more adjusted MRI procedures per MRI scanner if there is one fixed MRI scanner in the fixed MRI scanner service area; or*
- (c) *1310 or more adjusted MRI procedures per MRI scanner if there are no existing fixed MRI scanners in the fixed MRI scanner service area; and*

According to Table 17E-1, page 347 of the 2023 SMFP, there are currently seven existing fixed MRI scanners in the New Hanover County fixed MRI scanner service area; thus, Subparagraph (a) applies to this review.

-C- **Delaney Radiology.** In Section Q, Form C.2b, page 112, the applicant projects to provide over 3,494 adjusted MRI procedures on the proposed fixed MRI scanner during the third full fiscal year of operation following project completion. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-C- **NH and NHNHRMC.** In Section C, page 63, the applicant projects to provide over 3,494 adjusted MRI procedures on each of its fixed MRI scanners during the third full fiscal year of operation following project completion. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-C- **Wilmington Health.** In Section Q, Form C.2b, the applicant projects to provide over 3,494 adjusted MRI procedures on each of its fixed MRI scanners during the third full fiscal year of operation following project completion. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-C- **EmergeOrtho.** In Section Q, Form C.2b, pages 123-124 the applicant projects to provide over 3,494 adjusted MRI procedures on each of its fixed MRI scanners during the third full fiscal year of operation following project completion. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

(8) *Project that the mobile MRI scanners identified in Subparagraphs (3) and (4) of this Paragraph shall perform 3120 or more adjusted MRI procedures per mobile MRI scanner during the third full fiscal year of [operation following] completion of the proposed project.*

-NA- **Delaney Radiology.** Neither the applicant nor any related entity owns or operates a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area..

-NA- **NH and NHNHRMC.** Neither the applicant nor any related entity has been approved to own or operate a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

-NA- **Wilmington Health.** Neither the applicant nor any related entity has been approved to own or operate a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

-NA- **EmergeOrtho.** Neither the applicant nor any related entity has been approved to own or operate a mobile MRI scanner that will provide mobile MRI services at host sites located in the proposed fixed MRI scanner service area.

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

- (1) *identify the existing mobile MRI scanners owned or operated by the applicant or a related entity that provided mobile MRI services at host sites located in the proposed mobile MRI scanner service area during the 12 months before the application deadline for the review period;*
- (2) *identify the approved mobile MRI scanners owned or operated by the applicant or a related entity that will provide mobile MRI services at host sites located in the proposed mobile MRI scanner service area;*
- (3) *identify the existing fixed MRI scanners owned or operated by the applicant or a related entity that are located in the proposed mobile MRI scanner service area;*
- (4) *identify the approved fixed MRI scanners owned or operated by the applicant or a related entity that will be located in the proposed mobile MRI scanner service area;*
- (5) *identify the existing and proposed host sites for each mobile MRI scanner identified in Subparagraphs (b)(1) and (b)(2) of this Paragraph and the proposed mobile MRI scanner;*
- (6) *provide projected utilization of the MRI scanners identified in Subparagraphs (b)(1) through (b)(4) of this Paragraph and the proposed mobile MRI scanner during each of the first three full fiscal years of operation following completion of the project;*
- (7) *provide the assumptions and methodology used to project the utilization required by Subparagraph (b)(6) of this Paragraph;*
- (8) *project that the mobile MRI scanners identified in Subparagraphs (b)(1) and (b)(2) of this Paragraph and the proposed mobile MRI scanner shall perform 3120 or more adjusted MRI procedures per MRI scanner during the third full fiscal year of operations following completion of the project; and*
- (9) *project that the fixed MRI scanners identified in Subparagraphs (b)(3) and (b)(4) of this Paragraph shall perform during the third full fiscal year of operations following completion of the project:*
 - (a) *3494 or more adjusted MRI procedures per fixed MRI scanner if there are four or more fixed MRI scanners in the fixed MRI scanner service area;*
 - (b) *3058 or more adjusted MRI procedures per fixed MRI scanner if there are three fixed MRI scanners in the fixed MRI scanner service area;*
 - (c) *1310 or more adjusted MRI procedures per MRI scanner if there are two fixed MRI scanners in the fixed MRI scanner service area;*

-NA- **Delaney Radiology.** The applicant does not propose to acquire a mobile MRI scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period.

- NA- **NH and NHNHRMC.** The applicant does not propose to acquire a mobile MRI scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period.
- NA- **Wilmington Health.** The applicant does not propose to acquire a mobile MRI scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period.
- NA- **EmergeOrtho.** The applicant does not propose to acquire a mobile MRI scanner pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period.

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2022 State Medical Facilities Plan, no more than one fixed MRI scanner may be approved for the New Hanover County fixed MRI service area in this review. Because all of the applications in this review collectively propose to develop four additional fixed MRI scanners to be located in the New Hanover County fixed MRI service area, all of the applications cannot be approved. 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 all of the proposals to decide which proposal should be approved.

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

- **O-12353-23/ Delaney Radiologists Group, P.L.L.C./Acquire one fixed MRI scanner**
Delaney Radiologists Group, P.L.L.C. proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located at Delaney Radiologist Group, a diagnostic center to be located in Wilmington.
- **O-12361-23 / Novant Health, Inc. and Novant Health New Hanover Regional Medical Center, LLC / Acquire one fixed MRI scanner**
The applicant proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP to be located in a medical center building that will be developed on the main hospital campus in Wilmington. Upon project completion, the applicant will own a total of six fixed MRI scanners, three of which will be located at the main hospital.
- **O-12370-23 / Wilmington Health, PLLC / Acquire one fixed MRI scanner**
Wilmington Health, PLLC proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located at Wilmington Health Porters Neck, a medical office building located in Wilmington, and develop a diagnostic center.
- **O-12374-23 / EmergeOrtho, P.A. / Acquire one fixed MRI scanner**
EmergeOrtho, P.A. proposes to acquire one fixed MRI scanner pursuant to the need determination in the 2023 SMFP, to be located at EmergeOrtho-Wilmington Porters Neck, a medical office building located in Wilmington, and develop a diagnostic center.

Conformity with 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. All four applications are conforming to all applicable statutory and regulatory review criteria. Therefore, regarding this comparative factor, all four applications are equally effective alternatives.

Geographic Accessibility (Location within the Service Area)

There are currently six existing fixed MRI scanners and one approved fixed MRI scanner located or to be located in New Hanover County. All of the existing and approved fixed MRI scanners are located in the city of Wilmington. The project analyst examined a map of Wilmington, and for the purposes of

this comparative factor, will use NHNHRMC’s location, 2141 S. 17th Street as the “center” since the hospital is located approximately in the center of the city, assuming the intersection of highways 117 and 17 is the geographic center as indicated on Google® maps¹. Below is a table created by the project analyst that shows the approximate distance of each existing fixed MRI scanner and the one approved fixed MRI scanner from this center, as shown on Google® maps:

Distance of Existing and Approved Fixed MRI Scanners from 2131 S. 17th Street, Wilmington

| FACILITY | WILMINGTON ADDRESS | # FIXED MRI SCANNERS | DISTANCE FROM “CENTER” |
|--------------------------------------------|---------------------------------|----------------------|------------------------|
| NHRMC Medical Mall | 2131 S. 17 th Street | 1 | 0.0 miles |
| NHNHRMC Main Campus | 2131 S. 17 th Street | 2 | 0.0 miles |
| NHNH Orthopedic Hospital | 5301 Wrightsville Ave. | 1 | 6.0 miles northeast |
| NH Scotts Hill Medical Center [^] | 151 Scotts Hill Med. Dr. | 1 (approved) | 16 miles northeast |
| EmergeOrtho Shipyard | 3787 Shipyard Blvd. | 1 | 2 miles east |
| Wilmington Health, PLLC | 1202 Medical Center Dr. | 1 | 0.6 miles east |

*Source: Google® maps and 2023 SMFP
[^]See Project ID #O-12124-21

The project analyst conducted the same analysis using the proposed location of each of the fixed MRI scanners as proposed in this review. Below is a table prepared by the project analyst that shows the approximate distance of the proposed location of each fixed MRI scanner from the center (2131 S. 17th Street) as explained above. The distances utilized by the project analyst are taken from the “fastest route” as indicated by Google® maps when researching the distances. See the following table:

Distance of Proposed Fixed MRI Scanners from 2131 S. 17th Street, Wilmington

| FACILITY | WILMINGTON ADDRESS | DISTANCE FROM “CENTER” |
|-------------------------|---------------------------------|------------------------|
| Delaney Radiology | 1205 Medical Center Dr. | 0.5 miles east |
| Novant Health NHRMC | 2131 S. 17 th Street | 0.0 miles |
| Wilmington Health, PLLC | 8090 Market Street | 11.5 miles northeast |
| EmergeOrtho, PA | 8115 Market Street | 17.1 |

*Source: Google® maps and applications submitted by each applicant (O-12353-23, O-12361-23, O-12370-23, O-12374-23)

Six of the existing fixed MRI scanners are located less than seven miles from the center, and one approved fixed MRI scanner (the scanner approved for the NH Scotts Hill location pursuant to Project ID #O-12124-21) will be located approximately 16 miles northeast of the center. Thus, the analyst concludes that six of the seven existing or approved fixed MRI scanners in New Hanover County are located in the center of Wilmington, or less than seven miles from the center.

In this review, **Delaney Radiology** proposes to locate the fixed MRI scanner in its existing medical office building on Medical Center Drive, which is approximately 0.5 miles from the center. **Novant Health, Inc. and NHNHRMC, LLC** proposes to locate the fixed MRI scanner at the center location, 2131 S. 17th Street. **Wilmington Health, PLLC** proposes to locate the fixed MRI scanner at 8090 Market Street in Wilmington, approximately 11.5 miles northeast of the center. **EmergeOrtho, PA** proposes to locate its fixed MRI scanner at 8115 Market Street in Wilmington, approximately 17.1 miles from the center. Given that six of the existing fixed MRI scanners are centrally located in Wilmington and the one approved fixed MRI scanner will be located 16 miles from the center, it is

¹ <https://www.google.com/maps/search/hospital/@34.2097162,-77.8843332,15z?entry=ttu>

reasonable to conclude that the introduction of a new fixed MRI scanner that will be located outside of the center of Wilmington would provide greater geographic access to fixed MRI services in the service area. Locating a new fixed MRI scanner in a geographic location outside of the center of Wilmington would introduce fixed MRI services to those patients for whom travel to downtown Wilmington is cumbersome. Likewise, locating a new fixed MRI scanner north/northeast of downtown Wilmington would provide access to those New Hanover County patients who reside further north of Wilmington or other surrounding areas. Therefore, with regard to geographic accessibility to fixed MRI scanner services in the fixed MRI service area, the applications submitted by **Wilmington Health, PLLC** and **EmergeOrtho, PA** represent the more effective alternatives.

Competition

Generally, the application proposing to increase competition in the service area is the more effective alternative with regard to this comparative factor. The introduction of a new provider in the service area would be a more effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality and/or lower costs for services in order to compete for patients. **Novant Health, Inc. and NHHHRMC, LLC, Wilmington Health PLLC and EmergeOrtho PA** currently provide fixed MRI services in the service area. **Delaney Radiology** contracts for mobile MRI services in the service area but does not currently provide fixed MRI services in the service area. Therefore, **Delaney Radiology** would introduce a new provider of fixed MRI services in the service area. Thus, with regard to increasing competition for fixed MRI services in the New Hanover County fixed MRI service area, the application submitted by **Delaney Radiology** represents 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 ... 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 access by underserved groups, applications are compared with respect to two underserved groups: Medicare patients and Medicaid patients. Access by each group is treated as a separate factor.

Projected Medicare

The project analyst compared each applicant’s projected Medicare as a percentage of gross revenue rather than projected Medicare dollar amounts. A comparison of actual Medicare dollars between providers would be inequitable, because it would skew the results in favor of larger hospital networks with greater revenue versus smaller physician based practices and/or imaging centers. The following table shows each applicant’s percentage of gross revenue (charges) projected to be provided to Medicare patients in each applicant’s third full fiscal year of operation following project completion, based on information provided in each applicant’s pro forma financial statements in Section Q. Generally, the

application proposing to provide a higher percentage of services to Medicare patients is the more effective alternative with regard to this comparative factor.

Services to Medicare Patients - Project Year 3

| Applicant | Medicare Gross Revenue | Total Gross Revenue | Medicare % of Total Gross Revenue |
|------------------------|------------------------|---------------------|-----------------------------------|
| Delaney Radiology | \$3,544,035 | \$7,771,788 | 45.6% |
| Novant Health NHRMC | \$27,104,116 | \$49,915,499 | 54.3% |
| Wilmington Health PLLC | \$2,452,191 | \$5,514,362 | 44.5% |
| EmergeOrtho PA | \$2,042,692 | \$5,604,717 | 36.4% |

Source: Form F.2 for each applicant.

As shown in the table above, the application submitted by **Novant Health, Inc. and NHNHRMC, LLC** projects that 54.3% of its MRI services will be provided to Medicare patients. The application submitted by **Delaney Radiology** projects 45.6% of its fixed MRI services will be provided to Medicare patients. The application submitted by **Wilmington Health PLLC** projects that 44.5% of its fixed MRI services will be provided to Medicare patients. The application submitted by **EmergeOrtho PA** projects that 44.5% of its fixed MRI services will be provided to Medicare patients. Therefore, with regard to service to Medicare patients, the application submitted by **Novant Health, Inc. and NHNHRMC, LLC** is the more effective alternative.

Projected Medicaid

The project analyst compared each applicant’s projected Medicaid as a percentage of gross revenue rather than projected Medicaid dollar amounts. A comparison of actual Medicaid dollars between providers would be inequitable, because it would skew the results in favor of larger hospital networks with greater revenue versus smaller physician based practices and/or imaging centers. The following table shows each applicant’s percentage of gross revenue (charges) projected to be provided to Medicaid patients in each applicant’s third full fiscal year of operation following project completion, based on information provided in each applicant’s pro forma financial statements in Section Q. Generally, the application proposing to provide a higher percentage of services to Medicaid patients is the more effective alternative with regard to this comparative factor.

Services to Medicaid Patients - Project Year 3

| Applicant | Medicaid Gross Revenue | Total Gross Revenue | Medicaid % of Total Gross Revenue |
|------------------------|------------------------|---------------------|-----------------------------------|
| Delaney Radiology | \$272,013 | \$7,771,788 | 3.5% |
| Novant Health NHRMC | \$6,239,437 | \$49,915,499 | 12.5% |
| Wilmington Health PLLC | \$112,629 | \$5,514,362 | 2.0% |
| EmergeOrtho PA | \$210,971 | \$5,604,717 | 3.8% |

Source: Form F.2 for each applicant.

As shown in the table above, the application submitted by **Novant Health, Inc. and NHNHRMC, LLC** projects that 12.5% of its MRI services will be provided to Medicaid patients. The application submitted by **Delaney Radiology** projects that 3.5% of its fixed MRI services will be provided to Medicaid patients. The application submitted by **Wilmington Health PLLC** projects that 2.0% of its fixed MRI services will be provided to Medicaid patients. The application submitted by **EmergeOrtho**

PA projects that 3.8% of its fixed MRI services will be provided to Medicaid patients. Therefore, with regard to service to Medicaid patients, the application submitted by **Novant Health, Inc. and NHHHRMC, LLC** is the more effective alternative.

Projected Average Net Revenue per Weighted MRI Procedure

The following table compares the projected average net revenue per weighted MRI procedure for the third year of operation following project completion for all the applicants, based on the information provided in the applicants’ pro forma financial statements (Section Q). Generally regarding this factor, the application proposing the lowest average net revenue per MRI procedure is the more effective alternative.

Projected Average Net Revenue per Weighted MRI Procedure - Project Year 3

| Applicant | Net Revenue | # of Weighted MRI Procedures | Average Net Revenue/Weighted MRI Procedure |
|------------------------|--------------|------------------------------|--------------------------------------------|
| Delaney Radiology | \$2,724,012 | 5,713 | \$477 |
| Novant Health NHRMC | \$12,538,773 | 15,714 | \$798 |
| Wilmington Health PLLC | \$1,761,978 | 3,697 | \$477 |
| EmergeOrtho PA | \$1,843,399 | 4,520 | \$408 |

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

NHHHRMC provided projected revenues (Form F.2b) for all of its existing and proposed fixed MRI scanners located or to be located at the main hospital campus. EmergeOrtho provided projected revenues (Form F.2b) for both of its existing and proposed fixed MRI scanners but provided separate Forms F.2b for each location (Shipyard and Porters Neck). Wilmington Health provided projected revenues (Form F.2b) for the proposed fixed MRI scanner at the Porters Neck location. Therefore, this comparison uses the Forms F.2b for the proposed fixed MRI scanner for each of the applicants who provided separate Forms and uses the Form F.2b for all of the existing and proposed fixed MRI scanners for NHHHRMC.

As shown in the table above, the application submitted by **EmergeOrtho PA** projects the lowest net revenue per weighted MRI procedure in the third operating year. The applications submitted by **Novant Health, Inc. and NHHHRMC, LLC, Wilmington Health PLLC** and **Delaney Radiology** project a higher net revenue per weighted MRI procedure in the third operating year. Therefore, with regard to this comparative factor, the application submitted by **EmergeOrtho PA** is the more effective alternative.

Projected Average Operating Expense per Weighted MRI Procedure

The following table compares the projected average operating expense per weighted MRI procedure in the third year of operation for each of the applicants, based on the information provided in the applicants’ pro forma financial statements (Form F.2). Generally, the application proposing the lowest average operating expense per weighted MRI procedure is the more effective alternative with regard to this comparative factor.

Projected Operating Expense per Weighted MRI Procedure - Project Year 3

| | Operating Expenses | # of Weighted MRI Procedures | Average Net Revenue/Weighted MRI Procedure |
|------------------------|--------------------|------------------------------|--------------------------------------------|
| Delaney Radiology | \$1,112,987 | 5,713 | \$195 |
| Novant Health NHRMC | \$4,422,291 | 15,173 | \$291 |
| Wilmington Health PLLC | \$1,455,348 | 3,697 | \$394 |
| EmergeOrtho PA* | \$1,153,470 | 4,520 | \$255 |

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

*Professional fees were deducted from the operating expenses for EmmergeOrtho, PA.

NHNHRMC provided projected operating expenses (Form F.3b) for all of its existing and proposed fixed MRI scanners located or to be located at the main hospital campus. EmmergeOrtho provided projected operating expenses (Form F.3b) for both of its existing and proposed fixed MRI scanners but provided separate Forms F.3b for each location (Shipyards and Porters Neck). Wilmington Health provided projected operating expenses (Form F.3b) for the proposed fixed MRI scanner at the Porters Neck location. Therefore, this comparison uses the Forms F.3b for the proposed fixed MRI scanner for each of the applicants who provided separate Forms and uses the Form F.3b for all of the existing and proposed fixed MRI scanners for NHNHRMC.

As shown in the table above, the application submitted by **Delaney Radiology** projects the lowest average operating expense per weighted MRI procedure in the third operating year. **Novant Health, Inc. and NHNHRMC, LLC, Wilmington Health PLLC and EmmergeOrtho PA** each project higher operating expenses per weighted MRI procedure in the third operating year. Therefore, the application submitted by **Delaney Radiology** is the most effective application with respect to projected average operating expense per weighted MRI procedure.

Summary

The following table lists the comparative factors and indicates whether each application was more effective or less effective 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 | Delaney Radiology | Novant Health, Inc. and NHNHRMC, LLC | Wilmington Health PLLC | EmmergeOrtho PA |
|---------------------------------------------------|-----------------------|--------------------------------------|------------------------|-----------------------|
| Conformity with Review Criteria | Yes | Yes | Yes | Yes |
| Geographic Accessibility | Less Effective | Less Effective | More Effective | More effective |
| Competition (Access to new or alternate provider) | Less Effective | Less Effective | Less Effective | More Effective |
| Access by Medicare Patients | Less effective | More Effective | Less effective | Less effective |
| Access by Medicaid Patients | Less effective | More Effective | Less effective | Less effective |
| Average Net Revenue per MRI Procedure | Less effective | Less effective | Less effective | More Effective |
| Average Operating Expense per MRI Procedure | More Effective | Less effective | Less effective | Less effective |

All four applications as submitted are conforming to all applicable statutory and regulatory review criteria, and thus all applications are approvable standing alone. However, collectively they propose a total of four fixed MRI scanners in the New Hanover County fixed MRI service area, but the need

determination in the 2022 SMFP is for only one fixed MRI scanner. Therefore, only one fixed MRI scanner in the service area can be approved.

As shown in the table above, the application submitted by **Delaney Radiology** was determined to be a more effective alternative for the following factor:

- Average operating expense per weighted MRI procedure

As shown in the table above, the application submitted by **Novant Health, Inc. and NHNHRMC, LLC** was determined to be a more effective alternative for the following two factors:

- Access by Medicare patients
- Access by Medicaid patients

As shown in the table above, the application submitted by **Wilmington Health PLLC** was determined to be a more effective alternative for the following factor:

- Geographic accessibility

As shown in the table above, the application submitted by **EmergeOrtho PA** was determined to be a more effective alternative for the following three factors:

- Geographic accessibility
- Competition (Access to a new or alternate provider)
- Average net revenue per weighted MRI procedure

DECISION

Each application is individually conforming to the need determination in the 2022 SMFP for one fixed MRI scanner in the New Hanover County fixed MRI service area, as well as individually conforming to all statutory and regulatory 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 following application is approved:

- Project I.D. # O-12374-23 / **EmergeOrtho PA** / Develop one fixed MRI scanner pursuant to the 2023 SMFP need determination

And the following applications are denied:

- Project I.D. # O-12353-23 / **Delaney Radiology** / Develop one fixed MRI scanner pursuant to the 2023 SMFP need determination

- Project I.D. # O-12361-23 / **Novant Health, Inc. and NHNHRMC, LLC** / Develop one fixed MRI scanner pursuant to the 2023 SMFP need determination
- Project I.D. # O-12370-23 / **Wilmington Health PLLC** / Develop one fixed MRI scanner pursuant to the 2023 SMFP need determination

The application submitted by **Emerge Ortho, P.A. (Project I.D. # O-12374-23)** is approved subject to the following conditions:

- 1. EmergeOrtho, P.A. (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall acquire no more than one fixed MRI scanner pursuant to the need determination in the 2023 SMFP to be located at EmergeOrtho-Wilmington Porters Neck diagnostic center at 8115 Market Street, Suite 108 in Wilmington.**
- 3. Upon competition of this project, EmergeOrtho-Wilmington Porters Neck shall be licensed for no more than one (1) fixed MRI.**
- 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. The first progress report shall be due on February 1, 2024.**
- 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 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.**