

PETITION FOR AN ADJUSTMENT TO A NEED DETERMINATION

**Petition to Remove the Fixed MRI Need Determination in the
Pasquotank/Camden/Currituck/Perquimans Service Area in the
*2018 State Medical Facilities Plan***

PETITIONER

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STATEMENT OF THE PROPOSED CHANGE

Sentara Albemarle Medical Center (SAMC) respectfully petitions the State Health Coordinating Council (SHCC) to remove the need determination for one fixed MRI scanner in the Pasquotank/Camden/Currituck/Perquimans service area in the *2018 State Medical Facilities Plan (SMFP)*. Table 9R in the *Proposed 2018 SMFP* shows a need for an additional fixed MRI scanner for that service area; SAMC requests that the need determination be removed and that there would be no need for a fixed MRI scanner in that service area in the *2018 SMFP*.

REASON FOR THE REQUESTED ADJUSTMENT

For the past decade, SAMC has been the sole provider of MRI services in the four-county service area. While the hospital's mobile MRI scanner served two sites in Currituck County in the mid-2000s, the volume at these sites was low and SAMC is currently the only site of MRI service in the service area. As the only MRI provider in the four-county area, SAMC believes that despite the proposed need determination, there is no need for an additional fixed MRI scanner in the service area, for the following reasons.

1. Negative volume trends

Over the past five years, MRI volume in the service area has changed only slightly. As shown in the table below, the utilization has fluctuated slightly, but the overall trend has been a slight decline in volume.

SMFP Year	Service Area MRI Volume (weighted procedures)
2014	3,790
2015	3,720
2016	3,603
2017	3,304

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Proposed 2018	3,776
CAGR*	-0.1%

*Compound Annual Growth Rate

The range of volume during this time has been small, with a difference of only 486 procedures between the highest and lowest volume years. In contrast, MRI volume across the state has grown at a much higher rate over the same time frame.

SMFP Year	Statewide MRI Volume (unweighted scans[^])
2014	791,443
2015	777,633
2016	800,182
2017	848,142
Proposed 2018	852,633
CAGR*	1.9%

*Compound Annual Growth Rate

[^]Weighted procedures are not shown for the state in the *SMFP*.

SAMC does not believe any compelling reasons exist at present that would change the historical growth rates in the service area, at least not significantly enough to fully utilize the existing fixed scanner (see discussion under #3 below). As such, SAMC does not believe that another fixed MRI scanner is needed in the service area at this time.

2. Low population with minimal growth

The four counties in the service area are small, rural and experience relatively low population growth. As shown below, the projected compound annual growth rate over the next five years for the combined service area population is less than one percent.

County	2017 Population	2022 Population	Compound Annual Growth Rate
Pasquotank	40,112	40,381	0.1%
Camden	10,223	10,224	0.0%
Currituck	26,764	29,611	2.0%
Perquimans	13,779	14,373	0.8%
Total	90,878	94,589	0.8%

Source: NC Office of State Budget and Management; September 2016 projections, accessed July 2017.

Although Currituck County has a higher growth rate than the other counties in the service area, its population is still relatively low, and could likely not support a fixed MRI scanner. To that point, Table 9P in the *Proposed 2018 SMFP* shows that no county with a population lower than Currituck's has a fixed MRI scanner, except those with a hospital, which Currituck

County does not have. Further, none of the MRI sites in counties of a similar or smaller size, whether fixed or mobile, have the volume required to demonstrate need for a second fixed MRI scanner in a Certificate of Need review, which is 3,775 weighted procedures. Thus, SAMC does not believe that the current and projected population growth in the service area warrants a second fixed MRI scanner.

3. Sufficient MRI capacity

According to the *SMFP*, the annual maximum capacity of a fixed MRI scanner is 6,864 procedures per year. With only 3,776 procedures performed in FY 2016, the existing scanner at SAMC is capable of performing an additional 3,088 procedures before reaching capacity. Given the historical volume and population trends, SAMC believes that the existing fixed scanner has sufficient capacity to meet any normal growth for the foreseeable future.

Moreover, SAMC owns an existing mobile MRI scanner, which is able to provide additional capacity at SAMC if needed. In 2015, SAMC replaced its mobile MRI scanner following confirmation from the CON Section that the transaction was exempt from review. As part of that exemption notification, SAMC was approved to provide mobile MRI services at three sites: Sentara Kitty Hawk Advanced Imaging Center and Spring Arbor Assisted Living, both in Dare County, and SAMC in Pasquotank County. In FY 2016, the mobile MRI scanner performed 647 weighted procedures at two of those sites: Sentara Kitty Hawk and SAMC. Clearly, the mobile scanner has sufficient capacity to provide additional service to the Pasquotank/Camden/Currituck/Perquimans service area, if needed. Further, an existing mobile MRI scanner, particularly one with available capacity, is a more prudent option for a rural multi-county area than a second fixed MRI scanner, which would not likely be well utilized.

4. Difficulty meeting CON rules

Another reason for removing the need determination is the likelihood that a CON applicant, including SAMC, would have difficulty meeting the prospective performance standards in the CON rules for fixed MRI scanners. The CON rules, which were written to mirror the *SMFP* methodology, require an applicant in a service area with one existing fixed MRI scanner to project that the proposed MRI scanner will achieve a minimum of 3,775 weighted procedures by the third project year. If the applicant has an existing fixed MRI scanner, it has to reasonably project that each scanner will achieve 3,775 procedures. Since SAMC performed 3,776 weighted procedures in FY 2016, generating the proposed need determination by a single weighted procedure, it would essentially need to project its volume to double by the third project year in order to meet this standard.

If the need remains in the *2018 SMFP*, and if SAMC applies for the additional fixed MRI scanner, assuming the additional scanner is made operational by October 2019 (the start of FY 2020), the third project year would be FY 2022. Thus, SAMC would need to project 7,550 ($3,775 \times 2 = 7,550$) weighted procedures by FY 2022. To grow from 3,776 procedures in 2016 to 7,550 in 2022 requires a 15.5 percent compound annual growth rate. As shown

above, not only has the service area not experienced that level of historical growth, the state as a whole has not grown at that rate. While a few urban and suburban areas with high growth and immigration may be able to rationalize a 15 percent annual growth rate, SAMC is doubtful that the Healthcare Planning and Certificate of Need Section would find such a rate reasonable in a CON review in its service area.

5. SAMC was previously approved for a second fixed scanner that was never developed.

As many members of the SHCC may be aware, the current methodology for fixed MRI scanners was developed for the 2005 SMFP. During the early to mid-2000s, MRI volume was rapidly increasing, as clinical applications for the technology increased and costs for the equipment decreased. During this time of growth and subsequent to the 2006 SMFP, SAMC was approved to develop a second fixed MRI scanner. As shown below, MRI volume was increasing during this time, and if the trend had continued, a second scanner would have been needed.

<i>Fiscal Year</i>	<i>Service Area MRI Volume (weighted procedures)</i>
2005	4,490
2006	4,793
2007	4,877
CAGR	4.2%

Source: 2007-2009 SMFPs

Before the project was developed, however, the economic downturn occurred, with the greatest impact in rural areas like northeastern North Carolina. As unemployment grew, healthcare volume declined, including for technology like MRI. Although the economy improved from the height of the recession, other factors, such as the push by insurers for pre-authorization and the implementation of health reform, continued to suppress growth in volume for services like MRI, as shown below.

<i>Fiscal Year</i>	<i>Service Area MRI Volume (weighted procedures)</i>
2008	4,277
2009	4,253
2010	3,834
CAGR	-5.3%

Source: 2010-2012 SMFPs

As a result, SAMC (at the time not part of Sentara Healthcare) decided not to develop the second fixed MRI scanner and relinquished its Certificate of Need. With 3,776 procedures performed in FY 2016 (as shown in the *Proposed 2018 SMFP*), SAMC's MRI volume is 22 percent lower than the highest volume year, 2007, when the sole fixed MRI scanner at

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SAMC performed 4,877 procedures¹. SAMC does not expect MRI volume in the service area to exceed this historical level in the near future; thus, the existing fixed MRI at SAMC is sufficient to meet the current and expected future need in the service area.

ADVERSE EFFECTS IF PETITION IS NOT APPROVED

If the petition is not approved, the need determination will remain in the final *2018 SMFP*. It is possible that another entity will apply for the MRI scanner and project sufficient volume to be approved. However, the CON process does not require such an applicant to demonstrate volume for all the MRI scanners in the service area; thus, the second scanner could project volume on its scanner that would effectively leave the scanner at SAMC with little to no volume and still be approved. Given the trends documented above, SAMC believes that it is not reasonable to assume that a total of 7,550 MRI procedures will be performed in the service area in the near future. As such, the SHCC should consider that two fixed MRI scanners in the service area would not both be well-utilized, and the second MRI scanner would be unnecessary duplication.

ALTERNATIVES CONSIDERED

SAMC considered not filing a petition and potentially applying for the need determination in the *2018 SMFP*. However, given the cost of submitting an application, the cost of developing a second fixed MRI scanner, and the available capacity of SAMC's fixed and mobile MRI scanners to serve the area, SAMC determined that the best alternative was to ask the SHCC to remove the need determination.

UNNECESSARY DUPLICATION

As discussed above, SAMC believes that the need determination could lead to unnecessary duplication, given the available capacity of fixed and mobile MRI scanners to serve the area. Thus, the approval of the petition will obviate the potential for unnecessary duplication.

BASIC PRINCIPLES

Safety and Quality

The existing MRI service at SAMC provides care in a safe and high quality manner, and can continue to do so while meeting the expected future volume demand of the patients it serves. As part of Sentara Healthcare, SAMC has a mission to improve health every day. This mandate is pursued through a disciplined strategy to achieve Top 10% performance in key measures through shared best practices, transformation of primary care through clinical integration and strategic growth that adds value to the communities it serves. This mission will ensure that patients have access to MRI services in the service area, without needing a second fixed MRI scanner at this time.

¹ Although the *2009 SMFP* shows an inventory of two fixed MRI scanners at Albemarle Hospital, the second MRI scanner shown was a placeholder for the approved but inchoate fixed MRI scanner, which was never developed.

Access

Sufficient MRI capacity exists in the service area to meet the need of the population for some time. SAMC, a not-for-profit hospital with a mission to serve the community, provides care to all in medical need of services, including the medically underserved, without regard to age, race, gender, disability, payor status, or ability to pay. Compared to a second fixed MRI scanner, SAMC's mobile MRI scanner can more effectively provide access at multiple sites across the multi-county service area and beyond. Given these factors, SAMC does not believe that approval of the petition will prevent anyone in the service area from accessing MRI services as needed.

Value

The removal of the need determination for the service area will enhance value by preventing the potential development of an unneeded second MRI scanner. The existing fixed and mobile MRI scanners in the service area can accommodate any reasonable and anticipated growth in volume, which will increase their utilization, helping to maximize the value of the existing capacity in the service area.

CONCLUSION

SAMC supports the standard MRI methodology in the *SMFP*, which takes a tiered approach to determining need in order to ensure access to the service in areas with different levels of existing capacity. However, given the unique factors in the Pasquotank/Camden/Currituck/Perquimans service area, such as negative volume trends, low population growth, sufficient fixed and mobile MRI capacity, and the triggering of the need determination by a single procedure, SAMC believes that the citizens of North Carolina, particularly those in northeastern North Carolina, would best be served by removing the need determination from the *2018 SMFP*.