

InSight Health Corp.

December 21, 2018

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

RE: Comments on Statewide Mobile PET CON Applications

Dear Ms. Thorne-Williams:

Enclosed please find comments prepared by InSight Health Corp. regarding the competing CON applications to acquire a mobile PET to meet the statewide mobile PET need identified in the *2018 State Medical Facilities Plan*. We trust that you will take these comments into consideration during your review of the applications.

If you have any questions about the information presented here, please feel free to contact me at 704-280-3930. I look forward to seeing you at the public hearing.

Sincerely,

Pamela Robinette

Pamela Robinette
Regional Director of Sales
InSight Health Corp.

COMMENTS ABOUT COMPETING CERTIFICATE OF NEED APPLICATIONS STATEWIDE MOBILE PET SCANNER NEED DETERMINATION

Submitted by InSight Health Corp.
December 31, 2018

Four applicants submitted Certificate of Need (CON) applications in response to the need identified in the *2018 State Medical Facilities Plan (SMFP)* for one statewide mobile PET scanner. In accordance with N.C.G.S. §131E-185(a.1)(1), this document includes InSight Health Corp. (“InSight” or “InSight Imaging”) comments relating to the representations made by the other applicants and a discussion about whether the materials in their respective applications comply with the relevant review criteria, plans, and standards. These comments also address the issue of which of the competing proposals objectively represents the most effective alternative for development of an additional mobile PET scanner in North Carolina.

Specifically, the Healthcare Planning and Certificate of Need Section (the Agency), in making the decision, should consider several key issues, including the extent to which each proposed project:

- (1) Enhances market competition for and access to PET scanner services with a new provider of mobile PET scanner;
- (2) Maximizes healthcare value in the delivery of PET imaging services with competitive costs and charges;
- (3) Does not represent unnecessary duplication of existing services;
- (4) Improves geographic access to mobile PET services in rural North Carolina;
- (5) Represents the most effective alternative for developing a new mobile PET scanner program in North Carolina;
- (6) Demonstrates conformity with applicable review criteria and administrative rules;

The Agency typically performs a comparative analysis when evaluating competing applications in a need determination batch review. The purpose is to identify the application that would bring the greatest overall benefit to North Carolina residents. The table below summarizes several objective metrics that the Agency should use for comparing the applications in this statewide mobile PET scanner batch review.

Statewide Mobile PET scanner Applicant Comparative Analysis

	InSight	Mobile Imaging Partners of NC	Perspective PET Imaging	Novant Health Forsyth Medical Center
Conformity with Rules & Criteria	Yes	No	No	No
Patient Access to New Provider	Most Effective	Least Effective	Less Effective	Least Effective
Increases Geographic Accessibility to Rural Counties	Yes	Less Effective	No	Less Effective
Date of Offering of Services	10/1/2019	1/1/2020	4/1/2020	4/1/2020
Projected Charity Care	Effective	Effective	Least Effective	Effective
Projected Average Net Revenue per Scan	Most Effective	Less Effective	Less Effective	Less Effective
Projected Average Operating Expense per Scan	Effective	Less Effective	Less Effective	Most Effective

Based on this comparative analysis, which shows InSight ranks most favorably on the comparative metrics, and considering that the InSight application conforms to the Review Criteria and best achieves the Basic Principles of the 2018 SMFP (Policy GEN-3), InSight is the most effective alternative for development of a statewide mobile PET scanner.

Conformity with Review Criteria

Without establishing conformity with all applicable statutory and regulatory review criteria, an application cannot be approved. For the reasons discussed later in this document, each of the competing applications is non-conforming with multiple review criteria, and all are therefore not approvable.

Enhances Market Competition/Patient Access to New Provider

Aside from Conformity with Review Criteria, this is the most important comparative factor in this batch review. The need determination for one additional statewide mobile PET scanner represents a rare opportunity to increase rural access to PET imaging, and to improve competition. For over 13 years, Alliance controlled 100% of the mobile PET scanners in North Carolina, with Novant receiving CON authorization for its own mobile PET scanner in 2016.

In this OR batch review, the Alliance and Novant applications are simply proposing to add to their respective existing PET scanner inventory, so neither application represents a fundamental change to the North Carolina marketplace.

By contrast, the InSight project will enhance competition via being a new, experienced provider of mobile PET services in North Carolina. Local competition is healthy for providers, as it spurs continuous quality improvement, and serves as motivation for seeking maximum cost effectiveness. Local residents and host facilities throughout North Carolina will have access to an alternative mobile PET provider, which will enable the host facilities to better meet the needs of their patient population by enabling timely provision of and convenient local access to cost-effective, high quality mobile PET services.

Although PPI represents a new proposed provider, PPI is a less effective alternative, because it is simply proposing to serve its own patients in Raleigh and in Greensboro.

In summary, approval of either the Alliance or the Novant applications would result in a missed opportunity to increase competition. Approval of the PPI application does nothing to expand local access to PET imaging for rural North Carolinians. The InSight application is the most effective alternative with respect to the significant matter of providing access to an alternative provider in North Carolina.

Increases Geographic Accessibility to Rural Counties

MIPNC and NHFMC each propose to develop a mobile PET scanner simply to decompress their existing inventory of PET scanners, mostly at existing host facilities. PPI proposes to serve its own patients in urban Raleigh and Greensboro, forcing local residents ranging from western Buncombe County to eastern Dare County to travel many hours to obtain PET scans. By contrast, InSight is the only new applicant in this batch review that proposes to serve rural host locations, and thus is the most effective alternative with respect to geographic access.

Access to Care

The 2018 SMFP determined a need for one additional statewide mobile PET scanner in a market where only three currently operate; therefore, the timeliness of the proposals is an important comparative consideration. As shown on the table below, InSight projects to develop its project earlier than the other three applicants. Thus, the InSight application is not the most effective alternative in terms of offering timely access to mobile PET services for North Carolina residents.

Projected Operational Date

InSight	MIPNC	PPI	NHFMC
10/1/2019	1/1/2020	4/1/2020	4/1/2020

Source: CON Applications

Access by Medically Indigent

As shown in the respective applications, two applicants (InSight and MIPNC) project to offer charity care access to their proposed mobile PET scanner. NHFMC has a history of providing charity care at its facilities. PPI does not project to provide any charity care with its proposed mobile PET scanner. Therefore, the applications submitted by InSight, MIPNC and NHFMC are equally effective alternatives with regard to access by medically indigent patients. PPI is the least effective alternative for access by the medically indigent.

Maximize Healthcare Value

Average Charges, Reimbursement and Cost per Case

An essential issue to consider when evaluating the competing applications is the extent to which each proposed project represents a cost-effective alternative for provision of mobile PET imaging services. In the current healthcare marketplace, where cost of care is a major concern with payors and consumers, the projected average charges and average cost per PET scan are all important measures of healthcare value. In this batch review, InSight projects competitive charges and costs, with the lowest charges and the second lowest average costs of the competing proposals. Please see the following tables which compare the charge and cost data for the third project year. (Note that NHFMC proposes to bill patients directly for the PET service, while the other three applicants propose to bill the host site for the mobile service, and the host site will be the patient.)

Projected Revenue per PET Scan

Project Year	InSight	MIPNC	PPI	NHFMC
3	\$763	\$952	\$825	\$1,720

Source: CON Applications

Projected Average Cost per PET Scan

Project Year	InSight	MIPNC	PPI	NHFMC
3	\$579	\$679	\$605	\$474

Source: CON Applications

InSight is the most cost-effective alternative for offering mobile PET services.

Specific comments regarding the Forsyth Memorial Hospital, Inc. application, CON Project ID# G-011640-18

General Comments

The need determination in the 2018 SMFP for one mobile PET scanner represents a rare opportunity to introduce a new mobile PET provider and enhance competition in North Carolina. NHFMC currently owns one mobile PET scanner and provides mobile PET services in North Carolina. Furthermore, NHFMC proposes to only service Novant Health host facilities (e.g. no non-Novant host sites). Therefore, the NHFMC project will not enhance competition in North Carolina.

As a new provider of mobile PET/CT services, InSight will have a positive effect on competition in North Carolina. The proposed project will promote cost effective, high quality medical diagnostic imaging services that will be accessible by local residents. InSight's project will enable it to meet the needs of the host medical facilities' patient population, and to ensure more timely provision of and convenient access to PET/CT imaging services for North Carolina residents.

For these reasons and the reasons previously described in this document, the NHFMC application is comparatively inferior to the InSight application. Approval of the NHFMC application would result in a missed opportunity to increase competition for mobile PET services in North Carolina.

Comments specific to Criterion 1

NHFMC does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. See discussion regarding Criterion 3. Therefore, NHFMC does not adequately demonstrate its proposal would maximize healthcare value. Consequently, the application is not consistent with Policy GEN-3 and is not conforming to Criterion 1.

Comments specific to Criterion 3 and Rules

- Based on the utilization of NHFMC's existing mobile PET scanner and the admissions made about underutilization at existing host sites, it is premature for NHFMC to claim need for a second mobile PET scanner. According to its 2018 Registration and Inventory of Medical Equipment report, Novant's existing mobile PET scanner was put into operation on February 27, 2017. As shown on page 85 of NHFMC's CON application, the existing NHFMC mobile PET scanner performed only 1,420 PET scans during the most recent 12 months (9/1/17 - 8/31/18). This is well below the required utilization target of 2,080 PET scans.

Additionally, the Novant applicant states on page 42 that NH Thomasville has not yet reached its peak capacity, and on page 45 that NHRMC has not yet reached its peak capacity. In other words, two of NHFMC's five existing host sites are underutilized. Therefore, available capacity could be deployed at other proposed host sites instead of acquiring a second mobile PET scanner.

- The applicant's utilization projections are based on historical growth at existing host sites, which are aggregated into regional markets (see Tables 3 and 4 on pages 58-59); however, there is a fatal flaw in this approach. Specifically,
 - NHFMC provides historical PET scans for its existing mobile host sites, which includes utilization on both the previously contracted Alliance mobile PET scanners, as well as the newly implemented NHFMC mobile PET scanner. PET scan utilization at the existing host sites grew because days of service increased, not necessarily because demand increased.

Using NH Matthews as an example, page 57 Table 2 summarizes the mobile PET/CT utilization at NH Matthews from FY2014 - FY2018 annualized. NH Matthews hosted 119 mobile PET scans during FY14, with an annualized FY18 projection of 466 scans, or 291.6% total growth over five years. However, according to Alliance Imaging's 2015 Registration and Inventory of Medical Equipment report, hours of mobile PET service provided in FY14 totaled 117 hours ($117 \div 8 = 14.6$ annual days). According to NHFMC's 2018 Registration and

Inventory of Medical Equipment report, hours of mobile PET service dramatically increased during FY17 to 290 total hours ($290 \div 8 = 36.25$ annual days). Therefore, it is logical that an increase in limited service hours would result in an increase in utilization. Note FY17 represents NHFMC's mobile PET utilization during Feb 27, 2017 – Sept 30, 2017. On page 44, NHFMC states it is currently serving NH Matthews 1.5 days per week, or the equivalent of 600 hours (1.5 days per week x 8 hours per day x 50 weeks per year). Similarly, utilization at NH Matthews is projected to increase during FY18, based on the service hours increasing to 600 annual hours. Therefore, the 291.6% growth from 2014-2018 is artificially impacted by expanded hours of mobile PET services, not increased demand per se. Therefore, application of historical compound annual growth rates for existing host sites is not appropriate.

While it may be appropriate to assume an increase in growth during project year 1 based on expanded mobile PET access, it is illogical and inappropriate to assume that growth will persist at 90% of the regional CAGR during project year 2 and project year 3.

- As described on page 71, NHFMC projects utilization during project years 1-3 based on historical CAGRs by region; however, as previously stated, the growth is artificially impacted by increased hours of service, not by organic growth. Additionally, NHFMC did not demonstrate that it is reasonable to apply a regional CAGR for its existing PET services. Utilization for mobile PET services is site specific and the existing and proposed host sites vary greatly in both location and type of host site. For example, NH Wilkes Oncology is located in Wilkes County; however, NHFMC applied a historical CAGR based on PET utilization in its greater Winston Salem market. Utilization in the greater Winston Salem market is based primarily on fixed PET services at NHFMC. It is unclear how hospital-based, fulltime fixed PET utilization in Forsyth County is similar to a non-hospital, office-based mobile PET service in Wilkes County.
- NH Mint Hill hospital only recently opened in October 2018, so it is unclear how the facility can already demonstrate need for mobile PET services. At any rate, NHFMC could deploy existing capacity on the existing mobile unit to serve NH Mint Hill. As previously described,

two of NHFMC's five existing host sites are underutilized. The applicant states on page 42 that NH Thomasville has not yet reached its peak capacity, and on page 45 that NHRMC has not yet reached its peak capacity.

- NHFMC assumes all PET patient volume travelling from Wilkes and Stokes counties to NHFMC will shift to proposed host sites at NHOS Wilkesboro and NH Mountainview Medical, respectively (see assumptions on page 72). Given limited access at NHOS Wilkesboro (1 day/week) and NH Mountainview Medical (1 day/week), some patients may elect to receive PET imaging services at NHFMC to obtain more timely access or because they have other specialty medical services coordinated at NHFMC. NHFMC failed to address the possibility and account for appropriate retention at NHFMC.
- For the previously stated reasons, NHFMC failed to demonstrate need for a second mobile PET scanner, and that the projected mobile PET procedures are based on reasonable and adequately supported assumptions. Consequently, the NHFMC application does not conform to Criterion 3 and 10A NCAC 14C .3703 (a) & (b).

Comments specific to Criterion 4

As described previously, NHFMC does not demonstrate that projected mobile PET utilization is based on reasonable and adequately supported assumptions. Therefore, the application is not conforming to Criterion 4.

As shown on page 85 of NHFMC's CON application, the existing NHFMC mobile PET scanner performed only 1,420 PET scans during the most recent 12 months (9/1/17 - 8/31/18). Additionally, the applicant states on page 42 that NH Thomasville has not yet reached its peak capacity, and on page 45 that NHRMC has not yet reached its peak capacity. In other words, two of NHFMC's five existing host sites have not yet reached peak capacity. Given the most recent 12 months utilization for the existing PET scanner and the attestation that existing host sites are underutilized, NHFMC failed to adequately demonstrate that its proposal to acquire a second mobile PET scanner is an effective alternative.

Moreover, NHFMC does not adequately demonstrate that the alternative proposed in its application is the most effective alternative to meet the

need because it is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be the most effective alternative.

Comments specific to Criterion 5

NHFMC does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. See discussion regarding Criterion 3. Therefore, NHFMC does not adequately demonstrate its proposal is based upon reasonable projections of the costs of and charges for providing health services. Consequently, the application is not conforming to Criterion 5.

Comments specific to Criterion 6

NHFMC did not adequately demonstrate that its proposal would not result in the unnecessary duplication of mobile PET services it currently operates in North Carolina. As shown on page 85 of NHFMC's CON application, the existing mobile PET scanner performed only 1,420 PET scans during the most recent 12 months (9/1/17 - 8/31/18). Additionally, the applicant states on page 42 that NH Thomasville has not yet reached its peak capacity, and on page 45 that NHRMC has not yet reached its peak capacity. In other words, two of NHFMC's five existing host sites have not yet reached peak capacity. Given the most recent 12 months utilization for the existing PET scanner and the attestation that existing host sites are underutilized, NHFMC's proposal would result in the unnecessary duplication of the mobile PET scanner it currently operates in North Carolina. See also the discussion regarding projected utilization in Criterion 3.

In addition, according to the CON issued to NHFMC in 2016 (and as shown on page 194 of the application exhibit book), a condition of the CON is that NHFMC's existing mobile PET scanner "serve seven host sites". However, per page 40 of Novant's current CON application, that mobile PET scanner is only serving five host sites. Therefore, the proposed additional mobile PET scanner will unnecessarily duplicate the existing approved scanner which is not yet serving all the seven host sites that are a condition of the original CON issuance.

For these reasons, the NHFMC application is non-conforming to Review Criterion 6.

Comments specific to Criterion 18a

For the same reasons that the NHFMC application is non-conforming with Review Criteria 1, 3, 4, 5, and 6, it should also be found non-conforming with Criterion 18a. In simply adding to Novant's existing mobile PET inventory in North Carolina, this project would not enhance competition and the project will not have a positive impact on the cost effectiveness and access to the proposed services. NHFMC did not adequately demonstrate the financial feasibility of the proposal and did not reasonably identify the need the population has for the proposed service.

Specific comments regarding the Perspective PET Imaging, LLC application, CON Project ID# G-011647-18

General Comments

PPI's proposed project does not improve geographic access. PPI proposes to serve two urban counties (Wake and Guilford) and does not propose to serve any rural counties in North Carolina. Wake County already hosts two fixed PET scanners, one located at Rex Hospital and one located at Wake Radiology. According to the Proposed 2019 SMFP, the fixed PET scanner located at Rex Hospital is utilized at 85.20% capacity, and the fixed PET scanner located at Wake Radiology is utilized at just 15.63% of capacity. Additionally, Duke Raleigh Hospital received CON approval to acquire a fixed PET scanner (CON Project ID# J-11384-17) which will increase by 50% the fixed PET scanner capacity in Wake County. Similarly, Guilford County hosts two fixed PET scanners, one located at Cone Health and one located at High Point Regional Health. According to the Proposed 2019 SMFP, the fixed PET scanner located at Cone Health is utilized at 57.53% of capacity, and the fixed PET scanner located at High Point Regional Health is utilized at just 27.17% of capacity. Therefore, based on the presence of multiple existing fixed PET scanners and the available capacity that exists in both Wake and Guilford counties, the PPI proposal is not the most effective alternative to improve access to PET services in North Carolina.

Comments specific to Criterion 1

PPI does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. See discussion regarding Criterion 3. Therefore, PPI does not adequately demonstrate its proposal would maximize healthcare value. Consequently, the application is not consistent with Policy GEN-3 and is not conforming to Criterion 1.

Comments specific to Criterion 3 and Rules

As summarized on page 1 of Section Q, PPI's methodology consists of 20 steps in six sections. Step 16 of PPI's methodology applies an increasing market share equally to each of the applicant's identified unmet need across 42 counties: 35% market share during project year 1, 45% market share during project year 2, and 60% market share during project year 3. PPI projects that it will achieve these annual market shares across each of the 42 counties it identifies in its service area. As illustrated in Section Q on pages 1 and 28, PPI proposes to serve patients from as far as Buncombe County in the west to Dare County in the east. Similarly, PPI projects it will achieve 60% market share (of the unmet PET need) from as far as Buncombe County in the west and 60% market share (of the unmet PET need) in Dare County in the east. While PPI provided patient origin demonstrating that either Raleigh Radiology or Greensboro Radiology provided radiology services to at least one patient during the most recent 12 months; it did not demonstrate that it is reasonable to achieve up to 60% market share of the unmet PET need in each of the 42 counties it projects to serve during the third project year. Most importantly, the projected number of mobile PET patients served is not consistent with the historical number of patients served across all modalities at Raleigh Radiology and Greensboro Radiology.

For example, in Section Q page 29 PPI indicates that Raleigh Radiology and Greensboro Radiology provided radiology services to 39 patients from Buncombe County during the most recent 12 months. As described in Section A pages 14-20, Raleigh Radiology and Greensboro Radiology provide an array of outpatient diagnostic and therapeutic radiologic services. Therefore, the 39 patients from Buncombe County seeing services at Raleigh Radiology and Greensboro Radiology likely received radiologic services across the spectrum of services offered by the practices (e.g. X-ray, MRI, CT, ultrasound, fluoroscopy, mammography, bone density, etc.). By comparison, PPI projects on pages 51-55 that a total of 53 patients from Buncombe County will seek mobile PET services at Raleigh Radiology's proposed host sites in Wake County. PPI projects this number to increase to 133 Buncombe County patients during project year 3 (see page 49 of application). In other words, PPI projects to provide PET scans to nearly two- and one-half times the number of Buncombe County residents on one modality (i.e., mobile PET) than it historically served

across all its modalities. Furthermore, the existing modalities at Raleigh Radiology serving Buncombe County residents are not mobile services which means they are available every day during normal business hours. By contrast, the proposed mobile PET scanner will be available only two days each week at each host site. Therefore, it is highly specious that Raleigh Radiology will command 60% market share of the unmet PET need for Buncombe County residents during the applicant’s third project year. The following table summarizes similar inconsistencies observed in the historical number of patients served across all Raleigh Radiology and Greensboro Radiology modalities compared to PPI’s projected number of mobile PET patients served during each project year.

<i>County</i>	<i>Most Recent 12 Months Patients Served Across All Modalities</i>	<i>PY1 Mobile PET Patients</i>	<i>PY2 Mobile PET Patients</i>	<i>PY2 Mobile PET Patients</i>
Buncombe	39	53	83	133
Cabarrus	29	39	63	105
Mecklenburg	168	264	414	666
Onslow	32	20	34	59

Source: CON Project ID# G-011647-18, Table C.2 - Actual Patient Origin and Table C.3 - Projected Patient Origin

In summary, PPI’s projected number of PET patients are inconsistent with its historical experience providing radiology services to patients in the identified 42 county service area. Therefore, failed to demonstrate that its market share projections of unmet PET need are reasonable and adequately supported. Thus, the application does not conform to Criterion 3 and 10A NCAC 14C .3703 (a) & (b).

Comments specific to Criterion 4

As described previously, PPI does not demonstrate that projected PET utilization is based on reasonable and adequately supported assumptions. Therefore, the application is not conforming to Criterion 4.

PPI apparently also misses the crucial intent of the need determination for a new mobile PET scanner in North Carolina. North Carolina

residents in rural counties need improved local access to care, including PET imaging services. A proposal by a group of Wake County and Guilford County radiologists to host their own mobile PET scanner, and to expect patients from as far away as Buncombe and Dare counties to travel to Raleigh and Greensboro does not represent the most effective alternative for improving local access to PET imaging in rural North Carolina.

Moreover, PPI does not adequately demonstrate that the alternative proposed in its application is the most effective alternative to meet the need because it is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be the most effective alternative.

Comments specific to Criterion 5

PPI does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. See discussion regarding Criterion 3. Therefore, PPI does not adequately demonstrate its proposal is based upon reasonable projections of the costs of and charges for providing health services. Consequently, the application is not conforming to Criterion 5.

Comments specific to Criterion 6

PPI did not adequately demonstrate that its proposal would not result in the unnecessary duplication of mobile PET services. See the discussion regarding projected utilization in Criterion 3. Therefore, the PPI application is non-conforming to Review Criterion 6.

Comments specific to Criterion 13c

PPI does not project to provide any charity care associated with its proposed mobile PET scanner. Therefore, PPI did not demonstrate the extent to which medically indigent patients will utilize the proposed service, and is non-conforming to Review Criterion 13c.

Comments specific to Criterion 18a

For the same reasons that the PPI application is non-conforming with Review Criteria 1, 3, 4, 5, 6 and 13, it should also be found non-conforming with Criterion 18a. PPI did not reasonably identify the need the population has for the proposed service, and did not adequately demonstrate the financial feasibility of the proposal. Therefore, this project would not enhance competition and the project will not have a positive impact on the cost effectiveness and access to the proposed services.

Specific comments regarding the Mobile Imaging Partners of North Carolina, LLC application, CON Project ID# F-011640-18

General Comments

The need determination in the 2018 SMFP for one mobile PET scanner represents a rare opportunity to introduce a new mobile PET provider and enhance competition in North Carolina. MIPNC is a joint venture between Alliance Health Care (Alliance) and UNC Rockingham Health Care. As described on page 12 of the MIPNC application, Alliance currently has two existing CON-approved mobile PET/CT scanners that serve hospital host sites throughout North Carolina beginning in 2002. In fact, Alliance was the sole mobile PET operator in North Carolina until 2017 when NHFMC obtain a CON (pursuant to SMFP Policy TE-1) to convert a fixed PET scanner to a mobile PET scanner. Therefore, the MIPNC project certainly will not enhance competition in North Carolina.

The MIPNC application does little to improve access to mobile PET services. MIPNC will add mobile PET services at only one new host site, i.e. UNC Rockingham Health Care, the rest of the applicant's host sites are existing host sites for Alliance's current mobile PET services. Projected utilization at UNC Rockingham Health Care equates to only eight percent of MIPNC's mobile PET utilization during the third project year (see page 111 of Section Q, $229 \div 2,724 = .084$). Therefore, the extent to which the MIPNC proposal will improve geographic access is minimal. Additionally, MIPNC projects that mobile PET utilization at the existing Alliance host sites it projects to serve will simply shift to the proposed MIPNC mobile PET scanner. Therefore, the MIPNC project is essentially a strategy to decompress capacity constraints on existing Alliance mobile PET scanners and is not an effective alternative for improving access to mobile PET services in North Carolina.

As a new provider of mobile PET/CT services, InSight will have a positive effect on competition in North Carolina. The proposed project will promote cost effective, high quality medical diagnostic imaging services that will be accessible by local residents. InSight's project will enable it to meet the needs of the host medical facilities' patient population, and to ensure more timely provision of and convenient access to PET/CT imaging services for North Carolina residents.

For these reasons and the reasons previously described in this document, the MIPNC application is comparatively inferior to the InSight application. Approval of the MIPNC application would result in a missed opportunity to increase competition for mobile PET services in North Carolina.

Comments specific to Criterion 4

MIPNC dismissed the alternative to propose different host sites. As described previously, the 2018 SMFP for one mobile PET scanner represents a rare opportunity to introduce a new mobile PET provider and enhance competition in North Carolina. MIPNC will add mobile PET services at only one new host site, i.e. UNC Rockingham Health Care, the rest of the applicant's host sites are existing host sites for Alliance's current mobile PET services. Additionally, MIPNC projects that mobile PET utilization at the existing Alliance host sites it projects to serve will simply shift to the proposed MIPNC mobile PET scanner. Therefore, the MIPNC project is essentially a strategy to decompress capacity constraints on existing Alliance mobile PET scanners and is not the most effective alternative available to the applicant. Therefore, the MIPNC application does not conform to Criterion 4.

Comments specific to Criterion 5

The staffing table and income statement included in Section Q of MIPNC's application include calculation errors. Specifically, the Form H total salary amount for each project year is wrong. For example, for the 3rd full fiscal year, the total salary amount is listed as \$499,677, when in fact, the total amount of all combined salaries listed for that fiscal year is \$581,174. The same error exists as well for project years 1 and 2. Those erroneous salary totals for each project year are thus also incorrectly calculated in Form F.3. Further compounding the error is that the associated payroll taxes and benefits, which is calculated as a percentage of the total salaries, is thus also underreported on Form F.3. For example, Form F.3 shows payroll taxes and benefits of \$104,932 for project year 3, when the actual amount should be \$122,047 ($\$581,174 \times .21$).

In the notes to Form F.3 MIPNC calculates equipment depreciation over 7 years. According to the Estimated Useful Lives of Depreciable Hospital Assets (Revised 2013 Edition) from the American Hospital Association, depreciation for a PET/CT scanner is 5 years. This results in a significant difference in the depreciation allocable to MIPNC's project during each project year. Rather than the \$265,714 amount shown, equipment depreciation should be \$371,999 for each project year.

These significant financial errors thus render the MIPNC application non-conforming to Criterion 5, as the applicant did not demonstrate the reasonableness of the financial projections.

Comments specific to Criterion 6

MIPNC will add mobile PET services at only one new host site, i.e. UNC Rockingham Health Care, the rest of the applicant's host sites are existing host sites for Alliance's current mobile PET services. Projected utilization at UNC Rockingham Health Care equates to only eight percent of MIPNC's mobile PET utilization during the third project year (see page 111 of Section Q, $229 \div 2,724 = .084$). Therefore, the extent to which the MIPNC proposal will improve geographic access is minimal. Additionally, MIPNC projects that mobile PET utilization at the existing Alliance host sites it projects to serve will shift to the proposed MIPNC mobile PET scanner. The MIPNC project is simply duplicating the existing Alliance mobile PET services at all but one of the proposed host sites and therefore fails to conform to Criterion 6.

Comments specific to Criterion 18a

For the same reasons that the MIPNC application is non-conforming with Review Criteria 4, 5, and 6, it should also be found non-conforming with Criterion 18a. In simply adding to Alliance's existing long-standing, near monopoly of mobile PET services in North Carolina, this project would not enhance competition and the project will not have a positive impact on the cost effectiveness and access to the proposed services.

CONCLUSION

For the foregoing reasons, the three competing applications should be disapproved because they fail to satisfy multiple CON criteria and are not approvable. Also, each competing application to develop a mobile PET scanner is a less effective alternative than InSight. The InSight application should be approved because it satisfies all the applicable CON criteria and is comparatively superior to all of the competing applications.