

**Presbyterian Medical Care Corp.
d/b/a Novant Health Matthews Medical Center
Comments in Opposition to
Carolinas Physicians Network, Inc. Certificate of Need Application for
One Fixed MRI Scanner in Mecklenburg County
October 1, 2019 CON Review Cycle**

INTRODUCTION

The 2019 State Medical Facilities Plan ("SMFP") recognized a need for one fixed magnetic resonance imaging unit ("MRI") in Mecklenburg County. Two applicants have filed Certificate of Need ("CON") applications in response to the identified need including Project I.D. F-011755-19 - Presbyterian Medical Care Corp. d/b/a Novant Health Matthews Medical Center ("NHMMC") and Project I.D. F-11760-19 - Carolinas Physicians Network, Inc. ("CPN"). In accordance with N.C. Gen. Stat. § 131E-185(a)(1), NHMMC submits the following comments related to the application submitted by CPN to acquire a fixed MRI scanner pursuant to the need determination as published in the 2019 SMFP. To facilitate the Agency's review of these comments, NHMMC has organized its discussion by issue, citing the general CON statutory review criteria and specific regulatory criteria and standards that create non-conformity relative to each issue by CPN. NHMMC also responds to CPN's comparative analysis as presented in its application and provides its own comparative analysis of the applications submitted by CPN and NHMMC.

The identified areas of non-conformity of CPN's application along with the comparative analysis set forth below reveal that CPN's project cannot be approved. NHMMC's application meets all applicable standards and criteria and is the most effective applicant in this review. As such, NHMMC's application should be approved.

OVERVIEW

CPN proposes one freestanding fixed MRI unit at the Atrium Health Kenilworth campus. While CPN is an experienced provider of fixed MRI services, its application is fatally flawed by the lack of support for its projections and its failure to establish need for the proposed project. More specifically, CPN proposes an outpatient only, cardiac-focused MRI project which relies on shifting cardiac and non-cardiac outpatient MRI volume from CMC – Mercy and CMC's Morehead Imaging Center. However, both CMC and CMC – Mercy's MRI utilization is declining. This is especially true for outpatient MRI services. Atrium Health's MRI utilization as a system is also declining. Further, despite growth of freestanding fixed MRI utilization throughout Mecklenburg County, Atrium Health-affiliated freestanding outpatient imaging centers in and surrounding Charlotte have ample capacity. Thus, the CPN project is not needed.

NHMMC, on the other hand, proposes an additional fixed MRI unit at its hospital, which currently operates the most highly utilized fixed MRI unit in Mecklenburg County. The high utilization of hospital fixed MRI scanners in Mecklenburg County is what drove the need for the fixed MRI unit published in the 2019 SMFP. While it is true that services provided at freestanding outpatient facilities are reimbursed at a lower rate, and cost is important, this factor must be weighed against the full range of demand for services, quality of care, patient safety, and the clinical setting that has the most need. Although freestanding outpatient MRI services are a cost-effective alternative to hospital-based services for routine outpatient MRI scans, they

are not a full substitute for hospital-based care, particularly due to the limited hours of availability and limited clinical resources of freestanding outpatient imaging centers. Availability of hospital-based MRI services is essential, especially for complex MRI patients.

Regardless of care setting, CPN's application is riddled with unsupported, erroneous, or misconstrued information that render it non-conforming with the review criteria and fixed MRI Performance Standards. As such, CPN cannot be approved as will be described in detail below.

NON-CONFORMITY WITH REVIEW CRITERIA

Criterion (1) – Consistency with the State Health Plan

Carolinas Physicians Network, Inc. ("CPN") should be found non-conforming with Criterion (1) because:

- CPN does not adequately explain how its projected utilization incorporates the concept of maximum value for resources. CPN's unsupported utilization projections, unnecessary duplication of services, lack of financial feasibility, and the availability of more effective cost-alternatives demonstrate that CPN's project does not maximize resources for value. More detailed discussion of each of these factors can be found below in NHMMC's comments concerning CPN's non-conformity with Criterion (3), Criterion (4), Criterion (5), and Criterion (6), respectively.
- CPN does not adequately demonstrate need for the proposed project. More detailed discussion regarding failure to establish need can be found below in NHMMC's comments concerning CPN's non-conformity with Criterion (3).

The proposed project does not maximize healthcare value and is not an efficient use of healthcare resources and thus is not consistent with Policy GEN-3: Basic Principles and is non-conforming with Criterion (1).

Criterion (3) - Need and Population to be Served

CPN fails to demonstrate the need for its proposed project as required by Criterion (3) for several reasons, including unsupported and unrealistic utilization projections and important factors that have been disregarded in its application. These flaws include:

- CPN's projections rely heavily on non-cardiac procedures, but only cardiac procedure volume is supported by the focus of the proposed location and letters of support;
- CPN fails to present actual MRI utilization trends for Atrium Health's Mecklenburg MRI units;
- CPN's basis for projecting a shift of volume from CMC/CMC-Mercy is undermined by declining total volume and particularly declining outpatient volume at these facilities; and
- CPN's projected volume is inconsistent with the declining MRI volume occurring across Atrium Health's Mecklenburg MRI units.

For these and other reasons detailed herein, CPN fails to clearly document the population it proposes to serve and provide reasonable and clearly documented utilization projections.

CPN's projected non-cardiac MRI volume is unsupported

Throughout the Atrium Health Kenilworth Diagnostic Center Application (F-11700-19) which was conditionally approved in July 2019, CPN presents a very clear and specific focus on establishing Atrium Health Kenilworth Diagnostic Center as a destination for cardiac services. CPN proposes a fixed MRI unit on a campus which CPN itself has identified as composed primarily of cardiology practices with cardiologists who explicitly state that they will refer cardiology patients. Nonetheless, CPN projects a relatively small number of cardiac MRI patients will utilize the proposed MRI unit, projects very little growth in cardiac MRI scans, and appears to justify its total volume by adding a substantial volume of non-cardiac volume to its projections. CPN claims the non-cardiac MRI volume will be shifted from CMC/CMC-Mercy to Atrium Health Kenilworth Diagnostic Center with little to no support. Therefore, the Agency cannot determine if the applicant's projected MRI volume for the interim project years and projected operating years is reasonable or adequately supported.

CPN projects that 90 percent of the cardiac MRIs referred to CMC/CMC-Mercy by CPN physicians will shift to Atrium Health Kenilworth. The incremental growth of cardiac MRI referrals made by CPN physicians from CY 2019 to CY 2023 is projected to be 431 scans as shown in **Exhibit 1** below. Thus, the incremental volume from CY 2019 to CY 2023 performed by the proposed scanner is only 388 scans (431 scans x 90 percent). This minimal volume of incremental cardiac MRI scans is insufficient to justify a new MRI.

Exhibit 1
Outpatient Cardiac MRI Scans Referred by CPN

	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	Incremental Growth
Cardiac MRI Scans Referred by CPN	1,203	1,299	1,402	1,514	1,634	431

Source: CPN MRI CON Application, Section Q, Form C Utilization – Assumptions and Methodology, Table 2

Further, in its MRI CON Application, CPN provides 11 letters of support from referring physicians, 10 of which are signed by cardiologists who specifically state that they have and will continue to refer their *cardiac* patients. The stock letters of support signed by Atrium Health cardiologists state: “*In the past, I have referred my patients in need of cardiac MRI scan to Atrium Health facilities and I intend to do so in the future, including the proposed Atrium Health Kenilworth Diagnostic Center #1 MRI scanner, as appropriate*” [emphasis added]. There is no quantification in this form letter to support the 90 percent shift to the proposed Atrium Health Kenilworth proposed MRI. There is also no mention of referring in any other type of patient for MRI services. With so much of its application focused on establishing the need for cardiac MRI services, CPN provides little to no direct support for the *non-cardiac* MRI volume that it proposes will shift from CMC/CMC-Mercy to the Atrium Health Kenilworth campus. See **Exhibit 2** below.

Note that in Year 3 (CY 2023), 63 percent of the projected MRI volume to be performed at Atrium Health Kenilworth is non-cardiac MRI volume. CPN provides no quantitative or qualitative support for how it's going to shift the projected non-cardiac MRI volume. Thus, at least 63 percent of CPN's projected volume is not supported. Cardiac MRI scans constitute the remaining 37 percent of project MRI volume with 1,471 scans in Year 3.

Exhibit 2
CPN Cardiac and Non-Cardiac Volume Shift

	CY 2021	CY 2022	CY 2023	Year 3 % of Total
Total Cardiac MRI Scans to Shift	1,262	1,362	1,471	36.7%
Total Non-Cardiac MRI Scans to Shift	2,350	2,441	2,541	63.3%
Total Scans to Shift	3,612	3,803	4,012	100.0%

Source: CPN MRI CON Application, Section Q, Form C Utilization – Assumptions and Methodology, Table 3

CPN’s project is heavily focused on serving cardiac MRI patients, a very small subset of the total universe of patients needing MRI scans. CPN projects that the proposed project will serve both cardiac and non-cardiac MRI patients. However, the applicant does not adequately demonstrate that its projected utilization, particularly its non-cardiac utilization, is reasonable and adequately supported.

CPN does not present the actual historical MRI utilization for Atrium Health affiliates

In Section Q, Form C Assumptions, Page 3, Table 4, CPN presents CMC and CMC-Mercy Outpatient Non-Cardiac MRI Scans *Referred by CPN*. Below Table 4, CPN writes, “Given the historical growth of these non-cardiac MRI scans, as well as the growing demand for MRI services at Atrium Health and CIS and across the region surrounding Mecklenburg County as described in Section C.4, CPN expects the demand for non-cardiac MRI services to grow in the future.” CPN never provides the trend in actual utilization for the Atrium Health system. In Exhibit C.12 Assumptions & Methodology for Rules, CPN provides the trend in total adjusted scans and uses this trend as its basis for the projected growth rates. However, NHMMC contends that growth in adjusted total scans does not necessarily imply growth in utilization.

In the Agency’s review of the applications submitted in response to the 2017 SMFP Need Determination for one fixed MRI scanner in Mecklenburg County, the Agency found that Novant Health Presbyterian Medical Center (NHPMC) was non-conforming to Criterion (3). In its findings, the Agency stated that, “...weighted MRI volume is necessarily based on unweighted MRI volume. The applicant neglects to state its methodology and assumptions for projecting unweighted MRI volume. Therefore, the Agency cannot determine if the applicant’s projected MRI volume for the interim project years and projected operating years is reasonable or adequately supported.” The Agency’s findings are directly applicable to this project where CPN projects weighted MRI volume without support from historical unweighted utilization or projected unweighted utilization. Without any information on the trend in actual Atrium Health system MRI utilization, CPN’s projected utilization methodology is not reasonable nor adequately supported.

CMC/CMC-Mercy’s outpatient utilization does not support the need for the proposed project

Throughout its application, CPN claims that the need for the proposed project is based on the high demand for MRI services at CMC/CMC-Mercy. In fact, 100 percent of the utilization for the proposed project is based on shift from CMC/CMC-Mercy (Section C, Page 38). However, MRI utilization at CMC and CMC-Mercy is declining. This is especially true for outpatient MRI services– the services that CPN proposes to shift away from CMC/CMC-Mercy.

As noted above, CPN only presents historical trends in adjusted or weighted MRI volume for CMC/CMC-Mercy based on internal data for calendar years. This data cannot be replicated or confirmed and there is no public source for the unweighted scan volume. When actual unweighted scan volume from reported sources is analyzed, CMC/CMC-Mercy MRI volume is declining. See **Exhibit 3** below. Note that for CMC/CMC – Mercy, outpatient unweighted MRI volume has decreased annually by 6.8 percent from FY 2016 to FY 2018. In fact, the MRI volumes for both facilities have decreased significantly over time for all scan types except inpatient MRIs with contrast which have grown by 4 percent annually. In other words, the one area where CMC/CMC-Mercy’s MRI volume is actually growing cannot be accommodated by CPN’s proposed project. It is also important to note that, CMC/CMC-Mercy’s total adjusted or weighted scan volume based on publicly reported sources has declined annually by 2.6 percent. This trend, supported by unweighted reported volume, contradicts CPN’s presented weighted volume for which there is no documentation.

Exhibit 3
CMC and CMC-Mercy MRI Utilization FY 2016 to FY 2018

	Outpatient No Contrast	Outpatient Contrast	Total Outpatient	Inpatient No Contrast	Inpatient Contrast	Total Inpatient	Total Scans	Adjusted Total
FY 2016 MRI Utilization*								
CMC	8,013	7,920	15,933	6,131	3,417	9,548	25,481	33,835
FY 2017 MRI Utilization								
CMC - Main	4,789	6,412	11,201	4,569	3,019	7,588	18,789	25,597
CMC - Mercy	2,445	1,244	3,689	1,178	401	1,579	5,268	6,558
Total	7,234	7,656	14,890	5,747	3,420	9,167	24,057	32,155
FY 2018 MRI Utilization								
CMC - Main	4,424	6,079	10,503	4,229	3,252	7,481	17,984	24,709
CMC - Mercy	2,345	1,023	3,368	1,451	450	1,901	5,269	6,619
Total	6,769	7,102	13,871	5,680	3,702	9,382	23,253	31,328
CAGR 2016-2018	-8%	-5%	-7%	-4%	4%	-1%	-4%	-4%
% Change 2017-2018	-6.4%	-7.2%	-6.8%	-1.2%	8.2%	2.3%	-3.3%	-2.6%

Source: 2018 - Draft 2020 SMFP

*CMC and CMC - Mercy Utilization assumed reported together on the 2016 LRA/2018 SMFP

CPN fails to provide the actual unweighted trend in MRI utilization at CMC/CMC-Mercy, and when such data is analyzed MRI volume is declining. As such, CPN has not supported the basis for its projected utilization of the proposed MRI.

Atrium Health’s overall MRI utilization is declining

Not only is the MRI volume at CMC/CMC-Mercy declining, but the MRI utilization for Atrium Health’s entire system located in Mecklenburg County is declining as well. **Exhibit 4** shows that Atrium Health as a system has experienced a steady decline in utilization of its hospital fixed units as well as its aggregate utilization of all of its fixed units in Mecklenburg County. Atrium Health’s utilization has declined by 4.4 percent from FY 2016 to FY 2018.

Exhibit 4
Atrium Health FY 2016-2018 Mecklenburg County Unweighted MRI Utilization

	FY 2016	FY 2017	FY 2018	% Change 2016-2018
Hospital System - Fixed				
Atrium Health	38,884	38,002	35,139	-9.6%
Freestanding Fixed				
Atrium Health	6,768	7,797	8,527	26.0%
Combined Hospital System Fixed MRI Utilization				
Atrium Health	45,652	45,799	43,666	-4.4%

Source: 2018 – Draft 2020 SMFP, 2019 LRA and Medical Equipment Registry data.

CPN attempts to disguise its system-wide declining unweighted MRI volume by presenting only Atrium Health and CIS Total Adjusted MRI Scans based on internal data that cannot be validated. (See Section C, Page 37). In this analysis, CPN includes mobile volume of all Atrium Health-affiliates, including sites that only provide mobile MRI services. However, a closer look at the actual MRI scan volume for all Atrium Health-affiliated facilities that offer or have offered mobile MRI, fixed MRI, or both services, shows that actual MRI utilization has indeed declined over the past three years. Note that even with the inclusion of mobile MRI services, Atrium Health’s overall utilization declined at a rate of 0.5 percent annually from FY 2016 to FY 2018. See **Exhibit 5**.

Exhibit 5
**FY 2016 to FY 2018 Atrium Health System
MRI Utilization Including Mobile Volume**

	FY 2016	FY 2017	FY 2018	CAGR
Atrium Health	39,162	38,422	37,486	-2.2%
CIS	9,529	10,755	10,689	5.9%
Total	48,691	49,177	48,175	-0.5%

Source: 2018 – Draft 2020 SMFP, 2019 LRA and Medical Equipment Registry data.

It is clear that despite CPN’s attempt to present that Atrium Health’s utilization as growing, the data shows otherwise. Atrium Health’s MRI utilization as a whole is declining and does not support the need for additional capacity, particularly in comparison to other providers in Mecklenburg County that have growing utilization and more urgent capacity constraints.

CPN failed to consider the available capacity at its existing freestanding facilities

While it is true that the utilization of Atrium Health’s freestanding fixed MRI units is growing, such growth is not unique to Atrium Health-affiliated Carolinas Imaging Services (“CIS”) facilities. When the available capacity of freestanding fixed facilities in Mecklenburg County is analyzed, it becomes clear that, collectively, Atrium Health-affiliated freestanding fixed MRI facilities have more than sufficient available capacity.

As shown in **Exhibit 6**, CIS – Southpark is only 60.9 percent utilized, CIS – Ballantyne is 67.6 percent utilized, and CIS – Huntersville is 14.5 percent utilized. It is acknowledged that CIS – Huntersville

converted its mobile MRI service to a fixed MRI on June 18, 2018 and was not operational for the full FY 2018; however, even using CIS – Huntersville volume from July 2018 to June 2019, the facility is only at 51.7 percent of capacity. (See 2019 as reported in CPN’s Exhibit C.12 Assumption & Methodology for Rules, Page 1, Table 2).

Exhibit 6
FY 2018 Fixed MRI Utilization of Mecklenburg County Freestanding Fixed MRI Providers

Provider	No. of Fixed MRI Scanners	MRI Scan Volume	Weighted MRI Volume	Weight Volume/Unit	% Capacity
CIS- Ballantyne	1	4,097	4,641	4,641	67.6%
CIS- Southpark	1	3,547	4,182	4,182	60.9%
CIS- Huntersville	1	883	998	998	14.5%
Total Atrium Health	3	8,527	9,821	3,274	47.7%

Source: 2020 Proposed SMFP

Capacity = weighted volume/ (# of fixed units x 6,864)

It is clear that Atrium Health has plenty of capacity at its existing freestanding facilities which could easily accommodate shifted outpatient volume from CMC/CMC-Mercy. CIS – Southpark, for instance, is less than five miles away from CMC and has ample available capacity.

CPN failed to acknowledge Morehead Imaging Center as an outpatient imaging center in its projections

As described below, CPN fails to recognize that the new project is a duplication of MRI services at Morehead Imaging Center and to document that Morehead Imaging Center will continue to be well utilized following the proposed project.

CMC operates an outpatient imaging center called Morehead Imaging Center (“Morehead Imaging”). Morehead Imaging is located on the campus of CMC and is reported as a hospital-based MRI embedded in the overall utilization of CMC’s MRIs on its LRA. However, for all intents and purposes, the imaging center operates very similarly to a freestanding facility – open during regular business hours, offering only outpatient imaging and convenient access to patients in need of routine MRI services outside of the traditional hospital setting. Morehead Imaging is essentially a freestanding center located “*less than one half mile from the proposed center.*” (See Page 2 of Form C Utilization Assumptions found in Section Q.)

CPN states that MRI scans from Morehead Imaging are “*most appropriate to be shifted to a freestanding service*”. CPN explicitly notes that 100 percent of the non-cardiac volume that will be shifted from CMC to Atrium Health Kenilworth will come from Morehead Medical Plaza (Morehead Imaging). CPN proposes to shift over 1,300 routine MRI scans from Morehead Imaging Center by Year 3 (CY 2023 - projected 4,482 scans x 30% shift). (See Page 4 of Form C Utilization Assumptions found in Section Q.) CPN never presents the total historical or projected utilization for the MRI at Morehead Imaging, from which the projected CPN volume is projected to be shifted. Thus, it is unclear how well utilized Morehead Imaging’s MRI scanner is and what the utilization of this MRI unit will be after the assumed shift in volume.

As demonstrated previously, CMC’s outpatient utilization is declining. This trend includes Morehead Imaging’s MRI, which can only accommodate routine outpatient scans. Thus, growth in demand will not

offset the projected shift in scan volume to CPN. CPN's failure to present the historical and projected utilization of Morehead Imaging further undermines CPN's projected utilization. Morehead Imaging will likely have significant available capacity following the loss of 1,300 shifted scans. Without sufficient documentation, CPN's project likely represents an unnecessary duplication of Morehead Imaging's MRI unit located just one-half mile away.

In summary, CPN's application for one freestanding fixed MRI unit to be placed at the conditionally approved Atrium Health Kenilworth Diagnostic Center has unsupported projections and missing information that bring up concerns about the proposed project's ability to meet the 10A NCAC14C.2703 Performance Standards.

For all of the reasons detailed above, CPN's proposed project should result in a finding of non-conformity with Criterion (3) and, as a result, CPN's proposed project should be denied.

Criterion (4) - Alternatives

CPN dismisses several more cost-effective alternatives than the proposed project. First, as previously discussed, CPN has several existing freestanding facilities that have ample capacity that could accommodate outpatient volume shifted from CMC/CMC-Mercy. Second, in its recently conditionally approved application for Atrium Health Kenilworth Diagnostic Center, CPN proposes to relocate several pieces of equipment from various Atrium Health affiliates to the diagnostic center. Similarly, Atrium Health could relocate one of its existing MRI units to Atrium Health Kenilworth. For instance, Atrium Health Pineville has two MRI units with ample capacity at 65.8 percent utilization in FY 2018. In fact, over the past three years, MRI utilization at Atrium Health Pineville has decreased by 16.1 percent from 8,541 scans in FY 2016 to 7,164 scans in FY 2018. CPN anticipates little to no growth in utilization at Atrium Health Pineville over the next several years. (See CPN CON application Exhibit C.12 Assumptions & Methodology for Rules.) As such, relocating one of Atrium Health Pineville's units to Atrium Health Kenilworth is clearly a feasible, cost-effective option that CPN did not consider in its application.

Another alternative is to add cardiac capability to any number of Atrium Health freestanding MRI units with available capacity. Most MRI vendors offer advanced cardiac MRI packages that can be added to an existing MRI unit to accommodate MRI cardiac patients. For example, cardiac capability could be added to Morehead Imaging Center, located just one-half mile from CPN's proposed project.

Lastly, CPN did not consider offering mobile services at Atrium Health Kenilworth. Historically, Atrium Health has offered mobile services at several freestanding sites. Mobile services are particularly convenient for freestanding fixed facilities due to the less complex patients served and the standard business hours offered. CPN could easily offer mobile services at Atrium Health Kenilworth to accommodate routine, outpatient MRI services. This is particularly true considering that Atrium Health Kenilworth is focused on cardiology services, and CPN projects a relatively small volume of cardiac MRI and very little incremental growth. Each of the aforementioned options are certainly more cost effective than the proposed \$3.8 million project.

Additionally, CPN does not effectively establish that the alternative proposed in this application is the most effective alternative to meet the identified need because the application does not adequately document its

projected utilization, financial feasibility, or financial accessibility as documented in other sections of this document.

Based on these issues, CPN should be found non-conforming with Criterion (4).

Criterion (5) – Financial Feasibility

As previously discussed, CPN’s utilization projections are not supported and the assumptions are not reasonably documented. This calls into question the reasonableness of CPN’s utilization projections, which in turn raises concerns about the reasonability of CPN’s financial projections.

Further, on Form F.1a, CPN contributes over \$2.9 million in costs to medical equipment. Form F.1a assumptions states that “Medical equipment costs are based on vendor estimates and the experience of Atrium Health with similar projects.” However, CPN does not provide a vendor quote for the proposed medical equipment cost. Without the vendor quote, it is unclear whether or not the cost of the equipment is reasonable, and therefore, the financial feasibility of the project is unclear. It is also unclear what type of equipment will be purchased and whether the equipment will have cardiac capability as claimed.

CPN’s financial feasibility is also unclear due to its inconsistent presentation of the projected payor mix for the proposed project. As will be described in detail below under Criterion (13), CPN presents one MRI payor mix in Section L and a different MRI payor mix in Section Q Form F.2. With this inconsistency, it is impossible to know whether or not CPN’s projected financial performance is reasonable much less feasible.

Lastly, CPN projects a net income of just \$82 per procedure and a total of \$382,746 in Year 3. Such a low net income brings up concerns about financial feasibility if any changes occur in the projected utilization, reimbursement, or expenses. (See Section Q Form C and Form F.2.)

CPN fails to provide adequate information to support its assumptions and prove that its projected utilization is reasonable. If CPN falls short of its projected utilization, which is quite possible due to lack of support for its projections, CPN is likely to operate the proposed project at a loss, rendering the project not feasible.

Based on these issues, CPN should be found non-conforming with Criterion (5).

Criterion (6) – Unnecessary Duplication

As described above, the proposed project will inevitably result in unnecessary duplication of existing health service capabilities. Atrium Health has more than enough available capacity at its existing freestanding facilities. Further, outpatient MRI scan volume at CMC/CMC-Mercy has been declining. CPN has not demonstrated that the shift of volume from Morehead Imaging Center to Atrium Health Kenilworth Diagnostic Center will not result in significant under-utilized capacity.

CPN does not adequately demonstrate that the fixed MRI scanner it proposes to develop in Mecklenburg County is needed in addition to the existing and approved fixed MRI scanners in Mecklenburg County operated by Atrium Health. Thus, it is clear that CPN’s project is a duplication of existing services and should be found non-conforming with Criterion (6).

Criterion (13) - Provision of Services to Medically Underserved Groups

In Section L, Page 85 of its application, CPN presents the projected Year 3 payor mix for the MRI service component. However, there is a discrepancy between the payor mixes as presented in Section L and Section Q. **Exhibit 7** provides a comparison of the Year 3 projected payor mix presented in Section L and the Year 3 projected payor mix as a percent of gross revenue as presented in Atrium Health Kenilworth MRI Professional and Technical Form F.2. Note vast differences between the payor mix presented in Section L and the payor mix presented in Section Q Form F.2.

Exhibit 7
Comparison of CPN’s Projected MRI Payor Mix –
Section L and Form F.2

	MRI Only - Form F.2**	MRI Service Component - Section L
Self-Pay	11.8%	6.8%
Insurance *	38.0%	46.7%
Medicare *	34.6%	29.2%
Medicaid *	12.9%	15.2%
Other (Workers Comp, TRICARE)	2.7%	2.1%
Total	100%	100%

Source: CPN MRI CON Application, Section L Page 85, Section Q, Atrium Health Kenilworth MRI Technical and Professional, Technical, Professional Form F.2

*Includes Managed Care Plans

**F.2 MRI Technical Only and Professional Only and Professional and Technical are all the same.

G.S. 131E-183(a)(13)(d) requires that the Applicant show 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”. Due to the discrepancies between how payor mix is presented Section L and how payor mixed is presented in Section Q Form F.2, it is unclear the extent to which medically underserved individuals will actually be expected to utilize the proposed MRI services. Accordingly, CPN should be found non-conforming with Criterion (13).

Criterion (18a) – Positive Impact of Competition

CPN’s CON application will not enhance competition in the service area nor will it have a positive impact upon cost-effectiveness, quality, and access. CPN highlights throughout its application that it will be the first to offer cardiac MRI in the freestanding setting in Mecklenburg County as a competitive advantage; however, any freestanding facility can offer cardiac MRI by adding the cardiac package from its respective vendor.

While freestanding outpatient services offer a lower reimbursement rates than hospital-based services, there are many procedures and types of patients that cannot be treated in a freestanding setting. Thus, the cost savings can often be offset by the limitations of freestanding facilities. Further, hospital-based MRI

utilization is what drove the demand for an additional fixed MRI unit in Mecklenburg County. Despite available capacity amongst existing freestanding providers, patients are seeking hospital-based MRI services in Mecklenburg County. Because hospital-based MRI providers drove the need and can provide more comprehensive care to medically complex patients, NHMMC contends that a hospital-based fixed MRI unit is what will actually increase access and quality of care to service area patients. Furthermore, CPN proposes to add an MRI unit just one-half mile away from its existing Morehead Imaging Center and CMC, adding even more MRI capacity in central Charlotte where 20 of 24 Mecklenburg County MRI units are located. This location represents a duplication of existing services without enhancing access to care.

CPN proposes a freestanding facility which is a duplication of available services and will not address the demand for hospital-based MRI services. Based on these issues, CPN's application should be found non-conforming with Criterion (18a).

FAILURE TO MEET PERFORMANCE STANDARDS

CPN's flawed projections result in failure to meet the Performance Standards that apply to the specific CPN project and the Atrium Health-affiliated MRI units as a system as demonstrated below. 10A NCAC 14C .2703 sets the criteria and standards for Magnetic Resonance Imaging units. As such, 10A NCAC 14C .2703(b)(3)(e) states that:

(3) demonstrate that the average annual utilization of the existing, approved and proposed fixed MRI scanners which the applicant or a related entity owns a controlling interest in and locates in the proposed MRI service area are reasonably expected to perform the following number of weighted MRI procedures, whichever is applicable, in the third year of operation following completion of the proposed project... (e) 4,805 weighted MRI procedures in MRI service areas in which the SMFP shows four or more fixed MRI scanners are located;

As previously discussed, CPN never presents the actual historical, unweighted MRI utilization for Atrium Health-affiliated fixed MRI providers, including utilization CMC/CMC-Mercy from which CPN projects to shift volume to Atrium Health Kenilworth. Furthermore, because CPN presents calendar year data based on only internal sources, there is no way in which the weighted scan volume presented by CPN can be validated.

NHMMC has established that despite CPN's assertions otherwise, CMC/CMC-Mercy and Atrium Health's unweighted and weighted MRI utilization is declining based on publicly reported data. **Exhibit 8** provides the actual historical utilization trend based on publicly available data. It is clear that CMC/CMC-Mercy's MRI scan volume has declined by a CAGR of 4.5 percent. Across Atrium Health, all fixed MRI locations have experienced a decline in scan volume of 2.4 percent CAGR.

Exhibit 8
MRI Utilization Trend as Presented in the State Medical Facilities Plan

	FY 2016	FY 2017	FY 2018	CAGR 2016-2018
CMC/CMC-Mercy	25,481	24,057	23,253	-4.5%
Atrium Health Pineville	8,541	8,321	7,164	-8.4%
Atrium Health University City	4,862	5,624	4,722	-1.5%
CIS-Ballantyne	3,506	4,068	4,097	8.1%
CIS-South Park	3,262	3,729	3,547	4.3%
CIS-Huntersville [^]	2,465	2,958	3,045	11.1%
Total	48,117	48,757	45,828	-2.4%

Source: 2018-Draft 2020 SMFP, 2019 LRA and Medical Equipment Registry data

[^]Includes mobile data; CIS - Huntersville became fixed site in July 2018

Exhibit 9 provides the adjusted total scans for all Atrium Health-affiliated fixed MRI providers as reported in the SMFPs for FY 2016 to FY 2018. CMC/CMC-Mercy’s MRI scan volume has declined by a CAGR of 3.8 percent. Across Atrium Health, all fixed MRI locations have experienced a decline in scan volume of 1.9 percent CAGR.

Exhibit 9
Adjusted Scans Trend as Presented in the State Medical Facilities Plan

	FY 2016	FY 2017	FY 2018	CAGR 2016-2018
CMC/CMC-Mercy	33,835	32,155	31,328	-3.8%
Atrium Health Pineville	10,485	10,162	9,035	-7.2%
Atrium Health University City	5,849	6,852	5,760	-0.8%
CIS-Ballantyne	3,922	4,540	4,641	4.4%
CIS-South Park	3,769	4,395	4,182	2.7%
CIS-Huntersville [^]	2,754	3,362	3,445	5.9%
Total	60,614	61,466	58,391	-1.9%

Source: 2018-Draft 2020 SMFP, 2019 LRA and Medical Equipment Registry data

[^]Includes mobile data for site; CIS - Huntersville became fixed site in July 2018

NHMMC has used the publicly available data and CPN’s methodology for projected utilization to analyze whether or not CPN meets the projected criteria as outlined in 10A NCAC 14C .2703 because CPN does not provide actual unweighted scan volume for the calendar year time periods presented in its application.

Using CPN’s projection methodology, NHMMC used the growth rate for adjusted total scans as identified in **Exhibit 9** above, divided the positive growth rates in half, and held the declining utilization rates constant. NHMMC applied these actual, publicly reported growth rates to the CY 2019 YTD annualized weighted scan volume presented by CPN to project that the utilization through CY 2023. NHMMC also removed the projected volume shift to Atrium Kenilworth Diagnostic Center from CMC/Mercy and subtracted the projected iMRI volume from CMC/CMC-Mercy’s utilization. **Exhibit 10** shows that when adjustments are made to CPN’s projected utilization to account for Atrium Health’s system-wide declining utilization, the total average weighted scan volume for CPN and its affiliates falls short of meeting the

minimum annual average 4,805 weighted MRI procedures per scanner as required by 10A NCAC 14C .2703(b)(4)(e).

Exhibit 10
Revised CPN Projected Utilization

	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	# of Units	Year 3 (CY 2023) Scans/Unit
CMC/CMC-Mercy	31,813	30,612	29,456	28,344	27,273		
Shift to Kenilworth campus	-	-	(4,504)	(4,730)	(4,975)		
iMRI Volume Shift	-	(1,019)	(1,006)	(994)	(981)		
CMC/CMC-Mercy After Shift	31,813	29,593	23,946	22,620	21,317	5	4,263
Proposed MRI Scanner	-	-	4,504	4,730	4,975	1	4,975
Atrium Health Pineville	9,997	9,280	8,614	7,997	7,423	2	3,712
Atrium Health University City	6,805	6,753	6,701	6,650	6,599	1	6,599
CIS-Ballantyne	4,430	4,624	4,828	5,039	5,261	1	5,261
CIS-South Park	3,890	3,994	4,100	4,210	4,322	1	4,322
CIS-Huntersville	3,707	3,927	4,159	4,405	4,666	1	4,666
Total	60,642	58,171	56,853	55,651	54,564	12	4,547

As described above, CPN’s application consists of several unsupported utilization assumptions that deem its projections unrealistic. Most importantly, CPN does not provide any support for its projected non-cardiac MRI volume and does not account for its declining outpatient volume at CMC/CMC-Mercy and declining system volume. Accordingly, it is unclear how CPN’s proposed project will reach the requirement of at least 4,805 weighted MRI procedures in the third year of operation as projected. Based on these issues alone, CPN fails to meet the Performance Standards and should be denied.

COMPARATIVE ANALYSIS

Pursuant to N.C. Gen. Stat. § 131E-183(a)(1) and the 2019 SMFP, there is a need for one additional fixed MRI scanner in Mecklenburg County; thus, although there are two identified applicants, only one can be approved in this review. It is clear that CPN’s application contains major flaws, particularly with respect to Criterion (3), that should result in denial of its application. Therefore, there should be no need for a comparative review. Nonetheless, NHMMC has provided the following comparative review between the two applicants.

NHMMC acknowledges that each review is different and, therefore, that the comparative review factors employed by the Project Analyst in any given review may be different depending upon the relevant factors at issue. However, it should be noted that instead of focusing primarily on proving the need for its own project, CPN provides over seven pages of its own comparative analysis (Section C, Pages 32-39). CPN’s comparisons use erroneous and meaningless factors that will, first, be addressed briefly below. Subsequently, NHMMC has provided a detailed assessment of each application and its conformity with the CON Review Criteria and the Performance Standards for fixed MRI services set forth in 10A NCAC 14C

.2703. This analysis is primarily based on the comparative factors used during the Agency’s 2017 SMFP review process for a fixed MRI unit in Mecklenburg County.

Response to CPN’s Comparative Analysis

In its application, CPN provides a comparative analysis partly based on irrelevant comparative factors used in other review processes for acute care beds and ORs from over five years ago and partly based on CPN’s own makeshift comparative factors such as geographic reach. It is clear that CPN is “cherry picking” unrelated comparative factors that it deems favorable in an attempt to prove the need for additional capacity within Atrium Health System despite its declining MRI utilization.

The following provides NHMMC’s brief response to CPN’s statements made in an attempt to prove that Atrium Health is superior to other applicants is invalid, meaningless, or misrepresented:

- *“Atrium Health/CIS has historically performed the highest volume of adjusted MRI scans among the county’s providers”*
 - Response: Atrium Health provides the highest volume because it has the highest number of scanners in the Mecklenburg County inventory. However, if the adjusted MRI scans are divided by the number of units, OrthoCarolina actually has the highest scans volume per unit followed by Novant Health.
- *“Atrium Health has the highest number of adjusted MRI scans in excess of the planning threshold indicating the greatest need for additional capacity”.*
 - Response: This is simply not true. CPN makes several errors in its calculations of adjusted total MRI scans in excess of the planning threshold for Novant Health. First, Novant Health Huntersville Medical Center (“NHHMC”) has never operated two MRI units; one unit was approved but never implemented and subsequently relocated to the recently opened NHMHMC. Second, due to a settlement agreement between NHHMC and CIS – Huntersville, CON F-001184-16 was issued for F-008237-08, converting the mobile scanner to a fixed MRI scanner at NHHMC. The unit became operational in August 2019. Prior to this agreement, NHHMC only operated one MRI unit. Lastly, CPN includes the MRI unit at NHMHMC in its analysis; however, as previously established, NHMHMC did not open until October 2018 and thus was not operational in FY 2018.

Additionally, as outlined in NHMMC’s MRI CON application, there were a few reporting errors that were identified by Novant Health, reported to the State, and corrected in the most recent 2020 SMFP draft. **Exhibit 11** below provides the FY 2018 fixed MRI scans and capacity by provider as defined by CPN in its application with the aforementioned errors remedied.

Exhibit 11
FY 2018 Fixed MRI Scans and Capacity by Provider

	Adjusted Fixed MRI Scans	Fixed Units	Adjusted Scans in Excess of 4,805 per Unit
Atrium Health/CIS	55,944	11	3,089
Novant Health	44,771	8	6,331
OrthoCarolina	15,581	2	5,971
Carolina Neurosurgery & Spine Associates (CNSA)	4,471	1	-334

Source: Draft 2020 SMFP

CPN states that “in its review of any application seeking to meet the need in the 2019 SMFP for a fixed MRI scanner to be located in Mecklenburg County, the Agency should consider the superior need for additional fixed MRI capacity” (Section C, Page 33). Novant Health couldn’t agree more. As **Exhibit 11** above shows, once errors are corrected in Atrium Health’s presentation of FY 2018 fixed MRI scans and capacity by provider, Novant Health actually has the most adjusted MRI scans per unit in excess of the 4,805 threshold of any other provider in Mecklenburg County, not Atrium Health/CIS. By CPN’s own definition, it follows that Novant Health is the superior applicant with regard to need for additional fixed MRI capacity.

- *“Atrium Health/CIS provides the broadest geographic access to patients seeking MRI scans in Mecklenburg County”*
 - Response: This comparative factor as defined by CPN is irrelevant to meeting the need for additional capacity of fixed MRI services in Mecklenburg County. In fact, Atrium proposes to add yet another MRI in the city of Charlotte where there are already 20 existing MRI units. By contrast, NHMMC proposes to add only the second MRI to the rapidly growing Matthews area.

- *“Atrium Health/CIS has the highest complexity mix among all MRI providers in Mecklenburg County.”*
 - Response: This comparison includes both inpatient and outpatient MRI services at all facilities within Atrium Health’s network. It is inappropriate to compare the complexity of hospital-based services to the complexity of freestanding-based services. By CPN’s own calculation, Atrium Health/CIS’s complexity mix is essentially the same as Novant Health’s complexity mix. Comparing Atrium/CIS to Novant Health is appropriate because they provide the same type of MRI services.

Despite CPN’s assertion otherwise, Atrium Health’s utilization does not support the need for the proposed project, and even if CPN met the Performance Standards, it is not the superior applicant as will be further detailed below.

NHMMC's Comparative Analysis

In order to determine the most effective alternative to meet the identified need for a fixed MRI scanner in Mecklenburg County, NHMMC has reviewed and compared the following factors in each application:

- MRI Setting: Hospital-Based vs. Fixed
- Geographic Distribution
- Demonstration of Need
- Ownership of Fixed MRI Scanners in Mecklenburg County
- Access by Underserved Groups
- Projected Average Gross Revenue per MRI Procedure
- Projected Average Net Revenue per MRI Procedure
- Projected Average Operating Expense per MRI Procedure

MRI Setting: Hospital-Based vs. Fixed

As previously established, CPN is proposing a freestanding fixed MRI unit at its Atrium Health Kenilworth Diagnostic Center. NHMMC by contrast proposes a hospital-based unit. It is clear from the 2019 SMFP that hospital-based fixed MRI providers collectively drove the need for an additional fixed MRI unit in Mecklenburg County. **Exhibit 12** presents the capacity for all Mecklenburg County fixed MRI providers in FY 2018 based on adjusted scans in excess of 4,805 per unit and based on a capacity of 6,864 scans per unit as described in the MRI Performance Standards. Collectively, hospital-based providers operated at 85.8 percent of capacity and performed 15,214 scans in excess of the 4,805/unit threshold. Note that NHMMC operates at the highest percent of capacity (124.8 percent). It is also important to note that Atrium Health Pineville is the only hospital that operated below the 70 percent threshold (4,805/6,864). By contrast, the freestanding providers operated at a collective 69.7 percent of capacity; all but two freestanding fixed units in Mecklenburg County operated with excess capacity in FY 2018.

It is clear that hospital-based MRI units in Mecklenburg County are highly utilized and that many freestanding fixed units in Mecklenburg County have available capacity. CPN's proposed project for a freestanding fixed MRI unit will not best meet the needs of Mecklenburg County patients, and with respect to MRI setting, NHMMC is the superior applicant.

Exhibit 12
FY 2018 Fixed MRI Scans and Capacity by Location and Provider Type

	Adjusted Fixed MRI Scans	Fixed Units	Adjusted Scans in Excess of 4,805 per Unit	% Capacity
Hospital Fixed MRI Providers				
Novant Health Matthews	8,564	1.0	3,759	124.8%
Novant Health Huntersville	7,617	1.0	2,812	111.0%
CMC-Mercy	6,619	1.0	1,814	96.4%
CMC	24,709	4.0	5,489	90.0%
Atrium Health University City	5,760	1.0	955	83.9%
Novant Health Presbyterian*	20,180	4.0	960	73.5%
Atrium Health Pineville	9,035	2.0	-575	65.8%
Total Hospital Fixed	82,484	14.0	15,214	85.8%
Freestanding Fixed MRI Providers				
OrthoCarolina Ballantyne	8,179	1.0	3,374	119.2%
OrthoCarolina Spine Center	7,402	1.0	2,597	107.8%
Novant Health Imaging Southpark	4,667	1.0	-138	68.0%
CIS-Ballantyne	4,641	1.0	-164	67.6%
CNSA Charlotte	4,471	1.0	-334	65.1%
CIS-South Park	4,182	1.0	-623	60.9%
Novant Health Imaging Ballantyne	3,743	1.0	-1,062	54.5%
CIS-Huntersville	998	1.0	-3,807	14.5%
Total Freestanding Fixed	38,283	8.0	-157	69.7%

Source: 2020 Draft SMFP

*Includes Novant Health Presbyterian – Main, Imaging Museum, and Orthopedic Hospital

Note: Mint Hill is excluded from this table, as it was not operational in FY 2018

Geographic Distribution

The 2019 SMFP identifies the need for one fixed MRI scanner in Mecklenburg County. **Exhibit 13** identifies the location of the existing and approved fixed MRI scanners in Mecklenburg County. There are 24 existing and approved fixed MRI scanners located in Mecklenburg County. 20 are located in Charlotte, three are located in Huntersville, and one is located in Matthews. There are no fixed MRI scanners located in other cities in Mecklenburg County. 83 percent of existing and approved fixed MRI inventory in Mecklenburg County is located in Charlotte and only one (four percent of the existing and approved fixed MRI inventory in Mecklenburg County) unit is located in Matthews.

CPN proposes to locate an additional fixed MRI scanner in Charlotte, Mecklenburg County, and NHMMC proposes to locate an additional scanner in Matthews, Mecklenburg County. CPN’s location in Charlotte does not enhance geographic access. By contrast, NHMMC’s proposed location in Matthews will expand geographic access to a rapidly growing area of Mecklenburg County outside of Charlotte. Additionally, CPN’s application is not approvable because it failed to that adequately demonstrate that projected

utilization is based on reasonable and adequately supported assumptions. Thus, with respect to geographic distribution, NHMMC is the superior applicant.

Exhibit 13
Existing and Approved Fixed MRI Scanners by Location in Mecklenburg County

Facility	City/Town	# of Existing and Approved Fixed MRI Units
Existing Fixed MRI Units		
Carolinas Medical Center	Charlotte	4
Carolinas HealthCare System (CHS) – Pineville	Charlotte	2
CHS – University	Charlotte	1
Novant Health Huntersville Medical Center	Huntersville	1
Novant Health Matthews Medical Center	Matthews	1
Novant Health Presbyterian Medical Center (NHPMC)*	Charlotte	4
CNSA Charlotte	Charlotte	1
CIS – Ballantyne	Charlotte	1
CIS – Southpark	Charlotte	1
NHI Ballantyne	Charlotte	1
NHI Southpark	Charlotte	1
OrthoCarolina Spine Center	Charlotte	1
OrthoCarolina Ballantyne	Charlotte	1
Carolinas Medical Center-Mercy	Charlotte	1
Total Existing Fixed MRI Units		21
Approved but not Yet Implemented Fixed MRI Units		
CIS – Huntersville**	Huntersville	1
Novant Health Huntersville Medical Center***	Huntersville	1
Novant Health Mint Hill Medical Center †	Charlotte	1
Total Approved but not Yet Implemented MRI Units		3
Total Existing and Approved Fixed MRI Units		24

Source: 2019 - Draft 2020 SMFP

*Includes Novant Health Presbyterian – Main, Imaging Museum, and Orthopedic Hospital

**An approved fixed MRI scanner was developed and located at CIS-Huntersville in 2018.

***Pursuant to a settlement agreement, a CON will be reissued for F-8237-08, converting a mobile MRI scanner to a fixed MRI scanner to be located at Novant Health Huntersville Medical Center - operational as of August 2019.

† An approved fixed MRI scanner will be located at Novant Health Mint Hill Medical Center and became operational as of October 2018.

Demonstration of Need

NHMMC effectively demonstrates that its projected utilization of the proposed fixed MRI scanner is reasonable, provides adequate documentation of the assumptions and methodologies that support its

projections, and establishes the need for population that it proposes to serve. CPN does not provide adequate documentation for the assumptions and methodologies that support its projections, as described above in NHMMC’s discussion regarding demonstration of need as previously presented. CPN fails to provide adequate information on historical utilization of existing affiliated MRI units and does not support its contention that MRI scans will shift to the proposed new Kenilworth location. Therefore, the application submitted by NHMMC is the superior applicant with regard to demonstration of need.

Ownership of Fixed MRI Scanners in Mecklenburg County

As shown in **Exhibit 14** below, there are in total 24 existing and approved fixed MRI scanners in Mecklenburg County that are owned by four different providers. **Exhibit 14** also provides the number of fixed MRI scanners, the total number of weighted scans, and the average weighted scans per scanner as reported on the 2018 LRAs. Currently, 15 of the existing and approved fixed MRI scanners are hospital-based and nine are in a freestanding outpatient imaging facility. Atrium Health owns 11 of the 24 existing and approved fixed MRI scanners, and Novant Health owns 10 of the 24 existing and approved MRI scanners in Mecklenburg County. As shown below, Novant Health provides more weighted scans per scanner than Atrium Health.

Both applicants have historically provided mobile and fixed MRI services in Mecklenburg County. The number of fixed MRI providers is not proposed to change by the approval of either project. Therefore, with regard to improving accessibility to an increased number of unique providers of MRI services in Mecklenburg County, both proposals are comparable. Both applicants are equal with respect to this comparative factor.

Exhibit 14
Ownership of Existing and Approved Fixed MRI Scanners in Mecklenburg County (FY 2018)

Provider	Number of Fixed MRI Scanners	Total Number of Weighted Scans	Average Weighted Scans per Scanner
Existing Fixed MRI Scanners			
Carolina Neurosurgery & Spine Associates	1	4,471	4,471
OrthoCarolina	2	15,581	7,791
Novant Health System	8	44,771	5,596
Atrium Health System	11	55,944	5,086
Total Existing Fixed MRI Units	22	120,767	22,944
Approved but Not Yet Implemented Fixed MRI Scanners			
Novant Health System**	2	-	-

Source: 2018 LRA Data reflected in Draft 2020 SMFP

Note: Data includes hospital fixed and freestanding fixed units; considers corrected data as reported to the State
 **An approved fixed MRI scanner at Novant Health Mint Hill Medical Center became operational as of October 2018 (FY 2019). Pursuant to a settlement agreement, a CON will be reissued for F-8237-08, converting a mobile MRI scanner to a fixed MRI scanner to be located at Novant Health Huntersville Medical Center - operational as of August 2019.

Access by Underserved Groups

Exhibit 15 below illustrates the number and percentage of MRI procedures projected to be reimbursed by Medicaid and Medicare, and the number and percentage of MRI services projected to be Self-Pay in Project Year 3, as stated in Section L.3 and Form F.2 of NHMMC’s and CPN’s respective applications. It must be noted again that CPN presents two discrepant payor mix projections in its application rendering this comparison irrelevant.

Exhibit 15
Comparison of NHMMC and CPN Projected Payor Mix (Project Year 3)

	NHMMC	CPN (Section L)	CPN (Form F.2)
Medicaid	442 (4.9%)	610 (15.2%)	518 (12.91%)
Medicare	3,817 (42.8%)	1,171 (29.2%)	1,389 (34.62%)
Self-Pay*	330 (3.7%)	273 (6.8%)	474 (11.81%)
Total Underserved Patients	4,589	2,054	2,380
% of Total	51.4%	51.2%	59.3%

Source: Section L and Form F.2 of NHMMC and CPN Applications

*NHMMC identifies its payor category as Self-Pay/Charity Care on page 83 of its CON application. CPN identifies its payor category as Self-Pay on page 85 of its CON application.

NHMMC proposes to receive the highest number and percentage of Medicare patients, and CPN proposes to receive the highest number and percentage of Medicaid and Self-Pay patients. Both applicants provide different definitions for the self-pay payor categories in Section L. Thus, it is impossible to determine if the Self-Pay categories are comparable. Further, as noted above, it is impossible to determine whether CPN’s projected payor mix is reasonable because CPN is inconsistent in its presentation of projected payor mix. Therefore, NHMMC is the superior applicant with regard to access by underserved groups.

Projected Average Gross Revenue per MRI Procedure

Exhibit 16 presents the projected average gross revenue per MRI procedure for the third year of operation for both NHMMC and CPN based on the information provided by each applicant in Section Q Form C and Form F.2. Note that NHMMC bills for technical fees only under the hospital reimbursement methodology. CPN, as a freestanding facility, bills a global fee including technical and professional fees. In order to compare the two applicants, this analysis evaluates NHMMC’s total gross revenue and CPN’s projected technical only gross revenue. (See CPN Form F.2 Atrium Health Kenilworth MRI Technical Only.)

Exhibit 16

Comparison of NHMMC and CPN Projected Gross Revenue per Procedure (Project Year 3)

Application	Gross Revenue	# of Unweighted MRI Procedures	Avg. Gross Revenue Per Procedure
NHMMC (Project Yr 3: 7/1/2023 - 6/30/2024)	\$33,772,732	8,926	\$3,784
CPN (Project Yr 3: 1/1/2023 - 12/31/2023)	\$8,302,392*	4,011	\$2,070

Sources: Form C and Form F.2 of NHMMC and CPN CON Applications

*CPN Gross Revenue as reported on Form F.2 Atrium Health Kenilworth MRI Technical Only

While the CON Section has presented this comparison in other findings, a comparison of charge is not meaningful given that virtually no payor or patient actually pays charges. NHMMC projects a higher average gross revenue in the third project year than CPN projects. Regardless of the gross charge comparison, CPN’s application is not approvable because it failed to that adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. Thus, with regard to projected average gross revenue per MRI procedure, NHMMC is the superior applicant.

Projected Average Net Revenue per MRI Procedure

Exhibit 17 presents the projected average net revenue per MRI procedure for the third year of operation for both NHMMC and CPN based on the information provided by each applicant in Section Q Form C and Form F.2. Note that NHMMC bills for technical fees only under the hospital reimbursement methodology. CPN, as a freestanding facility, bills a global fee including technical and professional fees. In order to compare the two applicants, this analysis evaluates NHMMC total net revenue and CPN’s technical only net revenue. (See CPN Form F.2 Atrium Health Kenilworth MRI Technical Only.)

Exhibit 17

Comparison of NHMMC and CPN Projected Net Revenue per Procedure (Project Year 3)

Application	Net Revenue	# of Unweighted MRI Procedures	Avg. Net Revenue Per Procedure
NHMMC (Project Yr 3: 7/1/2023 - 6/30/2024)	\$7,021,351	8,926	\$787
CPN (Project Yr 3: 1/1/2023 - 12/31/2023)	\$1,785,730*	4,011	\$445

Sources: Form C and Form F.2 of NHMMC and CPN Applications

*CPN Net Revenue as reported on Form F.2 Atrium Health Kenilworth MRI Technical Only

NHMMC projects a higher average net revenue in the third project year than CPN projects. This higher payment is structured by Medicare in part (42.8 percent of NHMMC revenue), and NHMMC does not have the ability to change what it is paid by Medicare. Regardless of the comparative net revenue, CPN’s application is not approvable because it failed to that adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. Thus, with regard to projected average net revenue per MRI procedure, NHMMC is the superior applicant.

Projected Average Operating Expense per MRI Procedure

Exhibit 18 presents the projected average operating expense per MRI procedure for third year of operation for NHMMC and CPN based on the information provided in Section Q Form C and Form F.3 of each application.

Exhibit 18
Comparison of NHMMC and CPN Projected Average Operating Expense per Procedure
(Project Year 3)

Application	Total Operating Expenses	# of Unweighted MRI Procedures	Avg. Operating Expense Per Procedure
NHMMC (Project Yr 3: 7/1/2023 - 6/30/2024)	\$2,122,624	8,926	\$238
CPN* (Project Yr 3: 1/1/2023 - 12/31/2023)	\$1,456,984	4,011	\$363

Sources: Form C and Form F.3 of NHMMC and Atrium Applications

*CPN Operating Expenses as reported on Form F.3 Atrium Health Kenilworth MRI Technical Only

NHMMC’s projected average operating expenses are significantly less per procedure than that of CPN. This comparison shows the cost effectiveness of adding an MRI to the existing department at NHMMC, including the ability to share existing staffing resources. CPN proposes a new location that will duplicate facilities, staff, and overhead of existing Atrium-affiliated MRI units in Mecklenburg County. Additionally, CPN’s application is not approvable because it failed to adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. Thus, with regard to projected average operating per MRI procedure, NHMMC is the superior applicant.

CONCLUSION

CPN’s application is not approvable, as it does not conform to Criteria (1), (3), (4), (5), (6), (13), (18a), and the Performance Standards for MRI services. NHMMC’s application meets all applicable criteria and standards for MRI services. In addition, for each of the comparative analysis factors provided in this analysis, NHMMC is determined to be the superior applicant with regard to:

- MRI Setting: Hospital v. Freestanding
- Geographic Distribution
- Demonstration of Need
- Access by Underserved Groups
- Projected Average Operating Expense per MRI Procedure

Regardless of the comparative factors, only NHMMC clearly meets all CON Review Criteria and the fixed MRI Performance Standards, presenting clear and reasonable documentation throughout its application. Further, NHMMC is dedicated to meeting the MRI needs of Mecklenburg County in the hospital-based setting that drove the need for an additional fixed unit in the first place. Even if CPN met the CON Review Criteria and Performance Standards, which it does not, NHMMC is the best applicant on a comparative basis to ensure access to care and provide the highest level of clinical quality and continuity of care for its patients. Thus, NHMMC should be approved.