

**Technology and Equipment Committee
Agency Report
Petition for and Adjusted Need Determination for
One Fixed Magnetic Resonance Imaging (MRI) Scanner in the
Wake County Service Area
2020 State Medical Facilities Plan**

Petitioner:

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Request:

Raleigh Radiology requests an adjusted need determination for an additional fixed MRI scanner in the Wake County service area in the *2020 State Medical Facilities Plan (SMFP)*.

Background Information:

Chapter Two of the SMFP allows for “[a]nyone who finds that the North Carolina State Medical Facilities Plan policies or methodologies, or the results of their application, are inappropriate may petition for changes or revisions. Such petitions are of two general types: those requesting changes in basic policies and methodologies, and those requesting adjustments to the need projections.” The SMFP annual planning process and timeline allow for submission of petitions for changes to policies and methodologies in the spring and petitions requesting adjustments to need projections in the summer. It should be noted that any person might submit a certificate of need (CON) application for a need determination in the Plan. The CON review could be competitive and there is no guarantee that the petitioner would be the approved applicant.

The standard methodology uses the total number of adjusted procedures in an MRI service area, equivalent values for fixed and mobile MRI scanners, and graduated need determination thresholds based on the number of fixed scanners in a service area. Procedures are weighted according to complexity and then combined to determine a total number of weighted procedures. The fixed equivalent value is 1.00 for approved and existing fixed MRI scanners, including need determinations from previous SMFPs for MRI scanners. For mobile sites, the fixed equivalent is the number of MRI adjusted procedures performed at the site divided by the threshold for the MRI service area. The fixed equivalent for a mobile site can be no greater than 1.00. The sum of the weighted MRI procedures is divided by the number of fixed equivalent scanners to get the average

adjusted procedures per scanner for each service area. A need determination for additional MRI scanners occurs when the average adjusted procedures per scanner for the service area exceeds the threshold established for the service area. Application of the methodology to utilization data in the 2019 SMFP generated a need determination for one additional fixed MRI in the Wake County service area. That review begins December 1, 2019 and applications are not due until 5:30 pm on November 15th.

Raleigh Radiology has submitted a petition to for an adjusted need determination for one fixed MRI scanner in Wake County based on the following reasons: 1) low per capita number of scanners in Wake County compared to other major population areas; 2) Wake County dependence on Alliance MRI mobile units; 3) impact of grandfathered “fixed” unit on inventory; 4) unintended consequences of equipment; and 5) impact on Wake County customers access to MRI scanners. Raleigh Radiology currently utilizes 2 mobile scanners owned by Alliance. These mobile units operate as fixed scanners.

Analysis/Implications:

Alliance Imaging is not the only provider that has one or more “grandfathered” MRI scanners. Prior to March 18, 1993, the CON Law did not expressly regulate the acquisition of an MRI scanner. There were a number of providers operating mobile units in the state that had not been required to obtain a CON before acquiring the units. Any grandfathered mobile MRI unit can be operated anywhere in the state and it may also be installed in a building or parked permanently at a site. There are a number of mobile MRI vendors that provide service in Wake County. Raleigh Radiology has arrangements with Foundation Health Imaging, LLC and Pinnacle Health Services of North Carolina, in addition to their agreement with Alliance Healthcare Services. Two scanners owned by Alliance are treated as fixed. Pinnacle operates 1 fixed and 2 mobile scanners.

Wake and Mecklenburg counties contain the most MRI units in the state. Since the 2016 SMFP, both counties have experienced similar growth in the inventory of MRI equipment (see Table 1). Wake County has seen an increase of 18.5% in MRI inventory compared to an increase in Mecklenburg County of 19.7%.

Table 1: Service Area Fixed Equivalent Inventory, Reporting Years 2014 - 2018

	2016 SMFP	2017 SMFP	2018 SMFP	2019 SMFP	Proposed 2020 SMFP	Total Percent Change
Wake County	21.01	21.81	22.65	22.00	24.89	18.5%
Mecklenburg County	24.97	25.93	28.78	30.59	29.88	19.7%

Source: 2015 – 2019 License Renewal Applications

Note: The data in the SMFP is two years earlier than the publication year of the SMFP.

Wake County has a slightly smaller population than Mecklenburg County (see Table 2). Over a 5-year span Wake County has experienced an 8.6% increase in population while Mecklenburg County has experienced a 7.8% increase in population. As both counties are experiencing an increase in population, they are both also increasing their inventory of available MRI equipment in the service area. Based on the 2019 Patient Origin Reports 68.82% of patients scanned in Wake County are residents of Wake County, while 57.35% of patients scanned in Mecklenburg County

are residents of Mecklenburg County. Mecklenburg MRI service sites are serving more out of county patients which has contributed to a higher number of procedures performed annually (see Table 3).

Table 2: Annual County Population Totals, Years 2016 - 2020

	2016	2017	2018	2019	Projected 2020	Total Percent Change
Wake County	1,030,641	1,052,120	1,073,993	1,096,408	1,119,165	8.6%
Mecklenburg County	1,056,264	1,074,596	1,093,708	1,115,571	1,138,473	7.8%

Source: NC Office of State Budget and Management: Annual County Populations

The Petitioner asserts that the number of scanners per capita in Wake County is the lowest among the 5 most populous counties. While the assertion is accurate, it is necessary to consider other factors. First, the Petitioner provides no information about the optimum or standard number of scanners per capita. It is possible that Mecklenburg County has an oversupply. Wake County does not treat as many out-of-county residents as Durham, Forsyth, or Mecklenburg. In addition, Durham and Forsyth have academic medical center teaching hospitals with AC-3 scanners in the inventory. No facility in Wake County is eligible for an AC-3 scanner.

Raleigh Radiology has consistently seen an increase in the number of weighted MRI procedures over the past 5 reporting years. With a 7.2% compound annual growth rate (CAGR) and a 32.1% change, they are trending to remain a high-volume fixed MRI service site (see Table 3). The increase in procedures within the service area and statewide shows adequate need determinations in the state based on the standard MRI methodology.

Table 3: Service Area and Statewide Weighted MRI Procedures, Data Years 2014 - 2018

	2016 SMFP	2017 SMFP	2018 SMFP	2019 SMFP	Proposed 2020 SMFP	Total Percent Change	CAGR
Raleigh Radiology - Blue Ridge	4,545	5,329	5,886	5,973	6,004	32.1%	7.2%
Wake County	96,131	97,308	108,561	106,738	115,129	19.8%	4.6%
Mecklenburg County	122,892	129,524	135,469	149,284	153,631	25%	5.7%
Statewide	800,182	848,142	856,324	872,498	888,436	11%	2.7%

Source: 2015 – 2019 License Renewal Applications

Note: The data in the SMFP is two years earlier than the publication year of the SMFP.

Throughout the petition, Raleigh Radiology mentions that there are unintended consequences to having leased equipment. The Agency does not have any involvement in the contracts between the lessee and lessor for equipment. The Petitioner also mentions that there are factors leading to a negative impact on Wake County patients. As mentioned above, 68.82% of patients scanned in

Wake County are residents of Wake County. The SMFP has been able to provide additional opportunities for new fixed MRI services as volume increases.

Agency Recommendation:

The Agency supports the standard methodology for fixed MRI equipment. The 2019 SMFP generated a need determination in Wake County for a fixed MRI unit. The Agency recommends Raleigh Radiology apply for the available need in the 2019 SMFP. The situation described in the Petition, to the extent that it exists, is not unique to Wake County. Facilities in most counties have a contract with at least one MRI owner for fixed and/or mobile services. Quite a few counties have contracts that include a mobile machine that has been installed in the building or is permanently parked at the site. Rather than addressing Raleigh Radiology's specific concerns for an adjusted need determination, the Agency concludes that if adjustments are needed, they would need to apply statewide. That is, adjustments would require a new policy or a revision of the methodology. As such, the Agency further recommends that the Technology and Equipment Committee address this topic in the coming year. Given available information submitted by the August 8, 2019 deadline date for comments on petitions and comments, and in consideration of factors discussed above, the Agency recommends denial of the petition to add a need determination for an additional unit of fixed MRI equipment for the Wake County service area in the 2020 SMFP.