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August 16, 2010

Mrs. Carol Potter,
Planning Analyst
North Carolina Division of Health Service Regulation
Medical Facilities Planning Section
2714 Mail Service Center
Raleigh, NC 27699-2714

RE: Comments Regarding Petition Submitted by Southeastern Orthopaedic Specialists.

Dear Mrs. Potter and Members of the Technology Committee:

I am writing on behalf of Alliance Healthcare Services, a licensed and accredited MRI provider that serves hospitals, physicians and diagnostic imaging centers in North Carolina. As seen in the attached comments, Alliance Healthcare Services opposes the petition submitted by Southeastern Orthopaedic Specialists. Please review the attached comments that clearly explain why the petition should be denied.

If you need additional information regarding these comments please contact me at 336 349-6250. Additional information regarding the capabilities and resources of Alliance Healthcare Services can be obtained from Ms. Angie Caporiccio at (919) 306-9328.

Thank you for the opportunity to provide accurate information for your consideration of the petition.

Sincerely,



David J. French
Strategic Healthcare Consultants
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Medical Facilities
PLANNING SECTION

Comments regarding Southeastern Orthopaedic Specialists petition requesting an adjusted need for a fixed MRI scanner for Guilford County.

Alliance Healthcare Services supports the MRI methodology and the need determinations of the Proposed 2011 State Medical Facilities Plan including the following statements:

“The standard methodology resulted in a need determination in Table 9K for one additional fixed MRI scanner each in Gaston, Mecklenburg, and Pitt/Greene/Hyde service areas. There is no need for any additional fixed MRI scanners anywhere else in the state. There is no need for any additional mobile MRI scanners anywhere in the state.”

The Technology Committee of the State Health Coordinating Council and the Medical Facilities Planning Staff have worked diligently to produce an MRI methodology that is equitable and responsive to the needs of the citizens of North Carolina. Therefore, the standard methodology and the resulting need determinations should be accepted, without adjustment, to add unnecessary fixed or mobile MRI capacity anywhere else in North Carolina.

Over the last two years, statewide utilization of fixed and mobile MRI scanners shows minimal growth. During this time period, there are at least six additional fixed MRI scanners that are yet to be fully implemented as a result of the 2009 and 2010 need determinations and CON decisions. These CON applications for additional fixed MRI scanners were evaluated and approved based on previous years' historical growth assumptions that, in hindsight, appear overly optimistic. Furthermore, healthcare reform will reduce reimbursement and impose new requirements for maintaining high productivity levels for expensive imaging equipment including MRI scanners.

Adjusted need determinations for fixed MRI scanners should be based on the unique circumstances and needs of the patients in the service area and not be given out as a consolation prize to appease an unsuccessful CON applicant. Southeastern Orthopaedic Specialists already has full time access to mobile MRI services that is contracted from Alliance Healthcare Services. With years remaining on their current agreement, Southeastern Orthopaedic Specialists has access to advanced imaging capabilities, highly trained staff and an accredited MRI service.

During the public hearing on August 2, 2010, a speaker for Southeastern Orthopaedic Specialists stated that the 2011 SMFP MRI methodology is incorrect to show no need determination for 2011 because the inventory includes a full-time MRI placeholder for the 2009 CON need determination plus the mobile MRI scanner that is predicted to be replaced by the approved fixed unit. This statement is false because Alliance Healthcare Services has no obligation to remove its mobile MRI unit from Guilford County after the fixed MRI unit becomes operational at Greensboro Orthopaedic. Alliance can reassign the mobile unit that was previously used at Greensboro Orthopaedic Center to other physician office, diagnostic center or hospitals in Guilford County. Alliance Healthcare Services does not have to obtain CON approval for changing sites for the specific unit that has been utilized by Greensboro Orthopaedic Center. Alliance Healthcare Services has more experience and expertise in establishing new mobile MRI locations than any provider in North Carolina. As seen in the

proposed 2011 SMFP there are multiple locations within Guilford County that utilize mobile MRI scanners.

There is no compelling need for the population of the Guilford County service area for an additional fixed MRI scanner:

- The petitioner fails to provide any unique characteristics of Guilford County that merit an adjusted need determination for another fixed MRI scanner. Unlike previous petitions for adjusted need determinations for fixed MRI by remote rural hospitals, Guilford County has no unique geographic access factors.
- 2010 daily MRI utilization at Southeastern Orthopaedic Specialists has decreased by approximately 5 percent as compared to 2009 volumes.
- The requested adjustment relates to the conventional 1.5 Tesla MRI technology that is currently being provided by Alliance to Southeastern Orthopaedic Specialists. The petition requests no new diagnostic capabilities because the mobile MRI provided by Alliance is fulfilling the needs of the practice.
- Reimbursement rates for MRI procedures do not differ based on whether the scan is performed on a fixed MRI scanner or a mobile unit. Therefore the petitioner's offer to discount patient charges by 10% is of negligible benefit.
- Southeastern Orthopaedic Specialists previously obtained mobile MRI service at a facility in Guilford County where the mobile MRI scanner was able to be docked to the physician office building. Previously, patients did not have to go outside to access the mobile MRI truck. In recent years, Southeastern Orthopaedic Specialists chose to relocate their office and discontinue the building feature where the mobile MRI could be connected to the building. The mobile MRI unit provided by Alliance can still be connected to a facility. Based on these circumstances, it is disingenuous to find fault with the patient access characteristic of mobile MRI services because Southeastern Orthopaedic Specialists eliminated the docking capability.

In summary, if overall MRI utilization in Guilford County increases during 2010 then the standard methodology can trigger a need determination for an additional fixed MRI in the development of next year's State Medical Facilities Plan. This will enable Southeastern Orthopaedic Specialists to seek CON approval for a fixed MRI scanner in the same manner as most existing MRI providers throughout the State. The petition by Southeastern Orthopaedic Specialists should be denied because it is unjustified and it undermines the validity of the standard MRI methodology.