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August 17, 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 neo pet, llc.

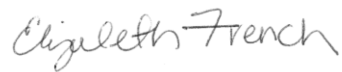
Dear Mrs. Potter and Members of the Technology Committee:

I am writing on behalf of Alliance Healthcare Services, a licensed and accredited PET 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 neo pet, llc. 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,



Elizabeth French
Strategic Healthcare Consultants

Thank you for the opportunity to respond to the petition submitted by neo pet, llc for an adjusted need determination for mobile Positron Emission Tomography (PET) services in western North Carolina. Alliance HealthCare Services, LLC currently provides mobile PET services in North Carolina and offers the following comments in support of the Proposed 2011 State Medical Facilities Plan that included no need determination for mobile or fixed PET services.

The Petition Is Not Supported by Evidence from the Hospitals to be Served

The neo pet petition fails to identify multiple hospitals that have expressed a need for additional services. The alleged need is only upheld by an "informal survey" performed by neo pet, llc. The petition lacks adequate support from hospitals, oncologists or radiologists to sustain their claim that additional PET services are needed.

The petitioner's argument regarding the availability of mobile PET on holidays is speculative and irrelevant because Alliance works with host sites to balance their schedules over extended periods of time. Alliance provides service to host sites on holidays in response to customer requests.

An Additional Scanner Would Lead to a Duplication of Services

Western North Carolina has fifteen fixed PET scanners and one mobile PET scanner. Most of the existing mobile PET sites are located at moderately-sized community hospitals with oncology services.

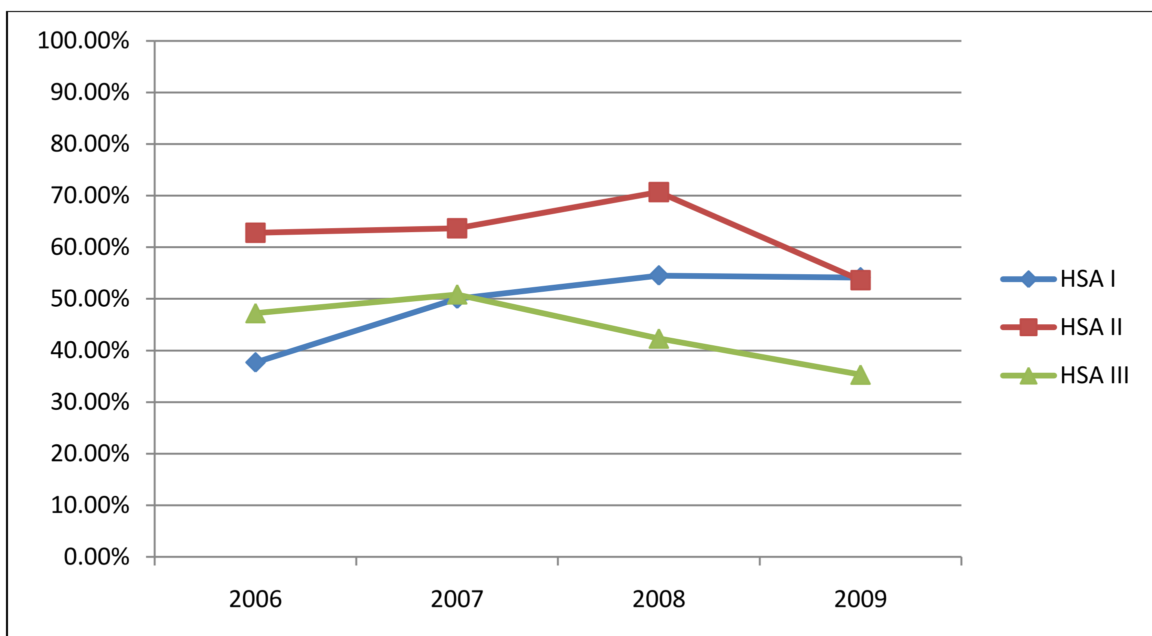
The neo pet petition fails to consider the low utilization rates of the existing fixed PET scanners:

Health Service Areas	HSA I	HSA II	HSA III	Combined
# Counties	26	11	8	45
Total Combined Populations	1,371,708	1,598,306	1,905,736	4,875,750
# Mobile PET Sites	9	3	3	15
# Fixed PET scanners	2	5	6	13
# of PET scanners below 60% annual capacity	2	2	5	9
Total Volume for fixed PET scanners	3,249	9,954	8,053	21,256
Total Capacity for fixed PET scanners	6,000	18,000	21,000	45,000
Average annual utilization for fixed PET in 2009	54.15%	53.62%	35.32%	47.70%

The preceding chart displays 2009 data for each HSA in western North Carolina. <u>All HSAs are operating at a low utilization rate for existing fixed PET scanners, with the combined average rate for 2009 at 47.70% of capacity.</u>

Given that there are no fixed PET scanners in the service area that are approaching capacity, the addition of a new mobile scanner would be contrary to the methodology for fixed PET scanners. A mobile scanner would add additional capacity for PET scans, but there is no need; the existing fixed PET scanners, which represent 93.75 % of the total inventory, are presently underutilized.

neo pet fails to acknowledge that an additional mobile PET would significantly diminish volumes at fixed PET locations. The demand for services in western North Carolina is not increasing and an additional mobile PET would clearly be duplicative of existing fixed and mobile capacity, as it would simply divert patients from existing scanners. The graph below shows the combined utilization rate of fixed PET scanners in HSAs I, II and III from 2006 to 2009, which also demonstrates the low overall utilization of the existing units. The percentages are based on total combined utilization divided by the combined fixed PET scanner capacity.



Graph 1
Source: 2010 SMFP Table 9I

Health Service Area I ("HSA") has a large service area with twenty-six counties, two fixed PET scanners and nine mobile sites. Hypothetically, if a new mobile PET scanner was approved for HSAs I, II, and III, it would be required to draw 867 scans from each HSA to meet its 2600 annual capacity. Without additional demand, a new mobile scanner could potentially reduce the amount of scans performed at other HSA I fixed sites by 27.9%.

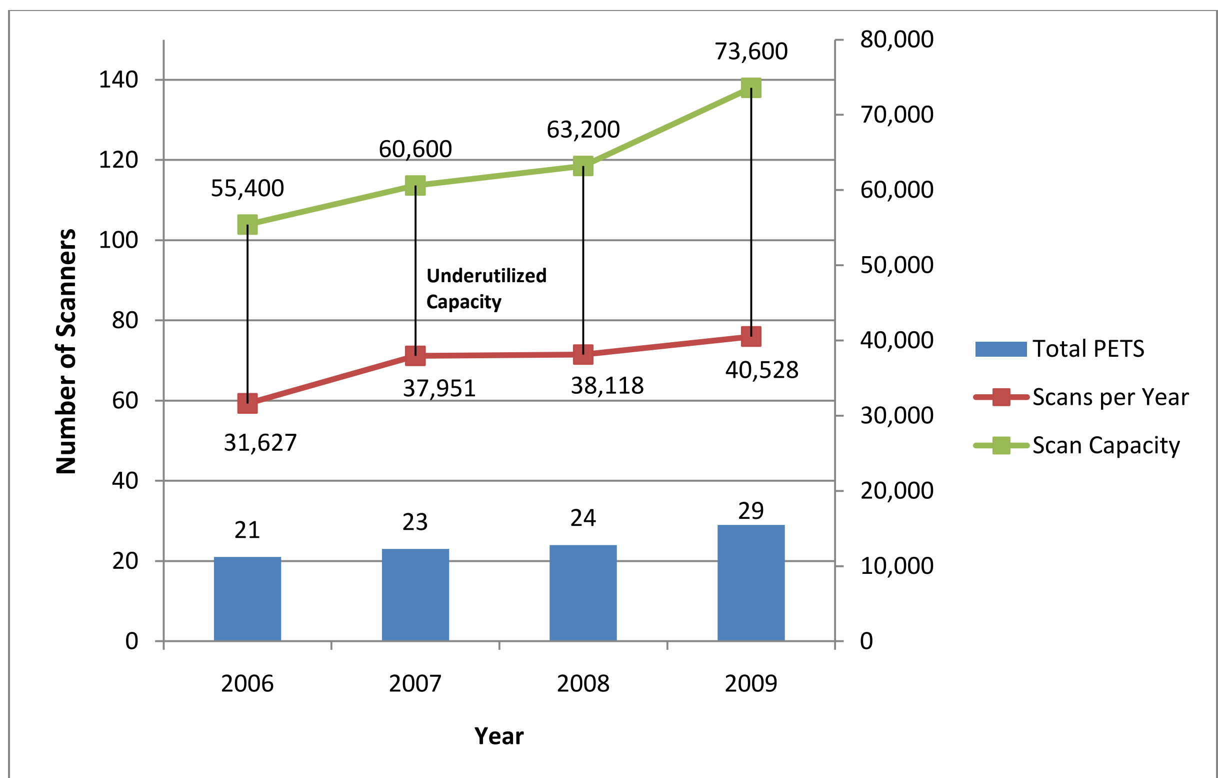
HSA II reached 70% capacity in 2008, but was approved for additional fixed PET scanners in 2007 and 2008; this brought the combined annual utilization rate for the fixed PET scanners down from 70.68% to 53.62% by 2009. According to the North Carolina State Medical Facilities Plan, no HSA is currently operating above a 55% annual utilization rate for fixed PET scanners.

HSA III has a total of 6 fixed PET scanners including one CON-approved fixed PET scanner that is pending implementation in Union County. With this unit in the denominator, the 2009 combined utilization for fixed PET in HSA III fell to 35.52% of capacity.

While the one mobile PET scanner in western NC is operating above what is defined by the SMFP as its capacity, the combined average utilization rate for fixed PET scanners in these three health service areas is only 47.7%. The combined average utilization of fixed PET scanners has decreased in recent years due to the increased availability of fixed PET capacity and the slower-than-expected growth in demand.

<u>No Need for Additional PET Capacity Anywhere in North Carolina</u>

The following graph demonstrates the increase in the number of total PET scanners (fixed and mobile) and the growth of total PET scanner utilization versus capacity in all of North Carolina.



Graph 2
Source: 2010 SMFP Tables 9I and 9J(1)

The number of PET scanners in service is shown in blue bar graph and is defined on the left scale, which illustrates the increase from twenty one to twenty nine PET scanners (includes fixed and mobile PET). This graph shows that the number of PET scanners in North Carolina has grown 42% from 2006 to 2009 based on the total inventory. The availability of fixed PET scans has caused the average utilization per scanner to drop, indicating that available of equipment has increased dramatically while the overall demand for PET scans has grown more slowly.

The graph displays the disparity between the scanner utilization and scanner capacity for both fixed and mobile scanners between 2006 and 2009. The red line displays the actual scans per year performed by the fixed and mobile PET scanners in North Carolina over the four year period, while the green line demonstrates the total capacity of these scanners. The area between the red and green lines represents the underutilized capacity of these scanners. With the increase in the number of approved scanners in NC, scanner use has also grown but is not close to reaching maximum capacity. In 2009, the underutilized PET capacity in NC reached its all-time high of 55.1%.

The Proposed 2011 SMFP has correctly concluded that there is no need for additional fixed or mobile dedicated PET scanners. As the graphs and table show, the approval of an additional PET scanner is unnecessary and would lead to a duplication of services. Duplication and underutilization are economic burdens on the public. Patients, health insurance subscribers, health plan contributors, and taxpayers are all left the responsibility of paying for the costs of facilities and equipment. An unnecessary mobile PET scanner would further lower the utilization rate of the fixed dedicated scanners and would threaten to diminish the cost-effectiveness of existing health services.

Future Reallocation of Mobile PET Scanner Capacity

The petitioner did not take into account the increased availability of mobile PET services in western NC that will result from the reallocation of available capacity that will occur when a CON-approved fixed PET in Union County becomes operational. Alliance expects that the total mobile PET utilization in western NC is likely to decline slightly in 2011; the CON-approved fixed PET scanner at Carolinas Medical Center-Union in Monroe, NC, which was approved in April of 2009, should become operational in early 2011. Once CMC-Union no longer requires mobile PET service, the newly available mobile PET capacity will be reallocated to both existing and new sites in western NC.

Over the years, Alliance has worked collaboratively with numerous hospitals that have obtained CON approval for PET scanners. As seen in the Proposed 2011 SMFP and Graph 1, the 2009 annual utilization of the western mobile PET declined from the previous year 2008 total volume due to the implementation of a fixed PET scanner at Alamance Regional Medical Center. When this occurred, Alliance reallocated mobile PET capacity and adjusted the scanner schedule to both existing and new sites.

In contrast, neo pet shows no willingness to evaluate the impact of its petition request on the future utilization of existing or pending fixed PET locations as well as the mobile PET scanner sites. Given that healthcare reform will impose new requirements for maintaining high productivity levels for equipment, including PET scanners, the neo pet petition is contrary to both state and federal healthcare initiatives

In summary, the neo pet, llc petition for an adjusted need determination for an additional mobile PET scanner in western North Carolina should be denied because:

- The petition does not demonstrate a need for additional services.
- All health service areas in North Carolina have underutilized fixed PET scanners
- A petition to add a mobile PET scanner will result in a duplication of healthcare services that undermines the goals and values of the State Medical Facilities Plan.

Thank you again for this opportunity and for your consideration in this matter.