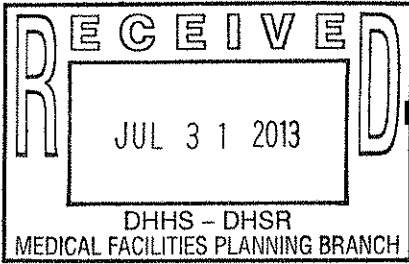


**Presentation of Special Needs Petition for
Fixed Magnetic Resonance Imaging (MRI) Equipment,**

Person County,

Proposed 2014 State Medical Facilities Plan

Raleigh, July 31, 2013



Introduction

Thank you. Good afternoon, my name is Chad Brown. I am CEO of DLP Person Memorial Hospital. Located in Roxboro, NC, Person has 110 beds, 50 acute and 60 nursing home. Last year, our emergency room had more than 20,000 visits. We are a rural safety net hospital. Person County had 39,197 people in 2012¹. The hospital is owned by Duke Life Point, LLC, a joint venture between Duke Health System and LifePoint Hospitals.

Request

I am here to ask members of the State Health Coordinating Council to modify the Proposed *2014 State Medical Facilities Plan (2014 SMFP)* to include a **special need for one unit of fixed MRI equipment in Person County**. This would be a modification to Chapter 9 of the *SMFP*, specifically addressing the Person County service area.

¹ NC State Demographer

Reasons

Presently, the hospital has a 0.53 equivalent mobile MRI units provided on contract with a third party. This is the only MRI service in the county. Four days a week, Tuesday, Thursday, Friday and Sunday, we have no service. Neither patients nor physicians are happy with the limited access.

Moreover, I discovered that our lease payments for a half-time mobile MRI service are barely covered by what we collect. Further analysis showed that with no increase in procedures, the same revenue would cover the cost of a fulltime scanner that we could locate inside the hospital, not outside, and make a contribution to the operating overhead cost. For these calculations, we assumed a capital cost of \$1.5 million.

New to North Carolina, I discovered that the problem is not as simple as terminating a lease contract and ordering equipment. A CON is required and would only be approved if a need is listed in the State Medical Facilities Plan. But the Plan does not show a need and will not likely show a need in the foreseeable future. First, with only part-time service, many physicians refer out of county, just because they do not want to keep up with the schedule. Residents of the county obtained 3,655 scans last year. Only 916 occurred at the hospital. The rest went outside the county. Our 916 scans translate to 1,050 adjusted scans in the Draft *2014 SMFP*.

With a full time scanner, we would, no doubt, see an increase in increase scan volume. Ninety percent of the scans that out-migrate go to hospitals; 40 percent go to tertiary medical centers. Charge and convenience would be motivators. A comparison of our charges to neighboring hospitals as reported on the NCHA website shows that for a

common DRG like heart failure and shock, Person's average charges are less than half that of neighboring community hospitals.

Alternatives

Waiting for the Plan to catch up to us is futile. It will not happen. Purchasing more time from Alliance is plausible. They do not want to sell it unless we can guarantee profitable volumes on each day of service, and, as noted, the cost is barely offset by the reimbursement. With downward pressure on reimbursement, this may not sustain.

Staying with the status quo is not prudent. As a member of LifePoint, Person has access to very sophisticated capital planning and budget review processes. We cannot get authorization to proceed without our own internal "CON" review. My request has been through that review and I have been urged to pursue the ownership option.

We are working hard to attract top physicians to the community. They want and their patients deserve access to quality tools. It does not make sense to withhold them, when the cost of full time service is less than the cost of part time.

Evidence of Non-Duplication

I understand that one of your tests for a special need request is that the proposal not produce unnecessary duplication of existing resources. There will be a little duplication. Some service now referred out of county, will stay in the county. However, most of our outmigration goes to hospitals (90 percent) and 40% go to Durham. Durham County has 17.44 full time equivalent scanners. Person does not have one.

We have discussed this with our Duke partner and they are supportive.

Benefit

The benefits are obvious. Financial strain on a Safety Net hospital would be reduced. Access for local residents would be increased. Changing from mobile to fixed would not change our prices. In fact, for local residents, the cost would be less because they would not have travel cost, might get information resolved on the same day as their physician visit and would have rural hospital charges not academic medical center charges.

We have determined that 90 percent of county MRI scans are outpatient. With only 10 percent of the outmigration going to outpatient centers, we can infer that 80 percent of the outmigration is going to hospitals for outpatient scans. We have also determined that our charges are much lower than any of the North Carolina hospitals to which patients out-migrate.

When I arrived, the hospital was losing money. I have been able to improve the situation, attracting 11 new physicians and bringing Life Point's and Duke systems to enhance quality and strengthen programs. The hospital is now in better shape, but challenges remain, especially as external forces continue to reduce our payments. We must find every opportunity to improve value and cost effectiveness.

Quality

DLP Person Memorial's commitment to quality is evidenced by results. This year, we received an "A" rating by the Leapfrog Group Survey. Leapfrog benchmarks total value using a national scale. We are part of CMS Hospital Engagement Network working on patient engagement personal health improvement and Duke's Quality/ Patient Safety

Program. Our inpatient Core Measures are high and we received the LifePoint Hospitals Inc. annual "President's Safety Award" recognizing our quality outcomes and improvement results in promoting positive employee culture.

Having the MRI staff be part of our own hospital staff will give us better control over quality in this service.

Access

We are unquestionably serving the underserved. Current reports show that 26 percent of our emergency room visits are self-pay which largely means no pay. Another 33 percent are Medicaid beneficiaries and 17 percent are Medicare. We understand and accept this and they are the reason why we need to do everything we can to contain costs.

Clearly, there are compelling reasons for this request. I ask that you help us and approve this request. I will be submitting a formal petition in the required format later this month. Meanwhile, I will be happy to respond to any of your questions today.

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