

**Presentation of Special Needs Petition for
Fixed Magnetic Resonance Imaging Equipment in Wake County,
Proposed 2016 State Medical Facilities Plan**

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Presented by:

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Hello, my name is Dr. Satish Mathan. I am the President of Raleigh Radiology, an independent practice of 25 radiologists, including many subspecialists. By now, many of you know our true story about “Robert.”

Robert is mid-fifties, has chronic bilateral knee pain, medial meniscus tear in one knee and osteoarthritis, a condition that requires numerous visits to specialists and continual medication. Robert works full time in IT, moving equipment, often crawling around in uncomfortable positions. He has a high deductible Blue Cross plan; cannot afford to be out of work; his medical costs are high; and he needs to minimize cost for MRIs. When he found that Raleigh Radiology charged as much as \$500 less than three other area providers for the same MRI, Robert asked his doctor to refer him us.

Robert’s experience is typical and highlights why I am here today. Quite simply, we provide the best value, have a very high cost structure, and we need relief. We are asking for a special need determination for one fixed MRI scanner in Wake County. The request is consistent with the governing principles in the *State Medical Facilities Plan* of maximizing quality, access, and value.

Raleigh Radiology does not own an MRI scanner. We contract with Alliance Healthcare Services. We started with mobile, and now lease two ‘grandfathered’ scanners that stay in the same location every day, one in Raleigh and one in Cary. We built the space; Alliance provides equipment and staff. Since 2005, we have paid Alliance \$17.5M. A comparison with cost to provide MRI directly showed our costs would drop by \$530,000 each year. The lease arrangement is unsustainable and cumbersome; specifically:

1. **Staff Control.** Alliance employs the staff, meaning:
 - Unnecessary overtime expense and inflexible staff schedules
 - Patients that wait longer than necessary for scans

2. **Rising Volumes.** As Robert demonstrates, we offer low MRI out-of-pocket costs for the area. We also provide high quality services, making Raleigh Radiology the highest value radiology provider in our area. We save patients hundreds, sometimes thousands, of dollars for the same scan. This is why Key IPA and WakeMed selected Raleigh Radiology as their preferred ACO provider. As a result, our Cary MRI went from 3,792 MRIs in 2013, and in the first 6 months of 2015 we have already done 2,535, indicating we will exceed 5,000 this year.

3. **Declining Payments, Rising Costs.** In addition to already low payments, reimbursement for radiology has been declining for years. Since 2006, Medicare has been reducing reimbursement to radiology. Between 2013 and 2014, Medicare RVUs for the technical component of certain high- volume MRI procedures decreased anywhere from 35% to 55%. Meanwhile, our payment to Alliance increased by a 2% annual CPI factor plus extra changes associated with schedule adjustments to accommodate volumes.

We asked Alliance to consider selling us the MRI units, but the CONs drive up the value so much that price of both CON and MRI is far too high to make purchase financially feasible.

Our request for a special need is reasonable. For the 12 months ending June 2015, the MRI equipment in our Cary office provided an adjusted annual total of 5,603 weighted MRIs, more than the 4,805 Wake County threshold for an additional MRI. As a whole, Wake County averaged 4,575 weighted scans in 2014, not quite enough to generate a need. But calculated need is only part of the issue. As value becomes more important to payers, patients and referring providers, pressure to increase our capacity goes up. Access limitations at our practice should not force patients to higher cost providers.

Raleigh Radiology is also a safety net provider. We provide deep discounts to uninsured patients. If we can drive out more cost, we can expand these benefits.

Our access is good. We schedule 72 hours a week, well above the 66-hour CON requirement. Our latest proposed contract with Alliance increases hours of operation to 90, but at a dear cost.

These leases provide less flexible operating hours. With our own, we could operate when needed. Based on our recent growth, and experience operating another MRI for Outpatient Imaging Associates, we could then do as many as 7,000 weighted scans a year.

Without a special need, when our lease is up at the end of 2016, we will face difficult choices: stop the service, reduce the hours to keep costs within the range of declining payments, or risk subsidizing the service.

We are unique: a high volume, high value provider restricted by the Plan from helping our patients. A special need would provide relief for Wake County until the methodology generates need for additional scanners, which could take years. If granted the related CON, Raleigh Radiology will have lower costs per scan and work to pass those savings on to patients; improve access through better hours; and improve quality by taking efficiency gains and putting them back into quality initiatives.

We understand that a positive SHCC response to our request would require us to compete with others for the CON, and that five other Wake County MRI units exceeded the threshold in 2014. We are prepared for that. We ask for your endorsement of our petition.

Thank you for your time and consideration. I am happy to answer questions.