

TO: Healthcare Planning and Certificate of Need Section, DHSR
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COMMENT: Opposition to the Proposed Policy TE-4

DATE: July 14, 2020

Good afternoon. My name is David French. I am a healthcare consultant speaking in opposition to Proposed Policy TE-4.

Alliance Healthcare Services is not the sole MRI provider in North Carolina. Hundreds of fixed MRI units provide service in North Carolina. Alliance is one of 18 different mobile MRI providers statewide, including InSight Imaging, Kings Medical and others who lawfully operate CON-approved and grandfathered MRI scanners.

Prior to CON regulation, Alliance had the foresight and resources to obtain MRI scanners through a series of mergers and acquisitions. Alliance later applied for CON approvals to acquire additional MRI and PET scanners.

Alliance successfully grew its business both before and after CON regulation, consistently reporting all data in accordance with applicable requirements.

Alliance's greatest asset is its people. Alliance recruits and trains outstanding team members, highly motivated to provide excellent service. Alliance's tremendous depth of resources allows it to respond quickly to customers' needs.

In fact, in the first quarter of 2020, Alliance achieved 97 percent customer satisfaction and 99 percent patient satisfaction.

Over the years, Alliance has enabled many hospital and physician group customers to grow MRI volumes to qualify for their own MRI CON approvals.

Nothing suggests Alliance precludes the development of new MRI capacity in Service Areas with a valid demonstration of need. Over the past four years, there have been eleven MRI need determinations. Not all CON applicants are approved. In high growth markets, multiple customers seek contracts for MRI service. Alliance responds to establish contracts and add host sites upon receiving material compliance approvals.

In North Carolina, when a Need is identified, anyone can apply for an MRI CON and, in competitive reviews, the Agency typically favors new market entrants. Alliance has successfully implemented multiple joint ventures with its customers.

Alliance is the primary resource for many hospitals in North Carolina should they have an emergency need for temporary MRI or CT scanners.

And, in 2020, Alliance has been the first and only company to request authorization to provide a temporary mobile MRI for service to COVID-19 patients in North Carolina.

Contrary to the portrayal of Alliance as a company with an unfair competitive advantage, Alliance is a company that has invested in resources and human capital and has expanded its customer relationships with excellent service and high customer satisfaction.

Now, Proposed Policy TE-4 abandons the standard methodology in favor of a “free pass” allowing any contract MRI provider service to acquire its own equipment in the absence of any demonstration of need for that new equipment in the Service Area. The Proposed Policy is a wholly unjustified abandonment of the fundamentals of the health planning process.

If the State Health Coordinating Council was genuinely concerned about the lack of adequate competition for a specific healthcare service, then we should probably be talking about mobile cardiac catheterization or dialysis centers. You may recall that there is only one provider of grandfathered mobile cardiac catheterization equipment in North Carolina. And you probably know that two companies own and

operate the vast majority of dialysis stations in North Carolina. The State is not proposing a Policy to throw open these services and remove them from the usual Need Determination process. Nor should it.

Some members of the State Health Coordinating Council may have limited experience with CON regulation of MRI scanners. It is entirely appropriate for members to ask questions regarding Policy TE-4. For example:

Did Alliance appeal the recent CON approval of Raleigh Radiology in Wake County? **No**

How many potential Policy TE-4 “qualified applicants” can be identified based on the Agency Report?
12

How many need determinations for additional MRI scanners in North Carolina were allocated over the past 4 years? **11**

Were any of these CONs issued to Alliance? **No**

Alliance opposes Policy TE-4’s radical departure from the standard methodology. Now is most certainly not the time to add a Policy allowing at least 12 potential Policy TE-4 CON applicants in 2021 which is greater than the total combined number of MRI need determinations over the past four years. In the midst of a pandemic, Policy TE-4 would invite excess MRI capacity and, for no valid reason, undermine our standard MRI need methodology.

In summary, I encourage you to vote to exclude Policy TE-4 from the 2021 State Medical Facilities Plan because it is exceedingly problematic and unnecessary.