

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
AUGUST 24, 2016
APPLICATION SUMMARY**

NAME OF PROJECT: Upper Cumberland Orthopedic Surgery, P.C., d/b/a Tier 1 Orthopedics

PROJECT NUMBER: CN1604-015

ADDRESS: 335 West Spring Street
Cookeville (Putnam County), TN 38501

LEGAL OWNER: Upper Cumberland Orthopedic Surgery, P.C.
105 South Willow Avenue, Suite 100
Cookeville (Putnam County), TN 38501

OPERATING ENTITY: N/A

CONTACT PERSON: Jerry Taylor, Attorney
(615) 742-3247

DATE FILED: April 15, 2016

PROJECT COST: \$1,486,578

FINANCING: Commercial loan

REASON FOR FILING: Initiation of Magnetic Resonance Imaging (MRI) Services

DESCRIPTION:

Upper Cumberland Orthopedic Surgery, d/b/a Tier 1 Orthopedics seeks Certificate of Need approval to acquire a 1.5 Tesla Magnetic Resonance Imaging (MRI) unit and initiate MRI services at 335 West Spring Street (Putnam County), TN 38501. The MRI service will be located in 2,500 SF of leased space in a freestanding building located across the street from the clinical offices of Tier 1. The MRI service will be owned and operated by Tier 1 limited to the patients of Tier 1. The applicant expects the 1.5 Tesla Siemens MRI unit will be operational in March 2017.

CRITERIA AND STANDARDS REVIEW

MAGNETIC RESONANCE IMAGING SERVICES

1. Utilization Standards for non-Specialty MRI Units.

a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

The projected utilization for the proposed MRI unit is 3,024 procedures in Year 1 (2017) and 3,175 procedures in Year 2.

It appears that this criterion has been met.

c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

The exception is not applicable, since the applicant's projections exceed minimum thresholds.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The criterion is not applicable, since the proposed MRI will be limited to the patients of the practice.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications

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have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

Lower cost technology providing the same benefits is not available. The MRI unit being acquired is a refurbished unit with a cost of less than \$400,000 (not including maintenance agreement).

It appears that the applicant will meet this criterion.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

The combined utilization of 7 fixed MRIs in the 5-County PSA in 2014 calculates to approximately 2,411 MRI procedures per unit or approximately 83.7% of the 2,880 MRI utilization standard.

It appears that the applicant does not meet this criterion.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The applicant has provided documentation in the application confirming that the proposed 1.5 Tesla MRI meets FDA certification requirements.

It appears that this criterion has been met.

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- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The applicant has provided a letter dated April 14, 2016 from a licensed architect of AEI Architects, Engineers, and Planners that attests to the construction cost of the project and the design's conformance with applicable building standards and codes.

It appears that this criterion has been met.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

The applicant has protocols in place to address emergencies within the MRI unit facility. Please refer to Attachment C, I, Need (2).

It appears that this criterion has been met.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant has provided a copy of the protocol in Attachment C, I, Need (3).

It appears that this criterion has been met.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant verified it is prepared to meet the staffing guidelines set by the American College of Radiology including education and training programs.

It appears that this criterion has been met.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable

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accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The applicant verified it will seek accreditation.

It appears that this criterion has been met.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

The applicant is located approximately 1 mile from Cookeville Regional Medical Center (CRMC). The applicant provided a copy of a signed transfer agreement with CRMC in Supplemental #1.

It appears that this criterion has been met.

- 8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant confirmed equipment registry data will be submitted to the HSDA within the expected time frame.

It appears that this criterion has been met.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area (MUA) as designated by the United States Health Resources and Services Administration; or

Two counties (Fentress, Jackson) are designated as a MUA, three counties (Overton, Putnam, and White) are designated as partial county medically underserved areas by the United States Health Resources and Services Administration.

The applicant meets this criterion.

- b. Who is a “safety net hospital” or a “children’s hospital” as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Tier 1 Orthopedics does not qualify as either a safety net or children’s hospital.

This criterion is not applicable.

- Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant contracts with all TennCare managed care organizations that operate in the service area.

It appears that the applicant meets this criterion.

- c. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

The applicant is not proposing to use the MRI unit for patients that typically require longer preparation and scanning times.

It appears that the criterion is not applicable.

SUMMARY

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

The project focuses on the acquisition, by purchase, of a GE Signa Excite Short Bore 1.5 Tesla unit and renovation of approximately 2,500 square feet (SF) of space to house the unit and related support areas in an 11,850 SF building. If approved, Tier 1 will be the only tenant in the building that will house the MRI. The building is owned by an affiliated entity and will be leased from that entity by Tier 1.

An overview of the project is provided in the executive summary on pages 6-8 of the original application.

Ownership

- Upper Cumberland Orthopedic Surgery is an active Tennessee registered for Profit Corporation that was formed on July 28, 1997.
- The Orthopedic group practice of Tier 1 consists of five general orthopedic surgeons and one physiatrist.
- The group contracts with CRMC to provide emergent orthopedic care 24 hours a day, seven days per week.
- In the supplemental response, the applicant notes Tier 1 provides the only true orthopedic care to the service area since its surgeons are the only orthopedic surgeons with surgery privileges at CRMC.
- There are two neurosurgeons who lease space in the building where Tier 1 has its clinical offices. If this project is approved, these neurosurgeons are likely to join Tier 1.

Facility Information

- The outpatient imaging center contains approximately 2,500 square feet (SF) of dedicated space housed in an 11,850 SF freestanding building located in close proximity to and across the street from the main clinical office of Tier 1.
- The applicant provided a five year automatic renewable option to lease agreement with BJ&T Properties for 2,500 SF of space.
- The MRI area will contain an MRI room, equipment storage, a control room, waiting area, and an area designated for future use.
- A letter dated April 14, 2016 from a licensed architect of AEI Architects, Engineers, and Planners attests to the construction cost of the project and the design's conformance with applicable building standards and codes.
- Plans for the remaining unused 9,350 SF building space include leasing the space as a possible build out of administrative office space and patient clinical areas.

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- The proposed MRI unit at the outpatient center will operate from 7:00 AM-5:00 PM on Monday-Friday.

Project Need

The applicant provides several reasons for the need of the project:

- Tier 1 is an orthopedic physician group practice and MRI scans are very frequently needed and ordered by the Tier 1 physicians. Tier 1 ordered 3,067 scans for its patients in 2015.
- An in-house MRI service within walking distance to the clinical offices of Tier 1 will be more convenient for patients and shorten scheduling times.
- Tier 1 needs to add at least two additional orthopedists to the group, but its effort to recruit have been hampered by the lack of an MRI service.

Service Area Demographics

- The total population of the 5-county primary service area (PSA) is estimated at 161,580 residents in calendar year (CY) 2016 increasing by approximately 5.3% to 168,603 residents in CY 2020.
- The overall Tennessee statewide population is projected to grow by 4.3% from CY 2016 to CY 2020.
- As a whole, individuals age 65 and older accounted for approximately 19.3% of the primary service area's total population in CY 2016 compared to 16% statewide.
- TennCare enrollees accounted for approximately 24.9% of the PSA population compared to 22.4% statewide in CY 2016.
- Residents of the PSA below the poverty level comprised approximately 22.6% of the total 5-county population compared to 18.3% statewide.

Service Area Provider Historical Utilization

The applicant used data from the HSDA Equipment Registry updated on 4/5/2015 to identify the inventory and utilization of MRI providers in the 5-county PSA. Key highlights include the following:

- There were 7 fixed units operated by 5 providers in the PSA in CY 2014. There are no MRI units in Fentress and Jackson Counties.
- The combined utilization of the 7 existing MRI fixed units increased by approximately 6.0% from 15,913 total combined MRI procedures in 2012 to 16,875 procedures in 2014 (2,411/unit or 83.7% of the 2,880 MRI standard).
- Only 2 Providers in the 5 County PSA experienced increases in MRI utilization from 2014 to 2016: Cookeville Regional Medical Center Outpatient Imaging Center: 3,385 procedures in 2012 to 5,273 procedures in 2014 (+55.8%); and, St. Thomas Highlands Hospital (White County): 1,069 procedures in 2012 to 1,124 procedures in 2014 (+5.1%).

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- If approved, this project has the potential to reduce the MRI scans at the Outpatient Imaging Center at CRMC below the 2,880 optimal standard per MRI in the State Health Plan. In supplemental #1, the applicant notes CRMC supports the project because having the highest quality orthopedic coverage for the community far outweighs the loss of MRI volume at CRMC. This statement is explained in more detail on pages 2-3 of the first supplemental response.
- For a breakout of the inventory and utilization for each provider in the 5-county PSA, please see the table in Attachment C, I, Need, (1).

A summary of provider utilization is shown in the table below.

MRI Provider Summary, Applicant's 5-County PSA

County	#Units by Provider Type*	2012 Scans	2013 Scans*	2014 Scans*	% Change '12-'14
Overton	1 H	959	949	649	-32.3%
Putnam	1 H 2 HODC 2 ODC	13,885	14,166	15,102	+8.8%
White	1 H	1,069	961	1,124	+5.1%
Total	7 fixed	15,913	16,076	16,875	+6.0%

Sources: HSDA Equipment Registry; CN1604-015 Attachment C, I, Need,(1).

Legend: H (hospital); HOPD (hospital outpatient department); ODC (outpatient diagnostic center); PO (private medical practice; RPO (radiologist physician office).

Project Cost

The total estimated project cost is \$1,486,578. Major costs are:

- Construction Costs include renovation of 1,388 square foot area to house the proposed MRI unit with related support space - \$375,000 or 25.3% of total cost
- Major medical equipment (1.5 Tesla MRI unit) - Purchase cost of \$355,041 and 5-year maintenance cost of \$405,000 for a total of \$760,041 or 51.1% of the total cost.
- For other details on Project Cost, see the Project Costs Chart on page 22 of the original application.

Historical Data Chart

- Net operating income after capital expenditures was favorable in one of the three most recent fiscal periods: \$11,611 in FY 2013, (\$102,114) in FY 2014 and (\$168,884) in FY 2015 (-0.73% of gross operating revenue).

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- In Supplemental #1, the applicant explains the loss of \$169,884 in FY 2015 is an accurate accounting loss under the Cash Method of Accounting. Each December 31 cash is taken as close to zero as is practical so that physicians are provided with a bonus in the year earned, and to prevent double taxation at both the corporate and individual level.
- The applicant provided a Historical Data Chart on page 25 of the original application.

Projected Data Chart

The applicant provided a Projected Data Chart for the proposed MRI unit in the application. Key highlights of the MRI service's projected financial performance are shown in the following table.

Projected Financial Performance, FY 2017-FY2018

Financial Measure	MRI Service Year 1 2017	MRI Service Year 2 2018
# MRI Units	1	1
MRI Procedures	3,026	3,175
Gross Operating Revenue	\$4,654,115	\$4,886,821
Average Gross Charge	\$1,539/scan	\$1,539/scan
Net Operating Revenue	\$1,285,781	\$1,350,071
Operating Expenses	\$444,881	\$487,095
Net Operating Income	\$444,881	\$487,095
NOI as a % of Gross Operating Revenue	34.6%	36.1%

Source: CN1604-015

The table reflects the following:

- Net Operating Revenue after bad debt, charity care, and contractual adjustments amounts to approximately 27.6% of total gross operating revenue in FY 2017 and 27.6% in FY2018.
- Net Operating Income as a percentage of Gross Operating Revenue will represent 34.6% of total gross operating revenue in FY2017 and 36.1% in FY2018.
- For additional information, please refer to page 24 of the original application.

Charges

In Year 1 of the proposed project, the average gross charge is \$1,539/MRI procedure.

- The applicant's average gross charge falls below the 1st quartile (\$1,632.60/procedure) of MRI charges reported through the HSDA Equipment Registry for 2014.

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- After deductions for contractual adjustments, charity and bad debt, the average net charge is \$425/procedure.
- A comparison to other MRI providers in the proposed 5 County service area is shown in Attachment C, I, Need, (1).

Payor Mix

- The applicant indicates it has contracts with all TennCare MCOs available to its service area population: United HealthCare Community Plan, Blue Care/TennCare Select, and AmeriGroup.

Applicant's MRI Service Payor Mix, Year 1

Payor Source	MRI Service Combined Gross Revenue Year 1	as a % of Gross Revenue Year 1
Medicare	\$2,043,156	43.9%
TennCare	\$274,593	5.9%
Managed care	\$1,824,413	39.2%
Other	\$511,953	11%
Total	\$4,654,115	100%

Source: CN1604-015

Financing

- The source of funding for the project is a commercial loan from Bank of Putnam County.
- An April 8, 2016 letter from the Chief Credit Officer of the Bank of Putnam County attests to the availability of a commercial loan with an amortization of up to 15 years at a rate of 3.24%.

Staffing

- If approved, the project will consist of 1.5 full time equivalent MRI Technicians to support the proposed MRI unit in Year 1.

Licensure/Accreditation

- If approved, Accreditation will be sought from the American College of Radiology.

The applicant has submitted the required corporate documentation, site control documents and copies of the MRI vendor's purchase quote. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency office.

Should the Agency vote to approve this project, the CON would expire in two years.

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CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, pending applications, or outstanding Certificates of Need for other health care organizations proposing this type of service.

Denied Applications

Satellite Med Imaging, CN1210-050D, was denied at the January 23, 2013 Agency meeting. The application was for the establishment of an ODC located at 1300 Bunker Hill Road, Cookeville (Putnam County), TN in approximately 1,200 SF of renovated office space and for the initiation of MRI services. The estimated cost was projected to be \$701,825.00. *Reason for Denial: The application did not meet the statutory criteria.*

PME
(07/12/2016)

LETTER OF INTENT



LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Citizen Herald which is a newspaper of general circulation in Putnam County, Tennessee, on or before April 10, 2016 for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Upper Cumberland Orthopedic Surgery, P.C., a Tennessee Professional Corporation, d/b/a Tier 1 Orthopedics ("Tier 1") intends to file an application for a Certificate of Need for the acquisition of a Magnetic Resonance Imaging (MRI) unit, and the initiation of MRI services. The proposed MRI services will be owned and operated by Tier 1 and will be limited to the patients of Tier 1. No facility licensure will be sought. The MRI will be located in a freestanding building located at 335 West Spring Street, Cookeville (Putnam County) Tennessee, across the street from the clinical offices of Tier 1. The total estimated project cost is \$1,500,000.

The anticipated date of filing the application is April 15, 2016. _____

The contact person for this project is Jerry w. Taylor, Attorney who may be reached at: Burr & Forman, LLP, 511 Union Street, Suite 2300, Nashville, Tennessee, 37219, 615-724-3247; jtaylor@burr.com

Signature

4-8-16

Date

The published Letter of Intent contains the following statement: Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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*
HF0051 (Revised 05/03/04 – all forms prior to this date are obsolete)

Original Application -Copy-

Upper Cumberland
Orthopedic Surgery PC

CN1604-015

APR 15 11 40 AM '16

CERTIFICATE OF NEED APPLICATION

FOR

UPPER CUMBERLAND ORTHOPEDIC SURGERY, P.C.

Initiation of In-House MRI Services

Putnam County, Tennessee

April 15, 2016

Contact Person:

**Jerry W. Taylor, Esq.
Burr & Forman, LLP
511 Union Street, Suite 2300
Nashville, Tennessee 37219
615-724-3247**

SECTION A: APPLICANT PROFILE**1. Name of Facility, Agency, or Institution**

Upper Cumberland Orthopedic Surgery, P.C., d/b/a Tier 1 Orthopedics
Name

335 West Spring Street
Street or Route

Cookeville
City

TN
State

Putnam
County
 38501
Zip Code

2. Contact Person Available for Responses to Questions

Jerry W. Taylor
Name

Burr & Forman, LLP
Company Name

501 Union Street, Suite 2300
Street or Route

Attorney
Association with Owner

Attorney
Title

jtaylor@burr.com
Email address

Nashville TN 37219
City State Zip Code
 615-724-3247 615-724-3347
Phone Number Fax Number

3. Owner of the Facility, Agency or Institution

Upper Cumberland Orthopedic Surgery, P.C.
Name

105 South Willow Avenue, Suite 100
Street or Route

Cookeville
City

TN
State

931-526-9518
Phone Number
 Putnam
County
 38501
Zip Code

4. Type of Ownership of Control (Check One)

- A. Sole Proprietorship
 B. Partnership
 C. Limited Partnership
 D. P.C.(For Profit)
 E. P.C.(Not-for-Profit)

X

- F. Government (State of TN or
 G. Political Subdivision)
 H. Joint Venture
 I. Limited Liability Company
 Other (Specify) _____

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
 REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Organizational documentation is attached as Attachment A, 4.

5. Name of Management/Operating Entity (If Applicable)

N/A

Name

Street or Route

County

City

State

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

D. Option to Lease

B. Option to Purchase

E. Other (Specify) _____

C. Lease of 5 Years

X

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

A copy of the Lease Agreement Option is attached as Attachment A, 6.

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify) _____

I. Nursing Home

B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty

J. Outpatient Diagnostic Center

C. ASTC, Single Specialty

K. Recuperation Center

D. Home Health Agency

L. Rehabilitation Facility

E. Hospice

M. Residential Hospice

F. Mental Health Hospital

N. Non-Residential Methadone Facility

G. Mental Health Residential Treatment Facility

O. Birthing Center

H. Mental Retardation Institutional Habilitation Facility (ICF/MR)

P. Other Outpatient Facility (Specify) _____

Q. Other (Specify) Physician Office/Clinic X

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- | | | |
|------------------------------------|----------|--------------------------------------|
| A. New Institution | | G. Change in Bed Complement |
| B. Replacement/Existing Facility | | [Please note the type of change by |
| C. Modification/Existing Facility | | <i>underlining the appropriate</i> |
| D. Initiation of Health Care | | <i>response: Increase, Decrease,</i> |
| Service as defined in TCA § | | <i>Designation, Distribution,</i> |
| 68-11-1607(4) (Specify) <u>MRI</u> | <u>X</u> | <i>Conversion, Relocation]</i> |
| E. Discontinuance of OB Services | | H. Change of Location |
| F. Acquisition of Equipment | | I. Other (Specify) _____ |
| | | _____ |

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9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

N/A

	<u>Current Beds Licensed *CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____

10. **Medicare Provider Number:** 1184610859
Certification Type: Physician Practice
11. **Medicaid Provider Number:** TennCare is billed under the NPI number of each physician.
Dr. Hollmann 1669469722
Dr. McKinney 1194712919
Dr. Turnbull 1588651145
Dr. Roberts 1043207574
Dr. Elizondo 1407887870
Dr. Nichols 103255488
Dr. Archer 1033105713
Dr. Lamb 1053316448

Certification Type: Physician

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

Tier 1 participates in Medicare and TennCare.

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

AmeriGroup

BlueCare

UnitedHealthcare Community Plan

TennCare Select

Will this project involve the treatment of TennCare participants?

Yes

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Tier 1 contracts with all of the TennCare MCOs operating in the area.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

N/A.

NOTE: *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Project Description

Upper Cumberland Orthopedic Surgery, P.C., d/b/a Tier 1 Orthopedics ("Tier 1") seeks authorization to acquire a magnetic resonance imaging ("MRI") unit and initiate MRI services. The services will be limited to the patients of Tier 1, and no facility licensure is sought.

The Tier 1 MRI service will be housed in a freestanding building located in close proximity to and across the street from the main clinical offices of Tier 1. The building is owned by an affiliated entity and will be leased from that entity by Tier 1.

The MRI suite will consist of approximately 2,500 square feet of space. The space is currently unused office space. It will be built out by Tier 1 into an MRI suite with all necessary and appropriate imaging, equipment and patient areas.

Services & Equipment

The service to be provided is MRI imaging. Equipment to be acquired and utilized is a refurbished 1.5 Tesla MRI unit and related components.

Ownership Structure

The MRI unit and services will be owned by Upper Cumberland Orthopedic Surgery, P.C.,

Service Area

The proposed service area consists of the following Tennessee counties: Fentress, Jackson, Overton, Putnam, and White. Residents of these counties made up 75% of Tier 1's patient base in 2015.

Need

Tier 1 is an orthopedic physician group practice and MRI scans are very frequently needed and ordered by the Tier 1 physicians. Tier 1 ordered 3,067 MRI scans for its patients in 2015.

Almost all of the scans ordered by Tier 1 physicians are currently performed at the Cookeville Regional Medical Center ("CRMC") outpatient imaging center. CRMC supports this CON application. A letter of support from CRMC will be submitted at the appropriate time.

Having an MRI service in-house and virtually in the same location as the clinical offices of Tier 1 will be more convenient for the patients and improve and shorten scheduling times. It will also serve as an important recruiting tool for Tier 1. Tier 1 needs to add at least two additional orthopedists to the group, but its efforts to recruit have been hampered by the lack of an MRI service.

The MRI service will be limited to the patients of Tier 1. The current volume of MRI scans ordered by the Tier 1 physicians assures the MRI will be efficiently utilized. In addition, there are two neurosurgeons who lease space in the building where Tier 1 has its clinical offices. If the MRI service is implemented, these neurosurgeons are likely to join Tier 1, which would be beneficial to both groups, and will further increase utilization of the MRI unit. In 2015 the neurosurgeons ordered at least 500 MRI scans.

Existing Resources

There are 7 MRI units in the 5 county service area, operated by 4 providers. There are 3 hospital based units, 2 units in a hospital owned free-standing imaging center, and 2 units in a radiologist-owned imaging center.

The existing MRI units are well utilized. In 2014, the most recent year for which HSDA data is available, the area-wide average number of scans per unit was 2,411. This is only slightly below the recommended threshold. It is significant that the outpatient imaging center at CRMC, the provider which will be most significantly impacted, supports this proposal.

Project Cost & Funding

The estimated project costs are reasonable. By acquiring a refurbished MRI, the applicant was able to keep the equipment cost to \$355,041, including tax. The 5 year maintenance agreement is slightly higher than the cost of the equipment, \$405,000 over 5 years.

Construction costs are \$375,000 for renovation of 2,500 square feet, or \$150 per square foot. The HSDA website does not include median approved construction costs for imaging centers, the category most closely analogous to this project. However, the project architect has opined these costs are reasonable.

Also included in the project cost is the total of lease payments over the initial 5 year term of the

lease. This is \$4,000 per month for 60 months, or \$240,000.

The project will be funded through a commercial loan, and through operating revenues.

Financial Feasibility

The project is economically feasible. It will produce a positive net operating revenue beginning in Year 1 of operations. Project costs are low and funding is available.

Staffing

Clinical staffing requirements are minimal: 1.5 FTE MRI Technologists will be hired.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**
- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

If the project involves none of the above, describe the development of the proposal.

The Tier 1 MRI service will be housed in a freestanding building located in close proximity to and across the street from the main clinical offices of Tier 1. The building is owned by an affiliated entity and will be leased from that entity by Tier 1.

The MRI suite will consist of approximately 2,500 square feet of space. The space is currently unused office space. It will be built out by Tier 1 into an MRI suite with all necessary and appropriate imaging, equipment and patient areas.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

N/A.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

Magnetic Resonance Imaging (MRI)

Tier 1 is an orthopedic physician group practice and MRI scans are very frequently needed and ordered by the Tier 1 physicians. Tier 1 ordered 3,067 MRI scans for its patients in 2015.

Almost all of the scans ordered by Tier 1 physicians are currently performed at the Cookeville Regional Medical Center ("CRMC") outpatient imaging center. CRMC supports this CON application. A letter of support from CRMC will be submitted at the appropriate time.

Having an MRI service in-house and virtually in the same location as the clinical offices of Tier 1 will be more convenient for the patients and improve and shorten scheduling times. It will also serve as an important recruiting tool for Tier 1. Tier 1 needs to add at least two additional orthopedists to the group, but its efforts to recruit have been hampered by the lack of an MRI service.

The MRI service will be limited to the patients of Tier 1. The current volume of MRI scans ordered by the Tier 1 physicians assures the MRI will be efficiently utilized. In addition, there are two neurosurgeons who lease space in the building where Tier 1 has its clinical offices. If the MRI service is implemented, these neurosurgeons are likely to join Tier 1, which would be beneficial to both groups, and will further increase utilization of the MRI unit. In 2015 the neurosurgeons ordered at least 500 MRI scans.

D. Describe the need to change location or replace an existing facility.

N/A.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$2 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost (As defined by Agency Rule);

\$760,041.00 (including maintenance agreement)

2. Expected useful life;

5 years

3. List of clinical applications to be provided; and

A list of clinical applications is attached as Attachment B, II, E, 1, 3.

4. Documentation of FDA approval.

The FDA approval letter is attached as Attachment B, II, E, 1, 4.

- b. **Provide current and proposed schedules of operations.**

Monday - Friday, 7:00 AM - 5:00 PM.

2. **For mobile major medical equipment:**

N/A.

- a. **List all sites that will be served;**
 b. **Provide current and/or proposed schedule of operations;**
 c. **Provide the lease or contract cost.**
 d. **Provide the fair market value of the equipment; and**
 e. **List the owner for the equipment.**

3. **Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

The MRI unit will be purchased. A copy of a sales agreement and quote for the MRI unit is attached as Attachment B, II, E, 3. The cost of the machine is included the Sales Agreement and the cost of the maintenance agreement is included in the Quote.

- III. (A) **Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:**

1. **Size of site (*in acres*);**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Names of streets, roads or highway that cross or border the site.**

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

A site plan is attached as Attachment B, III, (A). Included in the Attachment is also an aerial view reflecting the location of the MRI site in relation to the Tier 1 clinical offices.

- (B) 1. **Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

Both the Tier 1 clinical offices and the proposed MRI site are near the intersection of Spring Street and South Willow Street. These are major thoroughfares in the area, and it is on the public transportation bus route. The proposed MRI will improve access for patients, in that it will be co-located with the Tier 1 clinical offices.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.**

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

A floor plan is attached as Attachment B, IV.

- V. For a Home Health Agency or Hospice, identify:**

N/A.

- 1. Existing service area by County;**
- 2. Proposed service area by County;**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2” x 11” white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

QUESTIONS

I. NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.

FIVE PRINCIPLES FOR ACHIEVING BETTER HEALTH FROM THE TENNESSEE STATE HEALTH PLAN:

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person’s health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

This appears to be a policy statement, to which no response is necessary.

2. Access to Care

Every citizen should have reasonable access to health care.

Many elements impact one’s access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

This proposal will improve access to MRI services by: (1) providing an additional choice of providers to Tier 1's patients; (2) establishing a MRI service co-located with the clinical offices of Tier 1; and (3) improving and shortening scheduling times for MRI services.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

This proposal will improve efficiencies by having the MRI service co-located with the clinical offices of Tier 1. The proposed average gross charge is less than the 2014 average gross charges of all area MRI providers except for one. It is believed Tier 1's MRI charges will be the lowest of any area provider by the time the service is implemented.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

The proposed MRI service will be operated as part of the Tier 1 physician practice, and facility licensure is not necessary. All physicians of Teri 1 are licensed and board certified. The MRI service will be operated so as to provide a high quality of care. Tier 1 intends to seek accreditation from the American College of Radiology.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

Clinical staffing requirements are minimal: 1.5 FTE MRI Technologists will be hired. This proposal will have no significant impact on the health care workforce.

- a. **Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.**

**MRI STANDARDS AND CRITERIA
FROM THE TENNESSEE STATE HEALTH PLAN**

The MRI Standards and Criteria which are applicable to this application are reproduced below, with the applicant's response to each.

1. Utilization Standards for non-Specialty MRI Units.

- a. **An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.**

The applicant projects performing 3,024 scans in Year 1 and 3,175 in Year 2. These projections exceed the target minimum thresholds.

- c. **An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.**

Since the applicant's projections exceed the target minimum thresholds, the exception is not applicable.

2. **Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).**

This particular standard should not be applicable to a physician practice MRI service which will be limited to the patients of the practice.

The MRI will be accessible only to the patients of Tier 1, and obviously 75% of the service area population is not patients of the practice.

3. **Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternative shared services and lower cost technology applications have been investigated and found less**

advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

A shared service MRI is not practical in that Tier 1's MRI volume alone exceeds the assumed utilization thresholds for the MRI unit.

Lower cost technology providing the same benefits is not available. The MRI unit being acquired is a refurbished unit, and has cost of less than \$400,000 installed (not including the maintenance agreement). This is a very economically efficient proposal.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year= 3,600 procedures per year.

A table reflecting MRI utilization in the proposed service area is attached as Attachment C, I, Need, (1). In 2014, the most recent year for which HSDA data is available, the area-wide average number of scans per unit was 2,411. This is only slightly below the recommended threshold. It is significant that the outpatient imaging center at CRMC, the provider which will be most significantly impacted, supports this proposal. A letter of support from CRMC will be submitted at the appropriate time.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

A copy of the FDA letter is attached as Attachment B, II, E, 1, 4.

b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The equipment vendor, who will install the MRI unit, has verified it will do so. See Attachment B, II, E, 3.

c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

MRI is a low risk procedure. A patient is no more likely to experience a medical emergency while undergoing a MRI scan than when doing any activity of daily life. If such an emergency were to occur, staff would call 911, and administer CPR if appropriate. A copy of the protocol is attached as Attachment C, I, Need (2).

d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

A copy of the protocol is attached as Attachment C, I, Need (3).

e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant verifies it will do so.

f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The applicant commits to seek such accreditation.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

A transfer agreement with Cookeville Regional Medical Center is anticipated, but it is premature to have that executed at this time.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant confirms it will do so.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

Parts of the proposed service area are designated as medically underserved:

<u>County</u>	<u>MUA</u>
Fentress	All
Jackson	All
Overton	Part
Putnam	Part
White	Part

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

N/A.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

Tier 1 participates in both TennCare and Medicare.

d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

N/A.

[END OF RESPONSES TO MRI STANDARDS AND CRITERIA]

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

N/A.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

The MRI service will serve as an important recruiting tool for Tier 1. Tier 1 needs to add at least two additional orthopedists to the group, but its efforts to recruit have been hampered by the lack of an MRI service.

In addition, there are two neurosurgeons who lease space in the building where Tier 1 has its clinical offices. If the MRI service is implemented, these neurosurgeons are

likely to join Tier 1, which would be beneficial to both groups, and further increase utilization of the MRI.

- 3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"**

The proposed service area consists of the following Tennessee counties: Fentress, Jackson, Overton, Putnam, and White. Residents of these counties made up 75% of Tier 1's patient base in 2015.

A map of the proposed service area is attached as Attachment C, I, Need, 3.

- 4. A. Describe the demographics of the population to be served by this proposal.**

A table reflecting the population and key demographic metrics is attached as Attachment C, I, Need, 4.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

All counties in the eservice area except one have a greater portion of its total population in the 65+ age bracket than does the state as a whole. Tier 1 will help to serve this special need in that it participates in Medicare and has a relatively large Medicare payer mix.

All counties in the service area have lower median household incomes and a greater percentage of total population below poverty level than the state as a whole. This special need will be addressed in that Tier 1's proposed average gross charge is less than the 2014 average gross charges of all area MRI providers except for one. It is believed Tier 1's MRI charges will be the lowest of any area provider by the time the service is implemented.

- 5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

A table reflecting MRI utilization in the proposed service area is attached as Attachment C, I, Need, (1). There are a total of 7 MRI units currently operating in the 5 county service area. Two of the five counties have no MRI service.

In 2014, the most recent year for which HSDA data is available, the area-wide average number of scans per unit was 2,411. This is only slightly below the recommended threshold. It is significant that the outpatient imaging center at CRMC, the provider which will be most significantly impacted, supports this proposal.

6. **Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

This is a proposed new in-house MRI service for Tier 1. Tier 1 is an orthopedic physician group practice and MRI scans are very frequently needed and ordered by the Tier 1 physicians. Tier 1 ordered 3,067 MRI scans for its patients in 2015. The applicant does not have such data for the previous 2 years.

Although selection of a MRI provider is always the patient's choice, there is no reason to believe the number of MRI scans needed by Tier 1 patients will be significantly less than in the past. So in order to project the number of scans that can reasonably be expected to be performed on the proposed MRI, the applicant assumed that 1.2 scans can be performed every hour (the same assumption as in the State Health Plan). The new MRI service will initially operate 10 hours a day, 5 days per week. This allows for 12 scans per day. 52 weeks x 5 days = 260 days, less 8 holidays = 252 days of operation. 252 days x 12 scans per day = 3,024 scans. A modest 5% growth was assumed for year 2. In order to accommodate the growth, Tier 1 will either increase the hours of operation on the weekdays, and/or schedule some Saturday scans.

II. ECONOMIC FEASIBILITY

1. **Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**
- **All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**
 - **The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**
 - **The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other**

government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

A completed Project Cost Chart is on the following page.

A letter from the project architect is attached as Attachment C, II, Economic Feasibility, 1.

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PROJECT COSTS CHART

APR 15 10 51 AM '99

A.	Construction and equipment acquired by purchase:	
	1. Architectural and Engineering Fees	33,200.00
	2. Legal, Administrative, Consultant Fees	\$25,000
	3. Acquisition of Site	
	4. Preparation of Site	
	5. Construction Costs	\$ 375,000.00
	6. Contingency Fund	
	7. Fixed Equipment (Not included in Construction Contract) (MRI)	\$ 355,041.00
	8. Moveable Equipment (List all equipment over \$50,000.00)	\$ 20,000.00
	9. Other (Specify) <u>Maintenace agreement</u>	\$ 405,000.00
B.	Acquisition by gift donation, or lease:	
	1. Facility (Inclusive of building and land)	\$ 240,000.00
	2. Building Only	
	3. Land Only	
	4. Equipment (Specify) _____	
	5. Other (Specify) _____	
C.	Financing Costs and Fees:	
	1. Interim Financing	\$ 30,000.00
	2. Underwriting Costs	
	3. Reserve for One Year's Debt Service	
	4. Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)	\$ 1,483,241.00
E.	CON Filing Fee	\$ 3,337.29
F.	Total Estimated Project Cost (D & E)	\$ 1,486,578.29
	TOTAL	\$ 1,486,578.29

2. Identify the funding sources for this project.

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

A funding letter is attached as Attachment C, II, Economic Feasibility, 2.

- B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**
- C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**
- D. Grants--Notification of intent form for grant application or notice of grant award; or**
- E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**
- F. Other—Identify and document funding from all other sources.**

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

The estimated project costs are reasonable. By acquiring a refurbished MRI, the applicant was able to keep the cost to \$355,041, including tax. The 5 year maintenance agreement is slightly higher than the cost of the equipment, \$405,000 over 5 years.

Construction costs are \$375,000 for renovation of 2,500 square feet, or \$150 per square foot. The HSDA website does not include median approved construction costs for imaging centers, the category most closely analogous to this project. However, the project architect has opined these costs are reasonable.

Also included in the project cost is the total of lease payments of the initial 5 year terms of the lease. This is \$4,000 per month for 60 months, or \$240,000.

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data

Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

This is a proposed new service, so there is no historical data for MRI services. A completed Historical Data Chart for Tier 1 is attached on the following pages.

Although net losses are shown in the Historical Data Chart, the P.C. operated at a secure cash flow for each year of its existence. Because the P.C. reports using the Cash Basis of accounting there are differences between profit/loss and cash flow.

The Physicians of the P.C. are paid bonuses each year based upon the cash available at year-end from profits. Each December 31st cash is taken as close to zero as is practical. This is done for two reasons: to provide the physician with the bonus in the year it is earned, and to prevent double taxation that would otherwise occur -- taxation at both the corporate level and the individual level.

This distribution of cash results in a "paper" loss for the calendar year because some non-cash expense items are recognized under the Cash Basis of accounting. Examples of these expenses are depreciation and the change in pension liabilities. Non-cash revenue items are not recognized under the Cash Basis of accounting. An example of this would be the change (increase) in accounts receivables.

A completed Projected Data Chart for the proposed MRI service is also attached on the following pages.

HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency.

	Year: 2015	Year: 2014	Year: 2013
A. Utilization/Occupancy Data Patient Encounters	33,174	33,645	32,615
B. Revenue from Services to Patients			
1. Inpatient Services	\$180,579.00	\$170,429.00	\$194,666.00
2. Outpatient Services	\$22,248,503.00	\$22,057,366.00	\$20,154,540.00
3. Emergency Services	\$606,620.00	\$576,080.00	\$565,140.00
4. Other Operating Revenue Specify: _____			
Gross Operating Revenue	\$23,035,702.00	\$22,803,875.00	\$20,914,346.00
C. Deductions from Operating Revenue			
1. Contract Deductions	\$16,947,531.00	\$16,763,792.00	\$14,680,721.00
2. Provision for Charity Care	\$58,740.00	\$57,682.00	\$59,939.00
3. Provision for Bad Debt	\$176,220.00	\$173,047.00	\$179,816.00
Total Deductions	\$17,182,491.00	\$16,994,521.00	\$14,920,476.00
NET OPERATING REVENUE	\$5,853,211.00	\$5,809,354.00	\$5,993,870.00
D. Operating Expenses			
1. Salaries and Wages	\$1,678,037.00	\$1,494,054.00	\$1,625,014.00
2. Physicians' Salaries and Wages	\$2,343,515.00	\$2,245,504.00	\$2,225,551.00
3. Supplies	\$539,454.00	\$423,021.00	\$460,237.00
4. Taxes	\$37,086.00	\$67,168.00	\$25,813.00
5. Depreciation	\$59,563.00	\$59,563.00	\$86,870.00
6. Rent	\$198,657.00	\$207,866.00	\$284,364.00
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affiliates			
b. Fees to Non-Affiliates			
9. Other Expenses Specify: <u>See Attached.</u>	\$1,712,709.00	\$1,810,664.00	\$1,621,439.00
Total Operating Expenses	\$6,569,021.00	\$6,307,840.00	\$6,329,288.00
E. Other Revenue (Expenses)—Net Specify: <u>See Attached</u>	\$673,908.00	\$429,680.00	\$402,800.00
NET OPERATING INCOME (LOSS)	-\$41,902.00	-\$68,806.00	\$67,382.00
F. Capital Expenditures			
1. Retirement of Principal	\$108,733.00	\$430.00	\$27,119.00
2. Interest	\$18,249.00	\$32,878.00	\$28,652.00
Total Capital Expenditures	\$126,982.00	\$33,308.00	\$55,771.00
NET OPERATING INCOME (LOSS)	-\$41,902.00	-\$68,806.00	\$67,382.00
LESS CAPITAL EXPENDITURES	\$126,982.00	\$33,308.00	\$55,771.00
NOI LESS CAPITAL EXPENDITURES	-\$168,884.00	-\$102,114.00	\$11,611.00

Upper Cumberland Orthopedic Surgery, PC
Historical Profit and Loss

	2015	2014	2013
Other Revenue			
Hospital Contracts	\$660,188	\$365,000	\$383,000
Meaningful Use Monies	\$13,720	\$64,680	\$19,800
Total Other Revenue	\$673,908	\$429,680	\$402,800
Other Expenses			
Employee Benefits & Payroll Taxes	\$905,181	\$995,564	\$809,768
Utilities, Telephone, Postage	\$127,344	\$114,482	\$112,609
Insurance	\$145,134	\$142,859	\$145,346
Repairs & Maintenance	\$252,647	\$215,171	\$217,951
Advertising & Community Support	\$43,803	\$36,077	\$23,423
Legal & Professional Fees	\$214,569	\$273,302	\$251,519
Other	\$24,031	\$33,209	\$60,823
Total Other Expenses	\$1,712,709	\$1,810,664	\$1,621,439

PROJECTED DATA CHART

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

	Year 1 3024	Year 2 3175
A. Utilization/Occupancy Data (Specify unit of measure), Scans		
B. Revenue from Services to Patients		
1. Inpatient Services	\$	\$
2. Outpatient Services	\$ 4,654,115.00	\$ 4,886,821.00
3. Emergency Services	\$	\$
4. Other Operating Revenue (Specify) _____	\$	\$
Gross Operating Revenue	\$ 4,654,115.00	\$ 4,886,821.00
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 3,232,564.00	\$ 3,394,192.00
2. Provisions for Charity Care	\$	\$
3. Provisions for Bad Debt	\$ 135,770.00	\$ 142,558.00
Total Deductions	\$ 3,368,334.00	\$ 3,536,750.00
NET OPERATING REVENUE	\$ 1,285,781.00	\$ 1,350,071.00
D. Operating Expenses		
1. Salaries and Wages	\$ 234,204.00	\$ 240,060.00
2. Physicians' Salaries and Wages		
3. Supplies	\$ 166,056.00	\$ 170,196.00
4. Taxes		
5. Insurance	\$ 18,720.00	\$ 18,720.00
6. Rent	\$ 48,000.00	\$ 48,000.00
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$ 241,920.00	\$ 254,000.00
Specify: <u>Radiology Reads</u>		
Total Operating Expenses	\$ 708,900.00	\$ 730,976.00
E. Other Revenue (Expenses)—Net	\$ 132,000.00	\$ 132,000.00
Specify: <u>Repairs, Upgrades, Maintenance Contract</u>		
NET OPERATING INCOME (LOSS)	\$ 444,881.00	\$ 487,095.00
F. Capital Expenditures		
1. Retirement of Principal	\$ 44,947.00	\$ 46,425.00
2. Interest	\$ 23,225.00	\$ 21,747.00
Total Capital Expenditures	\$ 68,172.00	\$ 68,172.00
NET OPERATING INCOME (LOSS)	\$ 444,881.00	\$ 487,095.00
LESS CAPITAL EXPENDITURES	\$ 68,172.00	\$ 68,172.00
NOI LESS CAPITAL EXPENDITURES	\$ 376,709.00	\$ 418,923.00

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Average Gross Charge:	\$1,539.06
Average Deduction:	\$1,113.87
Average Net Charge:	\$425.19

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

A charge schedule including Medicare rates is attached as Attachment C, II, Economic Feasibility, 6. This is a proposed new service. It will have no impact on charges for other services.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

The average gross charges of existing MRI providers in the service area are included in the table attached as Attachment C, I, Need, (1). Tier 1's proposed average gross charge is less than the 2014 average gross charges of all area MRI providers except for one. It is believed Tier 1's MRI charges will be the lowest of any area provider by the time the service is implemented.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

As reflected on the Projected Data Chart, the projected utilization of 3,024 scans in Year 1 is sufficient to yield a positive Net Operating Income.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

As reflected on the Projected Data Chart, financial viability will be achieved in Year 1.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report

the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Tier 1 participates in both Medicare and TennCare. The projected payer mix and anticipated Year 1 revenues are:

Medicare:	44%	\$268,200
TennCare:	7%	\$47,100

- 10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Financial Statements are attached as Attachment C, II, Economic Feasibility, 10.

- 11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**
- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

A shared service MRI is not practical in that Tier 1's MRI volume alone exceeds the assumed utilization threshold for the MRI unit.

Lower cost technology providing the same benefits is not available. The MRI unit being acquired is a refurbished unit, and has cost of less than \$400,000 installed. This is a very economically efficient proposal.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

No new construction is involved in this project. The applicant will renovate 2,500 square feet of space in a building owned by an affiliated entity and lease the space from that entity. A shared service MRI is not practical in that Tier 1's MRI volume alone exceeds the assumed utilization threshold for the MRI unit.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

The applicant currently has no such working arrangements. A transfer agreement with Cookeville Regional Medical Center is anticipated, but it is premature to have that executed at this time.

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

This project will have a positive effect on the health care system. Tier 1 is an orthopedic physician group practice and MRI scans are very frequently needed and ordered by the Tier 1 physicians. Tier 1 ordered 3,067 MRI scans for its patients in 2015.

Having an MRI service in-house and virtually in the same location as the clinical offices of Tier 1 will be more convenient for the patients and improve and shorten scheduling times. It will also serve as an important recruiting tool for Tier 1. It needs to add at least two additional orthopedists to the group, but its efforts to recruit have been hampered by the lack of an MRI service.

The MRI service will be limited to the patients of Tier 1. The current volume of MRI scans ordered by the Tier 1 physicians assures the MRI will be efficiently utilized. In addition, there are two neurosurgeons who lease space in the building where Tier 1 has its clinical offices. If the MRI service is implemented, these neurosurgeons are likely to join Tier 1, which would be beneficial to both groups, and will further increase utilization of the MRI unit. In 2015 the neurosurgeons ordered at least 500 MRI scans.

Almost all of the scans ordered by Tier 1 physicians are currently performed at the Cookeville Regional Medical Center ("CRMC") outpatient imaging center. CRMC supports this CON application. A letter of support from CRMC will be submitted at the appropriate time.

- 3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the**

Tennessee Department of Labor & Workforce Development and/or other documented sources.

The clinical staffing will consist of the following positions:

<u>Position</u>	<u>FTE</u>	<u>Salary & Benefits</u>	<u>Median Wage</u> (TDLWD)
MRI Technician:	1 FTE	\$91,000	\$63,844
MRI Technician:	.5 FTE	\$50,000	Not available for part-time

- 4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

No facility licensure is required for this service. Staffing will be consistent with any requirements of the American College of Radiology.

- 5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

No facility licensure is required for this service. Staffing will be consistent with any requirements of the American College of Radiology.

- 6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

Tier 1 actively participates in cooperation with Tennessee Technological University in allowing students interested in the field of medicine to shadow the physicians, nurses and nurse practitioners during clinics and surgeries. This is an on-going partnership, done without a contract or compensation.

Tier 1 has a contract with Volunteer State Community College to provide clinical experience for students enrolled in the Radiologic Technology program.

- 7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

No facility licensure is required for this service. As a long time participant in the Medicare program Tier 1 personnel is familiar with and understand applicable Medicare requirements.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: N/A.

Accreditation: Accreditation will be sought from the American College of Radiology.

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

N/A.

- 8. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

N/A.

- 9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

None.

- 10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

None.

- 11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

If the proposal is approved the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

A Publisher's Affidavit is attached following this page.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

A completed Project Completion Forecast Chart is attached following this page.

- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.**

An extended period of validity is not requested.

Form HF0004
Revised 05/03/04
Previous Forms are obsolete

Herald-Citizen 50

PO Box 2729
Cookeville, TN 38502-2729

Tier 1 Orthopedics

105 S. Willow Ave

Cookeville, TN 38501
Acct# 111662

State of Tennessee

County of Putnam ss

Mike DeLapp, of the city of Cookeville, in said county and state, being duly sworn, on his oath says that he is the Editor & Publisher of the Herald-Citizen, a daily newspaper of general circulation published in said city, and that the notice, a printed copy of which is hereto annexed, was published in said newspaper for one (1) day which publication was made on

April 10, 2016

This legal notice was published online at www.herald-citizen.com and www.publicnoticeads.com during the duration of the run dates listed. This publication fully complies with Tennessee Code Annotated 1-3-120.



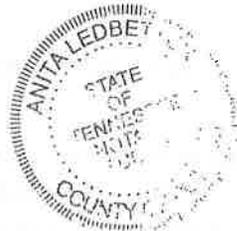
Editor and Publisher

Subscribed and sworn to before me this 11th day of April 2016.



Notary Public, Putnam County
State of Tennessee

My commission expires 07/19/16



NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Upper Cumberland Orthopedic Surgery, P.C., a Tennessee Professional Corporation d/b/a Tier 1 Orthopedics ("Tier 1") intends to file an application for a Certificate of Need for the acquisition of a Magnetic Resonance Imaging (MRI) unit, and the initiation of MRI services. The proposed MRI services will be owned and operated by Tier 1 and will be limited to the patients of Tier 1. No facility licensure will be sought. The MRI will be located in a freestanding building located at 335 West Spring Street, Cookeville (Putnam County) Tennessee, across the street from the clinical offices of Tier 1. The total estimated project cost is \$1,500,000.

The anticipated date of filing the application is April 15, 2016. The contact person for this project is Jerry W. Taylor, Attorney who may be reached at Burr & Forman, LLP, 511 Union Street Suite 2300, Nashville, Tennessee 37219, 615-724-3247.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):
July 27, 2016.

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	N/A	May, 2016
2. Construction documents approved by the Tennessee Department of Health	N/A	N/A
3. Construction contract signed	3	August, 2016
4. Building permit secured	30	August, 2016
5. Site preparation completed	60	October, 2016
6. Building construction commenced	60	October, 2016
7. Construction 40% complete	120	December, 2016
8. Construction 80% complete	150	January, 2017
9. Construction 100% complete (approved for occupancy)	180	February, 2017
10. *Issuance of license	N/A	N/A
11. *Initiation of service	210	March, 2017
12. Final Architectural Certification of Payment	210	March, 2017
13. Final Project Report Form (HF0055)	300	June, 2017

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

LIST OF ATTACHMENTS

Organizational documentation	<u>Attachment A, 4</u>
Lease Agreement Option	<u>Attachment A, 6</u>
List of Clinical Applications	<u>Attachment B, II, E, 1, 3</u>
FDA Approval Letter	<u>Attachment B, II, E, 1, 4</u>
Sales Agreement and Quote for MRI	<u>Attachment B, II, E, 3</u>
Site Plan	<u>Attachment B, III, (A)</u>
Floor Plan	<u>Attachment B, IV</u>
MRI Utilization in the Service Area	<u>Attachment C, I, Need, (1)</u>
Emergency Protocol	<u>Attachment C, I, Need (2)</u>
Medical Necessity Protocol	<u>Attachment C, I, Need (3)</u>
Map of Proposed Service Area	<u>Attachment C, I, Need, 3</u>
Population and Demographic Table	<u>Attachment C, I, Need, 4</u>
Letter from the Architect	<u>Attachment C, II, Economic Feasibility, 1</u>
Funding Letter	<u>Attachment C, II, Economic Feasibility, 2</u>
Charge Schedule	<u>Attachment C, II, Economic Feasibility, 6</u>
Financial Statements	<u>Attachment C, II, Economic Feasibility, 10</u>

MRI CPT CODES WITH MEDICARE RATES

MRI	WO CONTRAST	RATE	W/WO CONTRAST	RATE
Pelvis	72195	\$316.19	72197	\$463.45
Shoulder	73221	\$217.08	73223	\$429.74
Elbow				
Wrist				
Hip	73721	\$217.40	73723	\$431.35
Knee				
Ankle				
Foot	73718	\$310.65	73720	\$460.29
Cervical	72141	\$206.63	72156	\$349.42
Thoracic	72146	\$206.63	72157	\$350.06
Lumbar	72148	\$205.66	72158	\$348.78
Lower Extremities (including Pelvis)	73725	\$368.04		

Google Maps 335 W Spring St

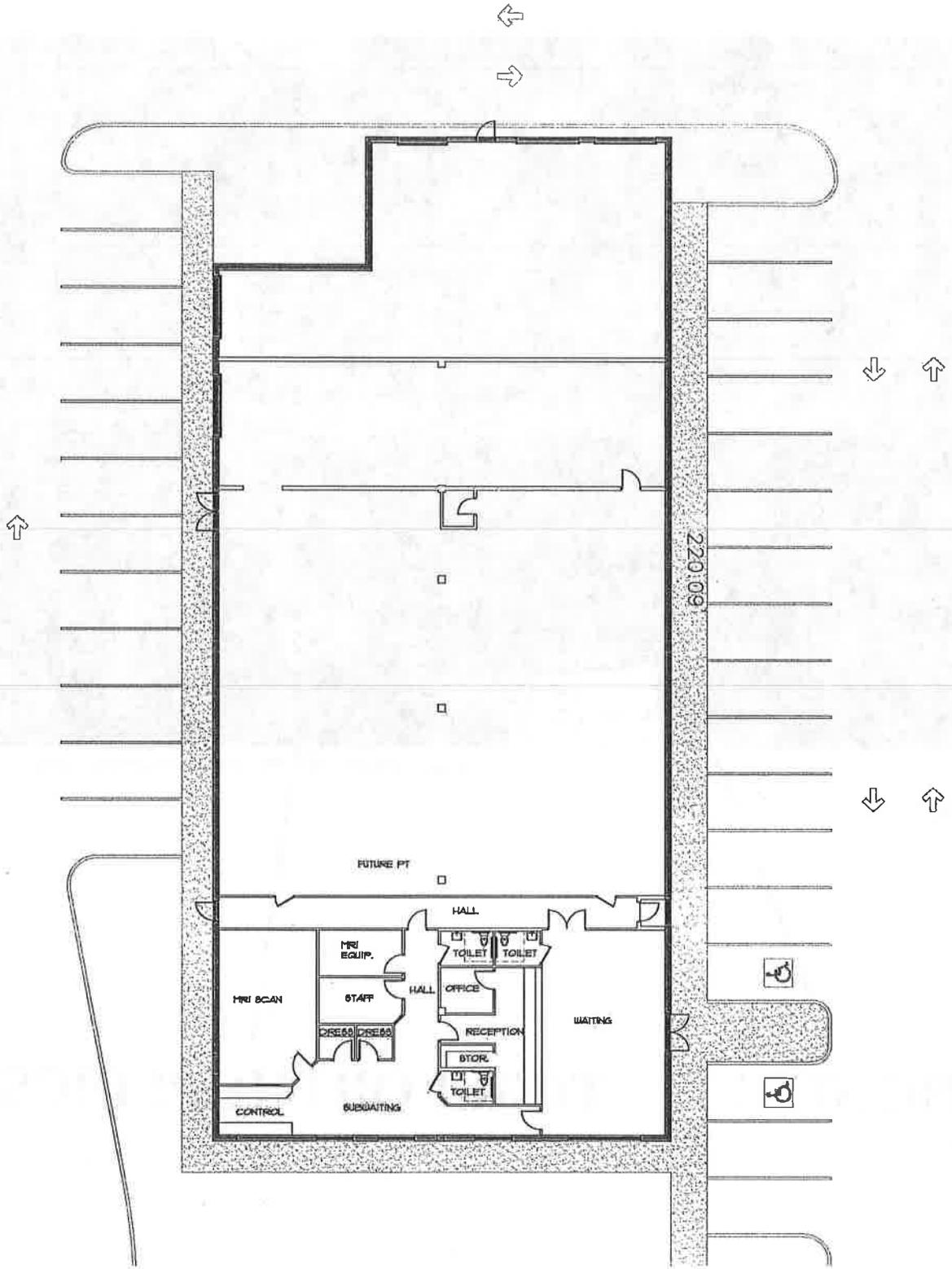


Imagery ©2016 Google, Map data ©2016 Google 50 ft

Google Maps

MRI SITE

TIER 1 ORTHOPEDICS



REVISED FLOOR PLAN

SCALE: 1/16" = 1'-0"

MRI UTILIZATION IN SERVICE AREA 2012-2014

County	Provider Type	Provider	Year	Number of		Total Scans	Scans Per Unit	Total Gross Charges	Average Gross Charge
				Units	Mobile or Fixed				
Fentress	No MRI Units								
Jackson	No MRI Units								
Overton	HOSP	Livingston Regional Hospital	2012	1	Fixed	959	959	\$3,152,927.00	\$3,287.72
Overton	HOSP	Livingston Regional Hospital	2013	1	Fixed	949	949	\$3,447,373.00	\$3,632.64
Overton	HOSP	Livingston Regional Hospital	2014	1	Fixed	649	649	\$2,556,905.00	\$3,939.76
Putnam	HOSP	Cookeville Regional Medical Center	2012	1	Fixed	4928	4928	\$8,402,093.00	\$1,704.97
Putnam	HOSP	Cookeville Regional Medical Center	2013	1	Fixed	3701	3701	\$6,202,892.00	\$1,676.00
Putnam	HOSP	Cookeville Regional Medical Center	2014	1	Fixed	4375	4375	\$6,911,466.00	\$1,579.76
Putnam	H-Imaging	Outpatient Imaging Center at CRMC	2012	2	Fixed	3385	1693	\$5,171,920.00	\$1,527.89
Putnam	H-Imaging	Outpatient Imaging Center at CRMC	2013	2	Fixed	4791	2396	\$7,266,860.00	\$1,516.77
Putnam	H-Imaging	Outpatient Imaging Center at CRMC	2014	2	Fixed	5273	2637	\$8,101,360.00	\$1,536.39
Putnam	ODC	Premier Diagnostic Imaging, LLC	2012	2	Fixed	5572	2786	\$6,556,168.00	\$1,176.63
Putnam	ODC	Premier Diagnostic Imaging, LLC	2013	2	Fixed	5674	2837	\$6,777,007.00	\$1,194.40
Putnam	ODC	Premier Diagnostic Imaging, LLC	2014	2	Fixed	5454	2727	\$6,578,611.00	\$2,412.40
White	HOSP	St. Thomas Highlands Hospital	2012	1	Fixed	1069	1069	\$1,953,155.00	\$1,827.09
White	HOSP	St. Thomas Highlands Hospital	2013	1	Fixed	961	961	\$1,852,766.00	\$1,927.96
White	HOSP	St. Thomas Highlands Hospital	2014	1	Fixed	1124	1124	\$2,337,261.00	\$2,079.41
Total/Average 2014 ONLY				7		16875	2411	\$26,485,603.00	\$1,569.52

HSDA Medical Equipment Registry - 4/5/2016

Carl M. Hollmann, M.D.
James D. McKinney, M.D.
John M. Turnbull, M.D.
Gregory J. Roberts, M.D.
Philip A. Elizondo, M.D.



TIER 1
ORTHOPEDICS

105 S. Willow Avenue, Suite 100
Cookeville, TN 38501
Phone: 931.526.9518
Fax: 931.372.0087
Toll Free: 888.672.6637
www.T1institute.com

Upper Cumberland Orthopedic Surgery, P.C. **Protocol for Medical Emergencies**

- 1. Initialize efforts to stabilize the situation**
- 2. Administer CPR, if necessary**
- 3. Call 911**
- 4. Transfer to CRMC, if necessary**

Carl M. Hollmann, M.D.
James D. McKinney, M.D.
John M. Turnbull, M.D.
Gregory J. Roberts, M.D.
Philip A. Elizondo, M.D.

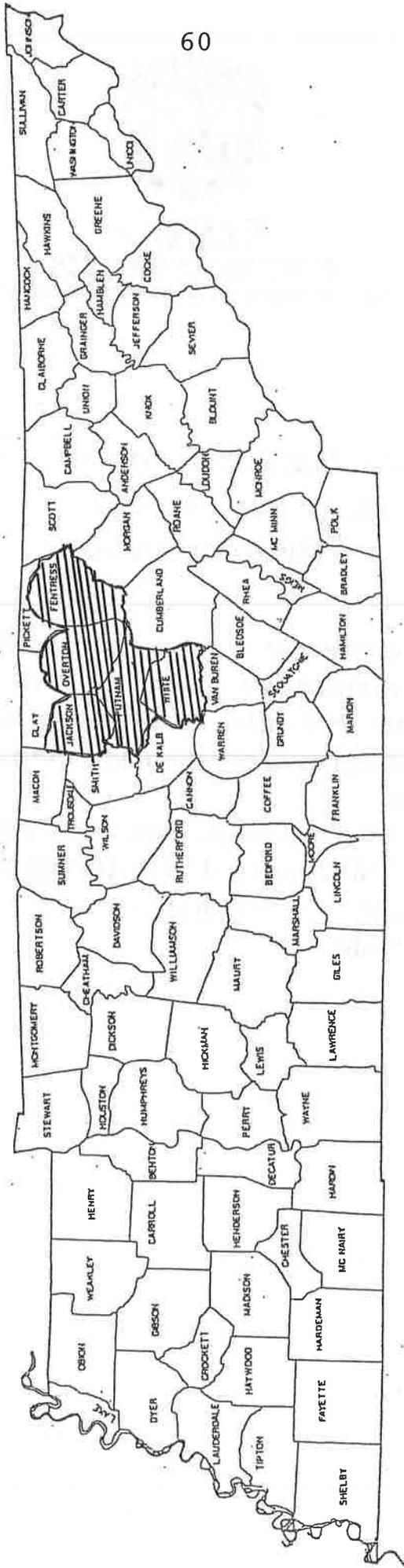


**TIER 1
ORTHOPEDICS**

105 S. Willow Avenue, Suite 100
Cookeville, TN 38501
Phone: 931.526.9518
Fax: 931.372.0087
Toll Free: 888.672.6637
www.T1institute.com

Upper Cumberland Orthopedic Surgery, P.C. Protocol for MRI Medical Necessity Determination

- 1. Physician evaluation of patient results in an order for an MRI as medically necessary**
- 2. Appropriate insurance certification/authorization obtained (approval of physician medical necessity evaluation)**
- 3. MRI is scheduled and patient notified of appointment**
- 4. Results of MRI reported to ordering physician**
- 5. Appointment made with patient for follow up visit with physician**



POPULATION AND DEMOGRAPHICS OF SERVICE AREA									
Variable	Fentress County	Jackson County	Overton County	Putnam County	White County	Service Area Total/Avg.	State of Tennessee		
Current Year (2016), Age 65+	4,092	2,748	4,853	13,677	5,806	31,176	1,091,516		
Projected Year (2020), Age 65+*	4,787	3,203	5,597	15,795	6,751	36,133	1,266,295		
Age 65+, % Change	17.0%	16.6%	15.3%	15.5%	16.3%	15.9%	16.0%		
Age 65+, % Total (CY)	14.8%	19.1%	18.6%	19.8%	20.9%	20.0%	15.6%		
Age 65+, % Total (PY)	16.2%	21.4%	20.8%	22.2%	24.0%	18.8%	17.8%		
CY, Total Population (2016)	18,823	12,120	23,460	79,658	27,519	161,580	6,812,005		
PY, Total Population (2020)	19,309	12,375	24,291	84,087	28,541	168,603	7,108,031		
Total Pop. % Change	2.6%	1.6%	0.2%	4.9%	4.5%	5.3%	4.3%		
TennCare Enrollees (March, 2016)	6,342	2,988	5,423	17,977	7,442	40,172	1,525,548		
TennCare Enrollees as a % of Total Population(CY)	33.7%	24.7%	23.1%	22.6%	27.0%	24.9%	22.4%		
Median Age (2010 Census)	43	45	41	36	42	41.4	38		
Median Household Income ('10-'14)	\$29,784	\$33,500	\$34,913	\$34,780	\$33,933	\$33,382.00	\$44,621		
Population % Below Poverty Level ('09-'13)	28.1%	23.4%	18.9%	20.8%	21.9%	22.6%	18.3%		

Sources: Population, <http://tn.gov/health/article/statistics-coor>; TennCare enrollment, TennCare Bureau website; Age, American FactFinder Census website; Income and poverty level, Census Bureau QuickFacts.



April 14, 2016

David Netherton
Tier One
105 South Willow Avenue
Cookeville, TN 38501

Re: Renovation of an existing facility for a New MRI Medical Office

Dear David:

We received the information from Lee International llc regarding the proposed MRI project for Tier One. The cost estimate of \$375,000 for this project is reasonable and should include an appropriate contingency.

The project, located in Cookeville, TN will be reviewed and approved by The City of Cookeville Codes Department and will be governed by the following.

2012 International Building Code
NFPA 101 Life Safety Code and 2010 NFPA 13
2012 International Existing Building Code
2012 International Property Maintenance Code
2012 International Plumbing Code
2012 International Mechanical Code
2012 International Fuel Gas Code
2012 International Fire Code
2010 Accessible Design Code
2009 Energy Conservation Code

The renovated facility for the MRI will be designed to conform to the provided MRI specifications and equipment requirements by Lee International llc. The preliminary floor plan indicating the spaces provided for not only the equipment but the services appear to be as required for the equipment's area use and clearances.

If you have any other questions, don't hesitate to call and ask.

Sincerely,

Peter Metts, AIA
President AEI

Enclosure

PM/jm





**BANK OF
PUTNAM COUNTY**

April 8, 2016

Mr. David Netherton
Tier One Orthopedics
105 S. Willow Ave., Suite 100
Cookeville, Tennessee 38501

Dear David:

Thank you very much for the opportunity to provide the financing for the acquisition of your new MRI machine and related costs of installation which you have estimated to total \$809,050.00. We will provide financing for the project as we discussed with an amortization of up to 15 years at a rate of 3.24%.

I think the ability to perform MRI scans at your site is a great addition to the services that your group provides. I am excited about the growth Tier One is seeing. Let me know if we can help in any additional ways.

Thanks again for the opportunity. Let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerry Whitehead", written in a cursive style.

Gerry Whitehead
Executive Vice President and
Chief Credit Officer

Attachment C, II, Economic
Feasibility, 2

MRI CPT CODES WITH MEDICARE RATES

MRI	WO CONTRAST	RATE	WWO CONTRAST	RATE
Pelvis	72195	\$316.19	72197	\$463.45
Shoulder	73221	\$217.08	73223	\$429.74
Elbow				
Wrist				
Hip	73721	\$217.40	73723	\$431.35
Knee				
Ankle				
Foot	73718	\$310.65	73720	\$460.29
Cervical	72141	\$206.63	72156	\$349.42
Thoracic	72146	\$206.63	72157	\$350.06
Lumbar	72148	\$205.66	72158	\$348.78
Lower Extremities (including Pelvis)	73725	\$368.04		

4:25 PM
04/07/16
Cash Basis

Upper Cumberland Orthopedic Surgery, P.C.
Balance Sheet
As of December 31, 2015

	<u>Dec 31, 15</u>
ASSETS	
Current Assets	
Checking/Savings	
102000 · General Checking	9,480.42
1025 · First Tennessee Bank	-72,438.54
103000 · Payroll Checking	500.00
104000 · Petty Cash / Change Funds	<u>250.00</u>
Total Checking/Savings	-62,208.12
Accounts Receivable	
113900 · A/R Other	<u>555.33</u>
Total Accounts Receivable	<u>555.33</u>
Total Current Assets	-61,652.79
Fixed Assets	
172000 · Office Equipment	200,146.50
172200 · Clinical Equipment	478,320.86
172600 · Furniture & Fixtures	126,865.48
173000 · Other Assets	207,214.20
182000 · Accum Depr - Office Equipment	-173,825.94
182200 · Accum Depr - Clinical Equipment	-407,333.38
182600 · Accum Depr-Furniture & Fixtures	-103,071.12
183000 · Accum Depr - Other Assets	<u>-186,250.97</u>
Total Fixed Assets	<u>143,065.63</u>
TOTAL ASSETS	<u><u>81,412.84</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
201000 · First National Bank Greenway	5,784.33
203000 · Accrued Payroll Deduct.Payable	2,861.70
216000 · Accrued Pension Withholdings	395,500.00
216500 · Employer Pension Accrued	-7,920.35
222000 · Accrued FICA / Wholding Tax	<u>2,633.20</u>
Total Other Current Liabilities	<u>398,858.88</u>
Total Current Liabilities	398,858.88
Long Term Liabilities	
241000 · First National Bank XRAY LOAN	<u>145,000.00</u>
Total Long Term Liabilities	<u>145,000.00</u>
Total Liabilities	543,858.88
Equity	
299900 · Retained Earnings	-410,204.87
301000 · Common Stock	4,126.04
303000 · UCOS Treasury Stock	-40,243.86
Net Income	<u>-16,123.35</u>
Total Equity	<u>-462,446.04</u>
TOTAL LIABILITIES & EQUITY	<u><u>81,412.84</u></u>

4:26 PM
04/07/16
Cash Basis

Upper Cumberland Orthopedic Surgery, P.C.
Profit & Loss
January through December 2015

	Jan - Dec 15
Income	
401000 · Fees Collected - UCOS	5,874,011.85
4012 · RX Inhouse Pharmacy Revenue	16,188.34
4013 · Meaningful Use Revenue	13,720.00
401400 · LivingstonHospital Contract Fee	279,000.00
401500 · Hospitalist Income	365,000.00
4016 · Other Income	-1,116.66
421000 · Refunds	-19,685.37
Total Income	6,527,118.16
Gross Profit	6,527,118.16
Expense	
719900 · Total Wages	
712000 · Physician Wages	1,978,514.90
712200 · Hospitalist Pay	365,000.00
712500 · Clinical Staff Wages	1,018,808.83
713000 · Administrative Staff Wages	658,947.88
713100 · Vacation Pay	140.00
713200 · Sick Pay	140.00
Total 719900 · Total Wages	4,021,551.61
723900 · Total Benefits & Payroll Taxes	
66000 · Employer Payroll Tax Expenses	238,899.50
721000 · FICA Employer Share	898.00
722000 · Unemployment Taxes	577.61
722500 · Employer 401k match/prof.s/othr	337,686.44
723000 · Health Insurance Premiums	259,931.76
723100 · Dental Expenses	5,513.10
723105 · Dental Physicians	7,139.14
723200 · Vision Expenses	7,851.05
723205 · Vision Physicians	16,414.01
723599 · Employee Health Ins Deductables	
723501 · Kristie Ealey Deductable	2,047.12
723502 · Kristie Ealey Family Ded	1,063.03
723503 · Kathy Beechboard Deductable	1,307.41
723505 · Barbara Brown Deductable	2,673.47
723515 · Joy Nichols Deductable	3,041.30
723517 · Cathy Deaton Deductable	1,364.46
723519 · John Phillips Deductable	334.17
723520 · J Phillips Family Deductable	518.72
723521 · Jill Hammond Deductable	17.75
723529 · Terry Hood Deductable	510.77
723531 · Angela Nichols Deductable	2,350.57
723533 · Amber Mitchell Deduct.	193.88
723536 · Emily Amonett Deductable	97.97
723539 · J. Hammond Deductible	13.17
723541 · Jan Jones Deductible	240.45
723543 · Kayla Stinson Deduct.	419.15
723546 · Dawn Voss Deduct	103.14
723546 · Amy Kelley Deduct	322.55
723547 · Alicia-Beth Rodriguez Deduct	628.52
723549 · Elysa Dowis Deduct	301.60
723551 · Mary Young Deduct	2,068.74
723555 · Jan HotsInpiller Deductible	288.39
723599 · Employee Health Ins Deductables - Other	25,899.18
Total 723599 · Employee Health Ins Deductables	45,805.51
Total 723900 · Total Benefits & Payroll Taxes	920,716.12

4:26 PM
04/07/16
Cash Basis

Upper Cumberland Orthopedic Surgery, P.C.
Profit & Loss
January through December 2015

	Jan - Dec 15
724099 · Professional Development	
724001 · Prof Devel - Archer	1,047.62
724002 · Prof Develop - Roberts	2,361.66
724005 · Prof Develop - Hollmann	2,576.66
724007 · Prof Develop - Other Staff	1,155.85
724010 · Prof Develop - McKinney	858.94
724011 · Prof Develop - Turnbull	450.00
724012 · Professional Dev. Dr. Nichols	51,549.16
725008 · Publications - Other	3,971.59
Total 724099 · Professional Development	63,971.48
739900 · Total Occupancy Costs	
731000 · BJ&T Lease Expense	194,757.40
731500 · Outside Clinic Lease Expense	3,900.00
732000 · Utilities	50,867.56
734000 · Property Taxes	37,086.12
735000 · Bldg & Property Insurance	12,179.81
735100 · Professional Liability Ins	96,639.00
735200 · Workers Comp Ins	8,286.00
735300 · Disability Ins Expense	23,558.04
735600 · Physician Life Ins	4,471.00
735700 · Mileage Reimbursement	6,651.41
736000 · Repair/Maint Computer	102,055.64
736001 · Repair/Maint Building	52,268.42
736002 · Repair/Maint Grounds	8,225.00
736003 · Repair/Maint Other Equipment	2,209.49
736004 · Building Improvements	87,887.96
736500 · Telephone Costs	71,918.85
Total 739900 · Total Occupancy Costs	762,961.70
779900 · Total Operating Costs	
770000 · Uniforms & Cleaning	9,658.71
771000 · Operating Supply & Expenses	47,871.23
771200 · Office Supply & Expense	38,789.59
771500 · X-Ray Supply & Expense	7,092.84
776500 · Interpreter Fees - CRMC	50.00
777000 · Postage	4,558.36
777500 · Equip & Software Lease Expense	2,163.03
777600 · Advertising & Community Support	43,802.75
779000 · Medical Supplies	270,175.93
791000 · Injectible Supply & Expense	175,524.21
779900 · Total Operating Costs - Other	158.05
Total 779900 · Total Operating Costs	599,844.70
789900 · Total Other Expenses	
780000 · Dues	4,587.57
780300 · Interest Expense	18,249.44
782000 · Licenses - Professional	10,279.76
785000 · Legal Fees	3,915.00
786000 · Professional Fees	44,412.00
786001 · Transcription Services	70,876.80
786002 · X-Ray Tech Services	14,980.50
789000 · Pension Admin/Legal Expenses	6,134.25
789900 · Total Other Expenses - Other	760.58
Total 789900 · Total Other Expenses	174,195.90
Total Expense	6,543,241.51
Net Income	-16,123.35

AFFIDAVIT

APR 15 16 49:50

STATE OF TENNESSEE

COUNTY OF PUTNAM

David Netherston, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

David Netherston
SIGNATURE/TITLE

Sworn to and subscribed before me the 8TH day of April, 2016, a Notary Public for Putnam County, Tennessee.



[Signature]
NOTARY PUBLIC

My commission expires 03/21/17.

Supplemental #1 -COPY-

Upper Cumberland
Orthopedic Surgery PC

CN1604-015

April 27, 2016**12:28 pm****SUPPLEMENTAL RESPONSES****CERTIFICATE OF NEED APPLICATION****FOR****UPPER CUMBERLAND ORTHOPEDIC SURGERY, P.C.****Initiation of In-House MRI Services****Putnam County, Tennessee****Project No. CN1604-015****April 27, 2016****Contact Person:**

**Jerry W. Taylor, Esq.
Burr & Forman, LLP
511 Union Street, Suite 2300
Nashville, Tennessee 37219
615-724-3247**

1. Section B Project Description, Item I.

Please clarify if the proposed 1.5 Tesla MRI will accommodate obese and/or claustrophobic patients. If not, where will those patients be referred?

Obese and/or claustrophobic patients that cannot be accommodated by the MRI equipment of Upper Cumberland Orthopedic Surgery, P.C. (Tier 1) will be referred to Cookeville Regional Medical Center, (CRMC), or the facility of patient's choice.

Please provide an overview of the orthopedic group practice Upper Cumberland Orthopedic Surgery, P.C.

The orthopedic group practice of Tier 1 is made up of 5 general orthopedic surgeons. In addition, Tier 1 employs a physiatrist. The ages of the orthopedic surgeons as of January 1, 2016 are 64,60,60,46, and 44. The physiatrist is 50 years of age. The group contracts with CRMC to provide emergent care 24 hours a day, seven days per week. Tier 1 provides the only true local orthopedic care to the service area since its surgeons are the only orthopedic surgeons with surgery privileges at CRMC.

Please clarify if there are other medical tenants in the building that will house the proposed MRI.

Tier 1 will be the only tenant in the building that will house the proposed MRI. It is anticipated however that the two neurosurgeons will join the practice of Tier 1 and therefore will have a presence in the building that houses the proposed MRI. Because they would be Tier 1 employees at that point, the correct answer is that only Tier 1 will be a tenant of the building.

Please describe the freestanding building that will house the proposed MRI including parking and amenities.

It is a 11,850 square foot concrete block building with concrete slab floors. The roof is a precast concrete 'T' structure. The roof structure is supported at half span by structural columns and beams. The bottom of the 'T' of the precast roof structure is 9'-11" above the existing concrete floor slab. The bottom of the precast plank portion of the roof structure is 10'-11" above the concrete floor slab. The roof is an applied membrane over rigid tapered insulation boards. The front exterior veneer is brick masonry and the remaining three sides are sealed and painted concrete block. Amenities include both electric and gas heating, air conditioning, and standard plumbing. Parking is projected at 54 spaces with two lane traffic lanes that surrounds the building. There are two entry and exit locations for the parking that access the main street in front of the building.

It is noted two neurosurgeons who lease space in the same building Tier 1 has its clinical offices are likely to join Tier 1. If the two neurosurgeons join the practice, how will this action impact the proposed project?

The only impact to the project if the neurosurgeons join the practice is the proposed volume of MRI's will increase by an amount of 500 plus scans per year. The neurosurgeons ordered 500 MRIs last year. This is a conservative number in that it is recommended by the neurosurgeons that new patients have an MRI performed prior to their first consultation with the neurosurgeons. Some of these new patients may choose to use the Tier 1 facility increasing the number of scans performed by Tier 1. If this volume is realized, Tier 1 will add hours to the daily MRI schedule and offer Saturday hours to accommodate the required volume.

Please discuss the advantages and disadvantages of 1.5 Tesla versus 3.0 Tesla MRI Imaging for neurosurgery patients.

Advantages and disadvantages of the 1.5 Tesla versus 3.0 Tesla exist and are addressed in the manufacturer's specifications, however in actual practice the local neurosurgeons have found that the 1.5 Tesla provides more than sufficient images to offer excellent standards of care to their patients. In actual fact they have not found it necessary to specifically refer patients to only a 3.0 Tesla machine. If the rare patient case presents, the neurosurgeons will certainly refer to another facility that provides 3.0 quality images. In short, the 1.5 Tesla machine will support the needs of the neurosurgeons.

If the proposed project is approved, it appears that the Outpatient Imaging Center at CRMC will be losing approximately 60% of their business for 2 MRI scanners reducing its volume in 2014 from 5,273 or 2,636/scanner down to approximately 2000 scans or 1000/scanner a level well below the 2,880 optimal standard in the State Health Plan. It appears that this project will have a substantive negative impact on the CRMC outpatient center. Please comment on the rationale of CRMC supporting the proposed project.

The over-arching reason CRMC supports this project is both it and Tier 1 believe that providing the highest quality orthopedic coverage for the community far outweighs the loss of MRI volume to CRMC. Facts supporting this belief include: (1) Tier 1 is the only orthopedic surgeons supporting the local community hospital. Tier 1 provides all urgent care for CRMC with emergent coverage 24 hours per day, 7 days a week. (2) Significant out-migration of patients for MRI services to primarily metro hospitals continues to occur. The proposed MRI service with help assure that local cases remain local. (3) The MRI at Tier 1 will be an important recruitment tool for the applicant. The growth of Tier 1 is likewise in the long term best interests of CRMC. Tier 1 recruits in a joint effort with CRMC. Tier 1 has an immediate need for two additional orthopedic surgeons and desires that new candidates provide some of the orthopedic

specialties found in metro areas. This provision of specialty will eliminate additional reasons for out-migration. (4) Tier 1 has three of five orthopedic surgeons that are 60 plus years of age. In the not distant future, there is a need to recruit at least 5 orthopedic surgeons, with a need for specialty coverage. Without the ancillary offerings such as MRI, Tier 1 is at a distinct disadvantage in recruitment. This means that CRMC and the community as a whole are at a distinct disadvantage.

2. Section B, Project Description, Item IV (Floor Plan)

The floor plan for the proposed project is noted. Please clarify the square footage of the MRI designated area. Please indicate the future use of the remaining space and the square footage.

The square footage of the MRI designated area is approximately 2,500 square feet. The design allows for two entrances to the rest of the building. While plans for the remaining building are being considered as a Phase 2 project, it is anticipated that Tier 1 will build out some administrative office spaces and possibly add patient clinical areas. The patient clinical areas could be additional orthopedic patient rooms for office visits or Tier 1 may provide physical therapy services at some time in the near future. By adding administrative areas, Tier 1 could move clerical personnel from the current physician office and use the vacated space for additional patient visit rooms. The effect of either of the above options is that Tier 1 will expand its current clinical space for patient visits. This expansion is intertwined with the need for two additional orthopedic surgeons to accommodate today's patient demands. Actual use of the remaining building is still in discussion but these are the most likely applications for the remaining space.

**3. Section C, Need, Item 1 (Project Specific Criteria)
Item 4.g**

Please document an emergency transfer agreement with Cookeville Regional Medical Center.

An executed transfer agreement with CRMC is attached following this response.

April 27, 2016**12:28 pm**

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**PATIENT TRANSFER AGREEMENT
BETWEEN
UPPER CUMBERLAND ORTHOPEDIC SURGERY, P.C.
AND
COOKEVILLE REGIONAL MEDICAL CENTER**

aIn consideration of the needs of the patients of the area served by both the institutions herein named, this Agreement is entered into by and between Upper Cumberland Orthopedic Surgery P.C., hereinafter referred to as "FACILITY" and Cookeville Regional Medical Center Authority, a private act hospital located in Cookeville, Tennessee (hereinafter referred to as "CRMC").

WITNESSETH:

WHEREAS, CRMC owns and operates an acute care hospital providing health care services for residents of the area served by CRMC and FACILITY; and,

WHEREAS, from time to time, FACILITY may require the services of CRMC to provide for the health care needs of patients served by FACILITY by rendering services that are not available at FACILITY;

NOW, THEREFORE, in consideration of the promises herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I. TERMS AND CONDITIONS:

- A. CRMC will provide treatment and hospitalization, when and if CRMC has sufficient capacity and capabilities, for patients of FACILITY on an as-needed basis when requested by FACILITY.
- B. A patient may only be admitted at CRMC after a CRMC attending physician accepts the patient's admission. The parties hereto agree to conduct any patient transfers in compliance with state and federal law, including 42 U.S.C. § 1395dd et seq. and any amendments thereto ("EMTALA regulations") and, as applicable, all requirements set forth in 42 C.F.R. § 483 regarding discharge, transfer, and re-admission of nursing home patients, and such other requirements as may be imposed by the Secretary of Health and Human Services and federal or state law.
- C. FACILITY shall provide, or arrange for the provision of, transportation for a patient for the purpose of his transfer to CRMC under this Agreement.
- D. The appropriate method of transportation is dependent upon patient's condition and such transportation will be determined after consultation between the transferring and receiving physicians.

April 27, 2016**12:28 pm**

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- F. If the admitting physician or transferring physician should deem it medically necessary for the patient to be accompanied by personnel and/or equipment during the transfer, FACILITY shall provide or arrange for, at its cost and expense, the appropriate personnel and/or equipment for the transfer.
- G. FACILITY agrees to send with each patient at the time of transfer, or, in case of emergency, as promptly as possible after the transfer, pertinent medical and other information necessary to continue the patient's treatment without interruption, together with essential identifying and administrative information.
- H. CRMC shall assume responsibility for patient care at the time it takes physical custody of the patient and shall remain responsible for patient care only during the time that CRMC has such physical custody of the patient.

II. BILLING AND PAYMENT

- A. It is agreed that the services rendered by CRMC or the CRMC physicians shall be charged to the patient, the patient's Managed Care Organization ("MCO"), or other third party payor. FACILITY shall not be held responsible for payment of services rendered to a patient by CRMC or the CRMC physicians and CRMC and the CRMC physicians shall not be held responsible for payment of services rendered to a patient by FACILITY.
- B. FACILITY will provide CRMC with all information necessary to enable CRMC to bill the patient, his or her MCO, or other third party payor for all patient care services rendered by CRMC prior to patient's transfer from FACILITY to CRMC.

III. TERM AND TERMINATION

- A. This Agreement shall be effective from May 1, 2016 and continue until amended, modified, or terminated. This Agreement shall be reviewed on a periodic basis and at that time, both parties will evaluate the program and policies, discuss any related problems, and make necessary revisions. Neither party shall be bound by this Agreement until it is signed by the appropriate officials as indicated on the signature page of this Agreement.
- B. Notwithstanding any other terms and conditions hereunder, this Agreement may be terminated without cause by either party by written notification to the other party at least thirty (30) days prior to the desired effective date of termination.
- C. In the event that either party shall become insolvent, make a general assignment for the benefit of creditors, suffer or permit the appointment of a receiver for its business or its assets or shall avail itself of, or become subject to, any proceedings under the Federal Bankruptcy Act or any other statute of any state relating to insolvency or the protection of rights of creditors, then, at the option of either party, this Agreement may be terminated immediately by either party and be of no further force and effect.
- D. In the event that either party sells all or substantially all of its assets, there is a sale of a majority ownership of either party, or there occurs a material change in the management or ownership of either party, this Agreement may be terminated by either party and be of no further force and effect.

April 27, 2016**12:28 pm****3**

- E. Each party warrants that it is duly licensed under the laws of its state and agrees to abide by applicable state and/or federal laws and regulations governing the licensure and operation of its facility. Each party further agrees to give prompt notice in writing to the other party in the event of institution of proceedings for suspension or revocation of its license, and to notify the other party in the event of any suspension or revocation of its license within twenty-four (24) hours of its occurrence. This Agreement will immediately terminate upon the revocation or suspension of licensure of either party. Further, either party, at its sole discretion, may terminate this Agreement in the event the other party is given notice of the institution of proceedings to suspend or revoke its licensure.

IV. NOTICES

All notices or other communication provided for in this Agreement shall be given to the parties addressed as follows:

CRMC: Paul Korth, CEO
Cookeville Regional Medical Center
1 Medical Center Blvd
Cookeville, TN 38501-1760

FACILITY: David Netherton
105 South Willow
Cookeville, TN 38501

V. MEDIA

The parties agree they will not use each other party's name or programs in any advertising, promotional material, press release, publication, public announcement, or through other media, written or oral, whether to the press, to holders of publicly owned stock without the prior written consent of the party whose name is to be used

VI. DISCRIMINATION

In compliance with federal law, including the provisions of Title IX of the Education Amendments of 1972, Sections 503 and 504 of the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967 and the Americans with Disabilities Act of 1990, each party hereto will not discriminate on the basis of race, sex, religion, color, national or ethnic origin, age, disability, or military service in its administration of its policies, including admissions policies, employment, programs or activities

VII. ASSIGNMENT AND BINDING EFFECT

Neither party shall assign, subcontract, or transfer any of its rights or obligations under this Agreement to a third party without the prior written consent of the other party. If an assignment, subcontract, or transfer of rights does occur in accordance with this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors or assigns

April 27, 2016

12:28 pm

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VIII. INDEPENDENT CONTRACTOR

Each party shall be considered to be an independent party and shall not be construed to be an agent or representative of the other party, and therefore, has no liability for the acts or omissions of the other party. In addition, neither party, nor any of its employees, agents, or subcontractors, shall be deemed to be employees or agents of the other party. Therefore, neither party nor any of its employees, agents or subcontractors, shall be entitled to compensation, workers compensation, or employee benefits of the other party by virtue of this Agreement.

IX. COUNTERPART SIGNATURE

This Agreement may be executed in one or more counterparts (facsimile transmission or otherwise); each counterpart shall be deemed an original and all of which shall constitute but one Agreement.

X. WRITTEN AMENDMENT/WAIVERS

This Agreement cannot be amended, modified, supplemented or rescinded except in writing signed by the parties hereto. No waiver of any provision of this Agreement shall be valid unless such waiver is in writing signed by the parties hereto

XI. GOVERNING LAW AND JURISDICTION

This Agreement shall be governed in all respects by, and be construed in accordance with, the laws of the State of Tennessee.

XII. MEDICAL RECORDS

All medical records and case histories of patients treated by CRMC shall be kept at CRMC, and shall be the property of CRMC. FACILITY will be provided access to such medical records only with prior written consent of the patient or to the extent that FACILITY physicians are treating physicians of the patient and subject to CRMC policies.

XIII. ACCESS TO BOOKS AND RECORDS

Until the expiration of four years after the furnishing of services pursuant to this Agreement, the parties shall upon written request, make available to the Secretary of Health and Human Services or the Comptroller General or their duly authorized representative the contract, books, documents, and records necessary to verify the nature and extent of the cost of such services. If either party carries out any of its obligations under this Agreement by means of a subcontract with a value of \$10,000 or more, that party agrees to include this requirement in any such subcontract

XIV. CONSTRUCTION OF AGREEMENT

The headings used in this Agreement have been prepared for the convenience of reference only and shall not control, affect the meaning, or be taken as an interpretation of any provisions of this Agreement. This Agreement has been prepared on the basis of mutual understanding of the parties and shall not be construed against either party by reason of such party's being the drafter hereof.

April 27, 2016

12:28 pm

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XV. NON-EXCLUSIVITY

Each party shall have the right to enter into similar agreements with other parties.

XVI. CONFIDENTIALITY

The parties agree to maintain as private and confidential all information which relates to or identifies a particular patient, including but not limited to the name, address, medical treatment or condition, financial status, or any other personal information which is deemed to be confidential in accordance with applicable state and federal law and standards of professional ethics and will train their employees, contractors, subcontractors, agents, and representatives to comply with such confidentiality requirements.

XVII HIPAA REQUIREMENTS

The parties acknowledge that each party is a "covered entity" as that term is defined at 45 C.F.R. Part 160.103. As such, the parties agree to comply with the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. § 1320d ("HIPAA") and any current and future regulations promulgated thereunder including without limitation the federal privacy regulations contained in 45 C.F.R. Parts 160 and 164 (the "Federal Privacy Regulations"), the federal security standards contained in 45 C.F.R. Part 142 (the "Federal Security Regulations"), and the federal standards for electronic transactions contained in 45 C.F.R. Parts 160 and 162, all collectively referred to herein as "HIPAA Requirements". The parties agree not to use or further disclose any Protected Health Information, other than as permitted by HIPAA Requirements and the terms of this Agreement. The parties will respectively make their internal practices, books, and records relating to the use and disclosure of Protected Health Information available to the Secretary of Health and Human Services to the extent required for determining compliance with the Federal Privacy Regulations.

XVIII. COMPLIANCE WITH PATIENT TRANSFER REQUIREMENTS

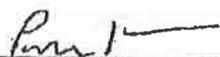
All parties hereto agree that any patient transfers shall be in compliance with the EMTALA Regulations, and such other requirements as may be imposed by the Secretary of Health and Human Services, and any other applicable State patient transfer laws.

XIX. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein and supersedes any other agreements, restrictions, representations, or warranties, if any, between the parties hereto with regard to the subject matter herein.

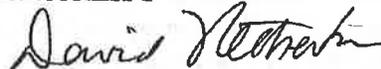
IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed by their duly authorized representatives on the last signature date specified below.

FOR CRMC



 Paul Korth, CEO
 Date 4-26-16

FOR FACILITY



 David Neiherton
 Date 4-26-16

Reviewed and Approved
 John R. Deal 

What is the distance from Cookeville Regional Medical Center to the proposed MRI site?

Approximately 1 mile.

4. Section C, Economic Feasibility, item 1

Interim financing of \$30,000 is noted. Please clarify if this financing is included in the \$809,050.00 commercial loan from Bank of Putnam County.

The \$30,000 cost of interim financing is not included in the commercial loan from Bank of Putnam County. This financing cost will be paid by UCOS from current cash flow.

5. Section C, Economic Feasibility, Item 2

The funding letter from the Bank of Putnam County is noted. Please itemize the estimated total of \$809,050.00 as it relates to the Project Costs Chart.

Project Costs included in the proposed bank financing:

Architectural and Engineering Fees	\$ 33,200
Legal, Administrative, Consultant Fees	\$ 25,000
Construction Costs	\$375,000
Moveable Equipment	\$ 20,000
MRI Machine	\$355,850
Total Costs under Bank Financing	\$809,050

6. Section C, Economic Feasibility, Item 4

Please provide a Projected Data Chart for Upper Cumberland Orthopedic Surgery, P.C.

Projected Data Charts for Tier 1, one including the proposed MRI service and one not including that, are attached following this response.

April 27, 2016

12:28 pm

Upper Cumberland Orthopedic Surgery, PC
Projected Data

	Without MRI Projected Year 2017	Without MRI Projected Year 2018
A. Utilization/Occupancy Data		
Patient Encounters	35,194	36,250
B. Revenue from Services to Patients		
1. Inpatient Services	\$191,576	\$197,324
2. Outpatient Services	\$23,603,437	\$24,311,540
3. Emergency Services	\$643,563	\$662,870
4. Other Operating Revenue		
Specify: _____		
Gross Operating Revenue	\$24,438,576	\$25,171,734
C. Deductions from Operating Revenue		
1. Contract Deductions	\$17,979,636	\$18,519,025
2. Provision for Charity Care	\$62,317	\$64,187
3. Provision for Bad Debt	\$186,952	\$192,560
Total Deductions	\$18,228,905	\$18,775,772
NET OPERATING REVENUE	\$6,209,672	\$6,395,962
D. Operating Expenses		
1. Salaries and Wages	\$1,780,229	\$1,833,636
2. Physicians' Salaries and Wages	\$2,109,735	\$2,171,000
3. Supplies	\$572,307	\$589,476
4. Taxes	\$37,086	\$37,086
5. Depreciation	\$59,563	\$59,563
6. Rent	\$198,657	\$198,657
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$1,817,013	\$1,871,523
Specify: <u>See Attached.</u>		
Total Operating Expenses	\$6,574,590	\$6,760,942
E. Other Revenue (Expenses)--Net	\$365,000	\$365,000
Specify: <u>CRMC Hospitalist Contract</u>		
NET OPERATING INCOME (LOSS)	\$81	\$20
F. Capital Expenditures		
1. Retirement of Principal	\$0	\$0
2. Interest	\$0	\$0
Total Capital Expenditures	\$0	\$0
NET OPERATING INCOME (LOSS)	\$81	\$20
LESS CAPITAL EXPENDITURES	\$0	\$0
NOI LESS CAPITAL EXPENDITURES	\$81	\$20

April 27, 2016**12:28 pm**

Upper Cumberland Orthopedic Surgery, PC
 Historical Profit and Loss

	UCOS Without MRI	
	2017	2018
Other Revenue		
Hospital Contracts	\$365,000	\$365,000
Total Other Revenue	\$365,000	\$365,000
Other Expenses		
Employee Benefits & Payroll Taxes	\$960,307	\$989,116
MRI Radiology Reads		
Utilities, Telephone, Postage	\$135,099	\$139,152
Insurance	\$153,973	\$158,592
Repairs & Maintenance	\$268,033	\$276,074
Advertising & Community Support	\$46,471	\$47,865
Legal & Professional Fees	\$227,636	\$234,465
Other	\$25,494	\$26,259
Total Other Expenses	\$1,817,013	\$1,871,523

In the projected costs for MRI, Benefits were included in projected wages and have been left there for audit trail purposes. Historical data had benefits separate from wages and have been reported the same here.

April 27, 2016**12:28 pm**Upper Cumberland Orthopedic Surgery, PC
Projected DataProjected Combined Operations
UCOS with MRI Services

	Year 1	Year 2
A. Utilization/Occupancy Data		
Patient Encounters	38,218	39,425
B. Revenue from Services to Patients		
1. Inpatient Services	\$191,576	\$197,324
2. Outpatient Services	\$28,257,552	\$29,198,361
3. Emergency Services	\$643,563	\$662,870
4. Other Operating Revenue		
Specify: _____		
Gross Operating Revenue	<u>\$29,092,691</u>	<u>\$30,058,555</u>
C. Deductions from Operating Revenue		
1. Contract Deductions	\$21,212,200	\$21,913,217
2. Provision for Charity Care	\$62,317	\$64,187
3. Provision for Bad Debt	\$322,722	\$335,118
Total Deductions	<u>\$21,597,239</u>	<u>\$22,312,522</u>
NET OPERATING REVENUE	<u>\$7,495,453</u>	<u>\$7,746,033</u>
D. Operating Expenses		
1. Salaries and Wages	\$2,014,433	\$2,073,696
2. Physicians' Salaries and Wages	\$2,109,735	\$2,171,000
3. Supplies	\$738,363	\$759,672
4. Taxes	\$37,086	\$37,086
5. Depreciation	\$59,563	\$59,563
6. Rent	\$246,657	\$246,657
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$2,209,653	\$2,276,243
Specify: <u>See Attached.</u>		
Total Operating Expenses	<u>\$7,415,490</u>	<u>\$7,623,918</u>
E. Other Revenue (Expenses)--Net	\$365,000	\$365,000
Specify: <u>CRMC Hospitalist Contract</u>		
NET OPERATING INCOME (LOSS)	<u>\$444,962</u>	<u>\$487,115</u>
F. Capital Expenditures		
1. Retirement of Principal	\$44,947	\$46,425
2. Interest	\$23,225	\$21,747
Total Capital Expenditures	<u>\$68,172</u>	<u>\$68,172</u>
NET OPERATING INCOME (LOSS)	<u>\$444,962</u>	<u>\$487,115</u>
LESS CAPITAL EXPENDITURES	<u>\$68,172</u>	<u>\$68,172</u>
NOI LESS CAPITAL EXPENDITURES	<u>\$376,790</u>	<u>\$418,943</u>

April 27, 2016**12:28 pm**

Upper Cumberland Orthopedic Surgery, PC
Historical Profit and Loss

	Combined UCOS & MRI	
	Year 1	Year 2
Other Revenue		
Hospital Contracts	\$365,000	\$365,000
Total Other Revenue	\$365,000	\$365,000
Other Expenses		
Employee Benefits & Payroll Taxes	\$960,307	\$989,116
MRI Radiology Reads	\$241,920	\$254,000
Utilities, Telephone, Postage	\$135,099	\$139,152
Insurance	\$172,693	\$177,312
Repairs & Maintenance	\$400,033	\$408,074
Advertising & Community Support	\$46,471	\$47,865
Legal & Professional Fees	\$227,636	\$234,465
Other	\$25,494	\$26,259
Total Other Expenses	\$2,209,653	\$2,276,243

In the projected costs for MRI, Benefits were included in projected wages and have been left there for audit trail purposes. Historical data had benefits separate from wages and have been reported the same here.

Please describe inpatient and emergency services items in the Historical Data Chart. Also, please clarify why these items were not included in the Projected Data Chart.

Inpatient represents the small portion of charges generated by inpatient consults at CRMC. Emergency services reflect an estimate of those surgical surgeries provided as urgent during call duties, and outpatient reflects the large majority of our practice included most surgeries and all office visits, etc. Total charges and revenues are accurate; the breakdown was an attempt to use the categories included on the form, and are subject to interpretation.

The categories of inpatient and emergency items were not included in the Projected Data Chart because that chart reflects only MRI services, and inpatient MRI scans and emergent care will not be provided at the MRI facility.

Please clarify the reason charity care was not included in the Projected Data Chart.

Charity care for MRI services only is simply unknown at this point as Tier 1 has no historical data of providing MRI service to base an estimate upon. But the allowance for bad debt was reported at a sufficient amount to cover any reasonable level of actual charity care needed.

Please explain why the PC would pay physician bonuses to the point where the PC is reporting a net loss of \$168,884 in 2015?

The net loss reported for 2015 is an accurate accounting loss under the Cash Method of Accounting. But it is not an accurate reflection of the cash needs or of the cash flow of the company. The loss reported includes noncash items such as depreciation and increases in payables. These items may not require UCOS to retain cash balances in the short term. Cash is held in non-interest bearing accounts. There is no incentive to retain large cash balances that will not be required to fund depreciation or satisfy payables that will reasonably be paid by future cash flows.

The payment of physician bonuses is determined by cash on hand that will not be needed for continued operation of the practice. Payment of physician bonuses is not determined by its impact on the Income Statement produced under the Cash Method of Accounting. This is a paper loss and not a negative impact on operations loss.

7. Section C, Economic Feasibility, Item 6.B. (MRI)

Please provide a comparison of the applicant facility's proposed charges to the range of charges generated from the HSDA Equipment Registry found in the "Applicant's Toolbox" on the HSDA website (www.tn.gov/hsda)

The applicant's average proposed gross charge is \$1,539.06. This is below the 1st Quartile of average gross charges of all MRI providers state-wide in 2014.

**Gross Charges per Procedure/Treatment
By Quartiles
YEAR = 2014**

Equipment Type	1st Quartile	Median	3rd Quartile
MRI	\$1,632.60	\$2,229.43	\$3,677.84

Source: Medical Equipment Registry - 8/10/2015

It is noted 2 neurosurgeons who lease space in the building Tier 1 has its clinical offices are likely to join Tier 1. If the 2 neurosurgeons join Tier 1, please clarify how this will impact the current and proposed charge schedule, CPT codes, and revenue of the proposed project.

The neurosurgeons primarily use the following CPT codes. 70551, 72141, 72146, 72148, and 70544. They ordered approximately 500 scans last year. These 500 scans multiplied times the projected average charge of \$1,539.06 would add gross charges in the total amount of \$769,530.

8. Section C, Economic Feasibility, Item 9

Please indicate how medically indigent patients will be served.

Medically indigent patients are, and will continue, to be served based upon medical necessity rather than ability to pay. Tier 1 currently provides care for patients that do not have the ability to pay but are in need of necessary, non-elective, medical care. Their care is provided for in the write off section of the projections. As with charity care, no definitive category has been established for indigent patients, however the allowance for write off is well above our current historical levels.

The projected payer mix and anticipated in Year 1 is noted. However, the projected gross revenue and percentage of total project revenue from Medicare and TennCare does not match the amount in the proposed project's Projected Data Chart. Please clarify.

The Medicare and TennCare revenue listed in Item 9 reflect collections not charges. The payer mix percentages would match up for charges, but because Medicare and TennCare payment amounts are significantly lower than commercial insurances such as Blue Cross, the revenue (collection) amounts do not stay true to the payer mix percentage. It is reasonable to expect that Medicare will reflect 44% of our charges but Medicare will reflect a much lower percentage of our collections.

9. Section C, Economic Feasibility, Item 10

Please clarify the reason Upper Cumberland Orthopedic Surgery, P.C. reported (\$62,208.12) in total checking/savings and (\$61,652.79) in current assets for the period ending December 31, 2015.

The negative amounts in cash and current assets reflected on the December 31, 2015 balance sheet are negative because of unissued checks recorded at December 31st. The largest of these unissued checks represents payroll taxes. In short, payables were recorded in December but were actually presented to the bank in January 2016. UCOS has never had a negative cash balance at any of its banks. Unissued checks or float is a common business accounting entry in any industry.

Please verify if the financial documents provided are audited.

Please provide the independent auditor's report and accompanying notes to the provided financial statements.

The financial statements of UCOS are compiled by an independent accountant but are not audited. No audited statements are available.

10. Section C, Orderly Development, Item 3

It is noted the 1.5 FTE MRI Technician's salary and benefits total \$141,000. However, the total does not match salaries and wages totaling \$234,204.00 in Year One and \$240,060 in Year Two in the Projected Data Chart. Please clarify.

The 1.5 MRI Technician salaries reflect the clinical staffing providing patient care. The additional staffing expectations are for support. The full staffing projection for year 1 is reflected below. Year 2 simply reflects a small increase projected for raises, etc.

MRI Technicians 1.5 FTE	\$141,000
Patient Registration 1.5 FTE	\$ 60,150
Scheduling / Billing .5 FTE	\$ 20,000
Janitorial / Maintenance .33 FTE	\$13,054
Total Staffing Projection Year 1	\$234,204

APR 27 2016 12:28 PM

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF PUTNAM

NAME OF FACILITY: Upper Cumberland Orthopedic Surgery, P.C.

I, David Netherster, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

David L Netherster
Signature/Title Clinic Administrator

Sworn to and subscribed before me, a Notary Public, this the 26th day of April, 2016, witness my hand at office in the County of Putnam, State of Tennessee.

Robert J. Good
NOTARY PUBLIC

My commission expires 1-25-2017.

HF-0043

Revised 7/02



Supplemental #2
-COPY-

Upper Cumberland d/b/a
Tier 1 Orthopedics

CN1604-015

April 27, 2016

3:34 pm

SECOND SUPPLEMENTAL RESPONSES

CERTIFICATE OF NEED APPLICATION

FOR

UPPER CUMBERLAND ORTHOPEDIC SURGERY, P.C.

Initiation of In-House MRI Services

Putnam County, Tennessee

Project No. CN1604-015

April 28, 2016

Contact Person:

**Jerry W. Taylor, Esq.
Burr & Forman, LLP
511 Union Street, Suite 2300
Nashville, Tennessee 37219
615-724-3247**

1. Section C, Economic Feasibility, Item 9

The applicant states the Medicare and TennCare revenue listed in Item 9 reflect collections not charges. The applicant notes 44% of charges or \$268,200 represents Medicare charges in Year One. However, 44% of Net Operating Revenue in the amount of \$1,285,781.00 in Year One calculates to \$565,743.64. Please clarify.

Multiplying Net Operating Revenue by the payor mix percentage was felt to not be the most accurate way to reflect actual collections for a given payor source. That methodology treats all payor sources as having identical reimbursement rates. In fact, TennCare and Medicare have lower reimbursement rates than commercial payors. That methodology is an accurate way to calculate average gross charges by payor, which is reflected in the table below.

Please complete the following table by calculating the estimated dollar revenue and percentage of gross revenue anticipated from TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Gross Revenue	Amount	Percentage
Medicare	\$2,043,156	43.9%
TennCare	\$274,593	5.9%
Managed Care	\$1,824,413	39.2
Other Revenue	\$511,953	11%
Total	\$4,654,115.00	100%

APR 28 10:34 AM '16

April 27, 2016

3:34 pm

AFFIDAVIT

STATE OF TENNESSEE

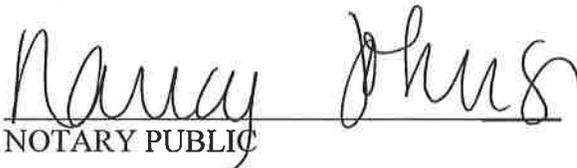
COUNTY OF DAVIDSON

NAME OF FACILITY: Upper Cumberland Orthopedic Surgery, P.C.

I, Jerry W. Taylor, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.


Signature/Title Attorney

Sworn to and subscribed before me, a Notary Public, this the 29th day of April, 2016, witness my hand at office in the County of Putnam, State of Tennessee.


NOTARY PUBLIC

My commission expires



HF-0043

Revised 7/02



2016 APR 10 10 00 AM

**LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY**

The Publication of Intent is to be published in the Citizen Herald which is a newspaper of general circulation in Putnam County, Tennessee, on or before April 10, 2016 for one day.

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Upper Cumberland Orthopedic Surgery, P.C., a Tennessee Professional Corporation, d/b/a Tier 1 Orthopedics ("Tier 1") intends to file an application for a Certificate of Need for the acquisition of a Magnetic Resonance Imaging (MRI) unit, and the initiation of MRI services. The proposed MRI services will be owned and operated by Tier 1 and will be limited to the patients of Tier 1. No facility licensure will be sought. The MRI will be located in a freestanding building located at 335 West Spring Street, Cookeville (Putnam County) Tennessee, across the street from the clinical offices of Tier 1. The total estimated project cost is \$1,500,000.

The anticipated date of filing the application is April 15, 2016.

The contact person for this project is Jerry w. Taylor, Attorney who may be reached at: Burr & Forman, LLP, 511 Union Street, Suite 2300, Nashville, Tennessee, 37219, 615-724-3247; jtaylor@burr.com



Signature

4-8-16

Date

The published Letter of Intent contains the following statement: Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

*
HF0051 (Revised 05/03/04 – all forms prior to this date are obsolete)



1 Medical Center Boulevard • Cookeville, TN 38501
931.528.2541
www.crmchealth.org

2017-05-09-0124

June 27, 2016

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Ninth Floor
502 Deaderick Street
Nashville, TN 37243

RE: Support Letter for Application: CN1604-015

Dear Ms. Hill:

On behalf of Cookeville Regional Medical Center, please accept this letter of support regarding the recently filed Certificate of Need application filed with your agency by Upper Cumberland Orthopedic Surgery, P.C., ("Tier 1") for the acquisition and initiation of in-house MRI services.

As you are more than likely aware, Cookeville Regional Medical Center ("CRMC") has been providing high quality health care services since 1950, and has become this region's health care provider of choice for the more than 350,000 residents in the Upper Cumberland Region of Middle Tennessee. In order to provide the high quality of care that our patients have come to know and expect, CRMC is continuously striving to develop and improve those health care services that our community needs. CRMC is dedicated to providing comprehensive specialty care in areas such as cardiology, electrophysiology, cardiac and thoracic surgery, vascular surgery, pulmonology, cancer treatment, neurosurgery and orthopedics.

Given that CRMC has historically provided a comprehensive orthopedic service line to support orthopedic services for the benefit of the patients in this region, we are well aware of the difficulty in recruiting quality orthopedic physicians to community. We are pleased to hear about Tier 1's commitment to grow and support the orthopedic needs in our community through these recruitment efforts, and as such, we support the above referenced application for Certificate of Need. CRMC looks forward to continuing to serve our community's orthopedic patients in collaboration with Tier 1 so as to improve access and quality of care for our residents and patients.

Sincerely,

Paul Korth
Chief Executive Officer
Cookeville Regional Medical Center

**RULES
OF
HEALTH SERVICES AND DEVELOPMENT AGENCY**

**CHAPTER 0720-11
CERTIFICATE OF NEED PROGRAM – GENERAL CRITERIA**

TABLE OF CONTENTS

0720-11-.01 General Criteria for Certificate of Need

0720-11-.01 GENERAL CRITERIA FOR CERTIFICATE OF NEED. The Agency will consider the following general criteria in determining whether an application for a certificate of need should be granted:

- (1) Need. The health care needed in the area to be served may be evaluated upon the following factors:
 - (a) The relationship of the proposal to any existing applicable plans;
 - (b) The population served by the proposal;
 - (c) The existing or certified services or institutions in the area;
 - (d) The reasonableness of the service area;
 - (e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, TennCare participants, and low-income groups;
 - (f) Comparison of utilization/occupancy trends and services offered by other area providers;
 - (g) The extent to which Medicare, Medicaid, TennCare, medically indigent, charity care patients and low income patients will be served by the project. In determining whether this criteria is met, the Agency shall consider how the applicant has assessed that providers of services which will operate in conjunction with the project will also meet these needs.

- (2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:
 - (a) Whether adequate funds are available to the applicant to complete the project;
 - (b) The reasonableness of the proposed project costs;
 - (c) Anticipated revenue from the proposed project and the impact on existing patient charges;
 - (d) Participation in state/federal revenue programs;
 - (e) Alternatives considered; and
 - (f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.

- (3) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:

(Rule 0720-11-.01, continued)

- (a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, the applicant's proposed TennCare participation, affiliation of the project with health professional schools);
 - (b) The positive or negative effects attributed to duplication or competition;
 - (c) The availability and accessibility of human resources required by the proposal, including consumers and related providers;
 - (d) The quality of the proposed project in relation to applicable governmental or professional standards.
- (4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:
- (a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.
 - (b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.
 - (c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.
- (5) Certificate of need conditions. In accordance with T.C.A. § 68-11-1609, The Agency, in its discretion, may place such conditions upon a certificate of need it deems appropriate and enforceable to meet the applicable criteria as defined in statute and in these rules.

Authority: T.C.A. §§ 4-5-202, 68-11-1605, and 68-11-1609. Administrative History: Original rule filed August 31, 2005; effective November 14, 2005.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: June 30, 2016

APPLICANT: Upper Cumberland Orthopedic Surgery d/b/a Tier One
Orthopedics
335 West Spring Street
Cookeville, Tennessee

CN1604-015

CONTACT PERSON: Jerry Taylor, Esquire
501 Union Street, Suite 2300
Nashville, Tennessee 37219

COST: \$1,486,578.29

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

Upper Cumberland Orthopedic Surgery, P.C., a Tennessee Professional Corporation, d/b/a Tier 1 Orthopedic Surgery, P.C. seeks Certificate of Need (CON) approval for the acquisition of a Magnetic Resonance Imaging (MRI) unit, and the initiation of MRI services. The proposed MRI services will be owned and operated by Tier 1 and will be limited to the patients of Tier 1. No facility license will be sought. The MRI will be located in a freestanding building located at 335 West Spring Street, Cookeville, (Putnam County) Tennessee, across the street from Tier 1. The building is owned by an affiliated entity and will be leased from that entity by Tier 1.

The MRI suite will consist of approximately 2,500 square feet of space that is currently unused. The space will be built out by Tier 1 into an MRI suite with all necessary and appropriate imaging, equipment, and patient areas. The cost of renovation will be \$375,000 or \$150 per square feet.

Tier 1 is owned by Upper Cumberland Orthopedic Surgery, P.C.

The total project cost is \$1,486,578.29 and will be financed by a commercial loan estimated to total \$809,050 from the Bank of Putnam County. A copy of the proposed financing is located in Attachment C, II, Economic Feasibility 2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

Tier 1 is an orthopedic group practice whose physicians frequently need to have MRI scans performed. In 2015, Tier 1 order 3,067 scans for its patients. Currently almost all of the scans ordered by Tier 1 physicians are performed at Cookeville Regional Medical Center (CRMC). According to the applicant, CRMC supports this application and will provide a letter of support.

The applicant intends to acquire a refurbished 1.5 Tesla MRI and house it in a freestanding

building located across the street from their main clinical offices.

The applicant's designated service area includes Fentress, Jackson, Overton, Putnam, and White counties. The applicant states 75% of their patients are residents of these counties. The following table contains the population projections for the applicant's service area.

County	2016 Population	2020 Population	% of Increase/ (Decrease)
Fentress	18,823	19,309	2.6%
Jackson	12,120	12,375	2.1%
Overton	23,460	24,291	3.5%
Putnam	79,658	84,087	5.6%
White	27,519	28,541	3.7%
Total	161,580	168,603	4.3%

Tennessee Population Projections 2000-2020, 2015 Revised UTCBER, Tennessee Department of Health

Tier 1 is an orthopedic group practice whose physician's frequently order MRI scans that need to be performed elsewhere. In 2015, Tier 1 ordered 3,067 scans for its patients. Currently, almost all of the scans ordered by Tier 1 physicians are performed at Cookeville Regional Medical Center (CRMC). According to the applicant, CRMC supports this application and will provide a letter of support.

Tier 1 states the over-arching reason CRMC supports the project is both CRMC believes the highest quality orthopedic coverage for the community outweighs the loss of MRI volume at CRMC. Tier 1 is the only orthopedic group supporting the local community hospital. Tier 1 provides all urgent care for CRMC with emergent coverage 24 hours per day, 7 days per week. Significant out-migration of patients for MRI service to primarily metro hospitals continues to occur. The applicant's proposed MRI service will help assure that local cases remain local. The practice is made up of 5 general orthopedic surgeons. The ages of these surgeons are 64,60,60,46, and 44. In the not too distant future, there is a need to recruit at least 5 orthopedic surgeons, including specialty coverage. Additionally, two neurosurgeons have expressed interest in joining the group and could possible generate 500 scans per year extra. Tier 1 state they have an immediate need for two additional orthopedic surgeons and desires that the new candidates provide some of the orthopedic specialties provided in metro areas. Without ancillary offerings such as an MRI unit, Tier 1 has a distinct disadvantage in recruitment.

Having an MRI service in house and virtually in the same location as the clinical offices of Tier 1 will be more convenient for patients and improve and shorten scheduling times.

HSDA Service Area 2014 MRI Equipment Utilization

Facility	County	Fixed	Procedures	Mobile	Procedures
Fentress ODC, Fentress Health Systems	Fentress	1	1,813	0	0
Livingston Regional Hospital	Overton	1	649	0	0
Cookeville Regional Medical Center	Putnam	1	4,375	0	0
H-Imaging Outpatient Imaging at CRMC	Putnam	2	5,273	0	0
Putnam ODC Premier Diagnostic Imaging	Putnam	2	5,454	0	0
St. Thomas-Highland Hospital	White	1	1,124	0	0
Total		8	18,688	0	0

Source: HSDA 8/10/15 Equipment Utilization

The eight MRI units in the applicant's service area averaged 2,336 procedures per unit in 2014.

The applicant is projecting 3,024 scans in year one and 3,175 scans in year two of the project.

TENNCARE/MEDICARE ACCESS:

The applicant participates in the Medicare and TennCare/Medicaid programs. The applicant contracts with TennCare MCOs AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select.

The applicant projects \$268,200 in Medicare revenues in year one or 44% of total gross revenue. TennCare revenues are projected to be \$47,100 or 7% of total gross revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant’s anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 22 of the application. The total estimated project cost is \$1,486,578.29.

Historical Data Chart: The Historical Data Chart is located on page 25 of the application. The applicant reported 33,174, 33,645, and 32,615 patient encounters in 2015, 2014, and 2013 with net operating revenues of (\$41,902), (\$68,806) and \$67,382 each year, respectively.

Projected Data Chart: The Projected Data Chart is located in Supplemental 1. The applicant projects 3,024 and 3,175 scans in years one and two with net operating revenues of \$444,952 and \$487,115 each year, respectively.

The applicant’s average gross charge, deduction and average net charges are provided below.

<u>Per Procedure</u>	<u>Year One</u>
<u>Gross Charge</u>	<u>\$1,539.06</u>
<u>Average Deduction</u>	<u>\$1,111.87</u>
<u>Average Net Charge</u>	<u>\$425.19</u>

The applicant compared charges with service area providers in Attachment C, Need. 1. The applicant’s gross charge was less than all but one provider. The applicant’s gross charge was less than the first Quartile Charge on HSDA’s equipment registry.

There was no less costly or more effective alternative to this project. The MRI unit is a refurbished unit and cost less than \$400,000 installed. There is no construction involved in the project, only renovation of 2,500 square feet of space in a building owned by an affiliated entity and lease from that entity.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant has a transfer agreement with Cookeville Regional Medical Center.

This project should have only positive effects on the healthcare system. The applicant has the support of CRMC where the scans are currently performed.

Staffing for the proposed MRI includes 1.5 FTE MRI Technicians, 1.5 FTE patient registration, .5 FTE scheduling/billing, and .33 FTE janitorial/maintenance.

Tier 1 actively participates in cooperation with Tennessee Technological University in allowing students interested in the field of medicine shadow the physicians, nurses, and nurse practitioners

during clinics and surgeries. Tier 1 has a contract with Volunteer State Community College to provide clinical experience for students enrolled in the Radiologic Technology program.

There is no facility licensure required for this service. Accreditation will be sought from the American College of Radiology.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

MAGNETIC RESONANCE IMAGING SERVICES

Standards and Criteria

1. *Utilization Standards for non-Specialty MRI Units.*

- a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

The applicant is projecting 3,024 scans in year one and 3,175 scans in year two of the project.

- b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Not applicable.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Not applicable.

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

Not applicable.

- e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI “hybrid” Unit (an MRI Unit that is combined/utilized with another medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

Not applicable.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area’s population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Not applicable.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

A shared MRI service is not practical for Tier 1’s volume.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is

480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

The eight MRI units in the applicant's service area averaged 2,336 procedures per unit in 2014.

5. Need Standards for Specialty MRI Units.

- a. Dedicated fixed or mobile Breast MRI Unit. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:

Not applicable.

1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;

Not applicable.

2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit are in compliance with the federal Mammography Quality Standards Act;

Not applicable.

3. It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.

Not applicable.

4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

Not applicable.

- b. Dedicated fixed or mobile Extremity MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.

- c. Dedicated fixed or mobile Multi-position MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.

Not applicable.

- 6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. If data availability permits, Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

Not applicable.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- b. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

A copy of the FDA letter is located in Attachment B, II, E, 1, 4.

- c. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The equipment vendor verified the MRI unit will be installed according to all applicable standards in Attachment B, II, E.3.

- d. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

- e. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant's emergency protocol is located in Attachment C, I, Need (3).

- f. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

Not applicable.

- g. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The applicant will seek accreditation from the American College of Radiology.

- h. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

The applicant has a transfer agreement with Cookeville Regional Medical Center.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant confirms to do so.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

All of Fentress and Jackson counties are MUA and part of Overton, Putnam, and White counties.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Not applicable.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant participates in the Medicare and TennCare/Medicaid programs.

- d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

Not applicable.