

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
July 24, 2017**

**CON REVIEW NUMBER: ESRD-ES-0617-007
RCG MISSISSIPPI, INC.
D/B/A RCG OF MERIDIAN
EXPANSION OF STATIONS AT EXISTING ESRD FACILITY
CAPITAL EXPENDITURE: \$36,508.23
LOCATION: MERIDIAN, LAUDERDALE COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

RCG Mississippi, Inc. d/b/a RCG of Meridian is a business corporation incorporated in Delaware and authorized to do business in Mississippi. The facility is located at 2205 MS-39, Meridian, Mississippi. Bio-Medical Applications of Mississippi, Inc. consists of two (2) directors and fourteen (14) officers. RCG Mississippi, Inc. is listed in good standing with the Office of the Secretary of State based on the Certificate of Good Standing dated May 2, 2014.

B. Project Description

RCG Mississippi, Inc. d/b/a RCG of Meridian requests Certificate of Need (CON) authority to expand its existing End Stage Renal Disease (ESRD) facility by ten (10) ESRD stations. The facility currently operates sixty-four (64) hemo-dialysis ESRD stations. However, the applicant indicates that on June 30, 2016, RCG of Meridian was granted Certificate of Need approval (CON No. R-0910) by the Mississippi State Department of Health (MSDH) for the establishment of a Satellite ESRD facility. Per CON No. R-0910, the applicant received authority to relocate ten (10) hemo-dialysis ESRD stations to Lauderdale County Dialysis. The applicant anticipates that the Satellite facility, Lauderdale County Dialysis, will begin providing services in August, 2017. Once the Satellite begins providing services, authority for the Applicant's location will be reduced by ten (10) stations.

The applicant now requests CON approval for an additional ten (10) ESRD hemo-dialysis stations, which would result in a total of sixty-four (64) stations at the ESRD facility once the 10 stations are transferred to the Satellite facility. The applicant asserts that the proposed expansion will ensure accessibility for its patients with the least amount of disruption to patient care as the Applicant would be restored to its original capacity.

The applicant received site approval from the Mississippi State Department of Health, Division of Licensure and Certification (Licensure) on June 8, 2017. The

applicant states that the proposed project will not require any additional full time equivalents (FTE) personnel.

The total capital expenditure for the proposed project is \$36,508.23 that applicant intends to finance with cash reserves. The applicant indicates the capital expenditure will be obligated within six-months after final CON approval and the proposed project will be complete within one year of final CON approval.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-173 (b) of the Mississippi Code of 1972, Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health.

In accordance with Section 41-7-197(2) of the Mississippi Code 1972, Annotated, as amended, any affected person may request a public hearing on this project within 10 days of publication of the staff analysis. The opportunity to request a hearing expires on Thursday, August 3, 2017.

III. CONFORMANCE WITH THE STATE HEALTH PLAN AND OTHER ADOPTED CRITERIA AND STANDARDS

A. State Health Plan (SHP)

The *FY 2015 State Health Plan* contains policy statements, criteria and standards, and service specific criteria and standards, which the applicant is required to meet before receiving CON authority for the expansion of an existing ESRD facility. This application requests a 10 station expansion of its existing ESRD facility. This application is in substantial compliance with applicable criteria and standards.

The *FY 2015 SHP* state under the headings below:

Policy Statement Regarding Certificate of Need Applications for the Establishment of End Stage Renal Disease ESRD Facilities

PS (12) - Expansion of Existing ESRD Facilities: Existing ESRD facilities may add hemo-dialysis stations without Certificate of Need review, as long as the facility does not add, over a period of two (2) years, more than the greater of four (4) stations or 15% of the facility's current number of certified stations.

As previously mentioned in this application, under CON # R-0910, the applicant was approved to relocate 10 of its 64 stations to its satellite ESRD facility, Lauderdale County Dialysis. The applicant is now asking to backfill those 10 stations at RCG of Meridian by 10 stations, leaving the total number of stations at

64. Therefore, PS 12 is not applicable.

Establishment of an End Sate Renal Disease (ESRD) Facility

SHP Criterion 1 – Establishment of New ESRD Facilities

The proposed application is not for the establishment of a new ESRD facility. Therefore, Criterion 1 is not applicable to the proposed project.

SHP Criterion 2 – Expansion of Existing ESRD Facilities

In the event that an existing ESRD facility proposes to add more than the greater of four (4) stations or 15% of the facility's current number of certified stations within a two-year period, then the facility must apply for a Certificate of Need and shall document that it has maintained a minimum annual utilization rate of 65% for the 12 months prior to the month of the submission of the CON application.

NOTE: ESRD Policy Statements 2, 4, 5 and 6, and Need Criterion 1, do not apply to applications for the expansion of existing ESRD facilities.

The applicant submitted the proposed project to request authority for the expansion of an existing ESRD facility. Since the proposed application will add ten (10) ESRD hemo-dialysis stations at one time, the facility is required to comply with this **SHP Criterion 2** as contained in the *FY 2015 SHP*.

The *FY 2015 SHP* shows that there is one ESRD facility located in Lauderdale County: RCG of Meridian.

Per the *FY 2015 SHP* "Full Utilization" (100 percent) is defined as an average of 936 dialysis treatments per station per year.

RCG of Meridian's application shows that the total number of dialysis treatments from May 2016 through April 2017 is 43,420 and the number of operational, existing ESRD hemo-dialysis stations is 64.

Based on the *FY 2015 SHP*, the applicant calculated the existing ESRD facility's Utilization Rate as:

936 treatments x 64 stations = 59,904 treatments per year

43,420 (Applicant's treatments per year)

59,904 (Applicant's Existing ESRD Facility Treatments)

= 72.5% Utilization Rate

Based on the utilization data submitted by the applicant, RCG of Meridian has a utilization rate of 72.5% for the 12 months prior to the month of CON application submission.

SHP Criterion 3- Need for the Establishment of ESRD Satellite Facilities

The proposed application is not for the establishment of a new ESRD facility; therefore, Criterion 3 is not applicable.

SHP Criterion 4 - Number of Stations

The applicant currently operates sixty-four (64) hemo-dialysis ESRD stations is currently proposing to continue operating 64 stations once the satellite facility is operational. Criterion 4 is not applicable as the facility currently operates a facility larger than 10 stations.

SHP Criterion 5 - Minimum Utilization

The applicant states that ESRD Policy Statement #10 regarding Minimum Utilization does not apply to the proposed project. The applicant further states that RCG of Meridian is not proposing the establishment of a new facility but only to expand their existing facility.

SHP Criterion 6 - Minimum Services

RCG of Meridian affirmed that the facility will provide, at a minimum, social, dietetic, and rehabilitative services.

SHP Criterion 7 - Access to Needed Services

RCG of Meridian affirmed that the applicant will provide reasonable access to equipment/facilities for such needs as vascular access and transfusions required by stable maintenance ESRD patients.

SHP Criterion 8 - Hours of Operation

RCG of Meridian will operate between the hours of 7:00 a.m. to 6:00 p.m. The applicant affirmed that alternate arrangements will be made for those patients needing after-hours treatments.

SHP Criterion 9 - Home Training Program

RCG of Meridian affirmed that a home-training program will be made available and it will counsel all patients on the availability of and eligibility requirements to enter the home/self-dialysis program.

SHP Criterion 10 - Indigent/Charity Care

The applicant affirmed that they will provide a reasonable amount of indigent/charity care. The applicant states it will serve all ESRD patients, including Medicaid and Medicare recipients.

SHP Criterion 11 - Facility Staffing

The applicant included a proposed list of staff by category, position qualification guidelines (minimum education and experience requirements), and specific duties. The applicant indicates that the proposed project will not require any additional full-time equivalent employees.

SHP Criterion 12 - Staffing Qualifications

The applicant asserts that the staff of the facility will meet, at a minimum, all requirements and qualifications as stated in 42 CFR, Subpart D, Section 494.140 as listed under SHP Criterion 12.

SHP Criterion 13 - Staffing Time

The applicant affirmed that when the unit is in operation, at least one (1) R.N. will be on duty and at least two (2) persons will be present for each dialysis shift, one of which will be an R.N. In addition, the applicant affirms that the medical director or a designated physician will be on site or on call at all times when the unit is in operation. When the ESRD facility is not in operation, the applicant states that the medical director or a designated physician and one R.N. will be on call.

SHP Criterion 14 - Data Collection

The applicant affirmed that it shall record and maintain all required data listed under SHP Criterion 14 and shall make it available to the Mississippi State Department of Health as required by the Department.

SHP Criterion 15 - Staff Training

The applicant affirmed that it will provide an ongoing training program for nurses and technicians in dialysis techniques at the facility.

SHP Criterion 16 -Scope of Privileges

The applicant affirmed that it will provide access to doctors of medicine or osteopathic medicine licensed by the State of Mississippi who possess qualifications established by the proposed governing body of the facility.

SHP Criterion 17 - Affiliation with a Renal Transplant Center

The applicant affirmed that they have an affiliation agreement with at least one transplantation center as the facility is existing. The applicant provided an existing copy of the Renal Transplant Agreement between RCG of Meridian and the University of Mississippi Medical Center. The application also contained an Renal Transplant Agreement between RCG of Meridian and the University of Alabama at Birmingham Renal Transplantation Center.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised April 9, 2017*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria contained in the manual.

GR Criterion 1- Consistency with the *State Health Plan*

The application was reviewed for compliance with the *FY 2015 Mississippi State Health Plan* as discussed above.

GR Criterion 2 – Long Range Plan

The applicant states that its long range plan is to continue to provide high quality, easy to access ESRD services for patients in need of dialysis services in the Lauderdale County area. The applicant suggests that the proposed expansion will improve the Applicant's ability to effectively and efficiently provide high quality ESRD services to residents in and around Meridian after the satellite is opened.

GR Criterion 3 – Availability of Alternatives

The applicant asserts that the only feasible alternative was to not file the proposed application for the addition of hemo-dialysis stations; however, the applicant suggests that the alternative option doesn't allow patients the best opportunity to choose convenient time slots to receive necessary dialysis treatment, especially in light of the increasing utilization in the area. The applicant therefore decided that expanding RCG of Meridian's ESRD hemo-dialysis stations was the best option to continue providing dialysis services in the most effective and efficient manner.

GR Criterion 4 - Economic Viability

The applicant provided a three-year projected operating statement and it indicates that the total operating revenue over a projected three year period

shows a decrease from \$8,522,505 to \$6,032,475. A financial feasibility study is not required for the proposed project. In addition, the statement reflects net incomes for the first three years of operation for the project (see Attachment 1).

The applicant asserts that the proposed project will expand RCG of Meridian by adding ten (10) ESRD hemo-dialysis stations and the project will not increase the cost of dialysis services for patients or Medicaid. In addition, the applicant's affiliation with the Fresenius network and its integrated delivery system helps to control the cost of healthcare associated with the proposed project.

GR Criterion 5 - Need for the Project

According to RCG of Meridian, dialysis services will continue to be provided to underserved patients, including low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly.

The applicant affirms that dialysis is not an elective service but is required for patients diagnosed with ESRD. The applicant suggests that the ten (10) ESRD station addition should result in the availability of more desirable treatment slot times, which may slightly increase the facility's utilization as patients see more convenient treatment times.

The application contains 1 letter of support regarding the proposed project. The Department did not receive any letters of opposition concerning the proposed project.

GR Criterion 6 - Access to the Facility or Service

RCG of Meridian states that all patients of the service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly have access and will continue have access to the services of the of its ESRD dialysis services. The proposed project will ensure that Medicare, Medicaid and medically indigent patients residing in and around Lauderdale County will have quality access to care. FMC Brandon asserts that the facility's normal business hours will be from 7:00 a.m. to 6:00 p.m., six days per week; however, alternate times are available by arrangement.

The applicant submits the following percentage of gross patient revenue (GPR) and actual dollar amount of health care provided to medically indigent care patients for the projected amounts for the two years following completion of the proposed project:

Medically Indigent Care Patients Gross Patient Revenue

	Medically Indigent (%) *	Medically Indigent Dollar Amount
Historical Year 2015-2016	2%	\$8,326.08
Historical Year 2016-2017	2%	\$7,180.74
Projected Year 1	2%	\$8,511.92
Projected Year 2	2%	\$11,236.00

*Note: Patients without a payor source receive benefits after a 90-day waiting period. The 90 day waiting period results in what is considered medically indigent/charity care at RCG of Meridian.

GR Criterion 7 - Information Requirement

The applicant affirms that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

The *FY 2015 SHP* shows that there is one ESRD facility currently located in Lauderdale County: RCG of Meridian located at 2205 MS-39, Meridian, Mississippi. The applicant submits that the target population served by RCG of Meridian should remain substantially the same.

The applicant states that while patients will continue to receive life-saving dialysis treatments at the facility, they will continue to deal with the effects of overcrowding on treatment times. The applicant believes that if the proposed expansion is not allowed, daily time slots will be limited, leaving less options for patients to receive treatment and will result in more missed appointments; which doesn't promote the continuity of care.

The application contained copies of the existing ESRD facility's current affiliation agreements between RCG of Meridian and the University of Mississippi Medical Center and the University of Alabama at Birmingham Renal Transplantation Center.

GR Criterion 9 - Availability of Resources

FMC Brandon submits that it currently has the following required personnel for the proposed project: registered nurses, nephrologists, technical/paramedical, administrative/managerial employees at its existing facility. The applicant further states that it has a satisfactory staffing history.

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant states that it currently has all necessary support and ancillary services for RCG of Meridian and there will be no change in cost or charges as a result of the proposed project.

GR Criterion 11 - Delivery of Health Services

The applicant asserts that RCG of Meridian participates in health training programs in the area to meet the clinical needs in the surrounding area.

GR Criterion 12 – Access by Health Professional Schools

As mentioned in GR Criterion 11, the applicant asserts that RCG of Meridian participates in health training programs in the area to provide clinical experience for students in the surrounding area.

GR Criterion 14 - Construction Projects

The applicant confirms that the proposed project does not involve any new construction or renovations.

GR Criterion 16 - Quality of Care

The applicant asserts that the proposed project will improve accessibility and enhance the quality of care currently given at the existing facility.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

	Item	Cost (\$)	Percent (%) of Total
a.	Construction Cost – New	0	0%
b.	Renovation Cost	0	0%
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	\$14,066	38.53%
e.	Total Non-Fixed Equipment Cost	\$22,442	61.47%
f.	Land Cost	0	0%
g.	Site Preparation Cost	0	0%
h.	Fees (Architectural, Consultant, etc.)	0	0%
i.	Contingency Reserve	0	0%

j	Capitalized Interest	0	0%
k.	Other Cost	0	0%
	Total Proposed Capital Expenditure	\$36,508.23	100.00%

B. Method of Financing

The applicant indicates that cash reserves will be used to fund the proposed capital expenditure.

C. Effect on Operating Cost

The applicant's three-year projected operating statement is presented in Attachment 1.

D. Cost to Medicaid/Medicare

The applicant projects the cost to third party payors as follows:

Payor Mix	Utilization Percentage (%)*	First Year Revenue (\$)
Medicare	71.39%	6,084,422
Medicaid	3.03%	258,198
Commercial	20.36%	1,735,432
Self Pay	0.22%	18,855
Charity Care	0.0%	0
Other	35.0%	425,596
Total	100%	\$8,522,505

* Applicant's percentages were off due to rounding. Staff determined percentages above.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application and the Department received written comments from the agency. For the expansion of an existing ESRD facility, the Division of Medicaid does not foresee any increase in allowable costs to Medicaid as a result of the project and does not oppose the transaction.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the overall objectives, criteria and standards of the *2015 Mississippi State Health Plan*, with regard to the expansion of ESRD facilities; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2017 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by RCG Mississippi, Inc. d/b/a RCG of Meridian for the Expansion of Stations at Existing ESRD Facility.

Attachment 1

RCG Mississippi, Inc., d/b/a RCG of Meridian Three-Year Operating Statement (with Project)			
	Year 1	Year 2	Year 3
Revenue			
Inpatient	0	0	0
Outpatient	\$ 8,522,505	\$ 11,246,559	\$ 6,032,475
Gross Patient Revenue	\$ 8,522,505	\$ 11,246,559	\$ 6,032,475
Charity Care	0	0	0
Deductions from Revenue	0	0	0
Net Patient Revenue	\$ 8,522,505	\$ 11,246,559	\$ 6,032,475
Other Operating Revenue	0	0	0
Total Operating Revenue	\$ 8,522,505	\$ 11,246,559	\$ 6,032,475
Operating Expenses			
Salaries	\$ 2,090,502	\$ 2,773,056	\$ 3,263,136
Benefits	747,142	991,091	1,166,246
Supplies	1,809,913	2,377,312	2,770,028
Services	0	0	0
Lease	60,000	60,000	60,000
Depreciation	29,209	29,209	29,209
Interest	0	0	0
Other	1,135,872	1,491,968	1,738,432
Total Expenses	\$ 5,872,638	\$ 7,722,636	\$ 9,027,050
Net Income (Loss)	\$ 2,649,867	\$ 3,523,923	(\$ 2,994,576)
Assumptions			
Inpatient days*	0	0	0
Outpatient days*	0	0	0
Procedures	38,524	39,555	40,500
Charge per outpatient day	N/A	N/A	N/A
Charge per inpatient day	N/A	N/A	N/A
Charge per procedure	\$ 221	\$ 284	\$ 149
Cost per inpatient day	N/A	N/A	N/A
Cost per outpatient day	N/A	N/A	N/A
Cost per procedure	\$ 152	\$ 195	\$ 223