

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT (THURMAN)  
AUGUST 2004**

**CON Review: HG-NIS-0604-018**  
**River Oaks Hospital, Inc.**  
**Provision of ESWL Services**  
**Capital Expenditure: \$6,850**  
**Location: Jackson, Mississippi**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

River Oaks Hospital is a 110-bed short-term, proprietary acute care hospital owned and operated by Health Management Associates, Inc. (HMA). The Board of Trustees of River Oaks Hospital System consists of 21 members. The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations and the American College of Radiology, and is certified to participate in the Medicare and Medicaid programs.

The occupancy rates, average lengths of stay (ALOS) and the Medicaid utilization rates for the three most recent fiscal years are as follows (medical/surgical beds only):

| <b>River Oaks Hospital</b> |                           |                    |                                       |
|----------------------------|---------------------------|--------------------|---------------------------------------|
| <b>Fiscal Year</b>         | <b>Occupancy Rate (%)</b> | <b>ALOS (Days)</b> | <b>Medicaid* Utilization Rate (%)</b> |
| 2001                       | 73.53                     | 4.22               | 19.97                                 |
| 2002                       | 73.39                     | 4.21               | 23.30                                 |
| 2003                       | 81.44                     | 4.15               | 28.00                                 |

Source: Division of Health Facilities Licensure and Certification, MSDH

**B. Project Description**

**River Oaks Hospital** requests Certificate of Need (CON) authority for the Provision of extracorporeal shock wave lithotripsy (ESWL) Services. River Oaks Hospital proposes to expand its scope of care by providing ESWL services to its patients and residents of the community. The hospital proposes to purchase services with a transportable portable unit by contracting with South Central Urology Services, PLLC, located in Vicksburg, Mississippi. The ESWL unit is actually transported by vehicle to the hospital, removed and brought into the hospital for use.

With the exception of costs associated with preparation of the application, there is no modification or construction and no capital cost associated with this proposal. There are no changes anticipated in the utilization of ancillary services or support services as a result of this project.

## II. TYPE OF REVIEW REQUIRED

Projects which propose the Establishment of Renal ESWL Services are reviewed in accordance with Section 41-7-173, 41-7-191subparagraph (1)(d)(xiii), and 41-7-193, 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 20 days of publication of the staff analysis. The opportunity to request a hearing expires on September 7, 2004.

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

### A. State Health Plan (SHP)\*

The FY 2004 State Health Plan addresses policy statements and specific criteria and standards which an applicant is required to meet before receiving CON authority to provide renal ESWL Services. This application is in substantial compliance with applicable criteria and standards. This proposal is for the Provision of Renal ESWL Services.

#### **SHP Criterion 1 - Need**

River Oaks Hospital submits that the provision of ESWL services by utilizing the equipment of a vendor with a mobile ESWL unit would improve the Hospital's treatment capabilities, offer its patients a needed service, and allow River Oaks Hospital to offer additional procedures with minimal expense.

Based on affidavits submitted by physicians who will be referring patients, River Oaks estimates that it will conduct 63 ESWL procedures at River Oaks Hospital. The applicant also indicates that it conducted 248 diagnostic confirmations of renal calculi during calendar year 2003. Therefore, the applicant projects that it will meet and exceed the requirements of 36 procedures per year.

#### **SHP Criterion 2 -Documentation of Medical Personnel**

The applicant attests that Board certified general surgeons, urologists, and radiologists are members of its active medical staff. The applicant also attests that the referenced medical personnel shall reside within the hospital service area and shall be available 24 hours per day for emergency services required as a result of treatment by renal ESWL.

#### **SHP Criterion 3 -Imaging Capabilities**

River Oaks Hospital possesses both modalities, the whole body CT scanner capability and ultrasound imaging capability.

#### **SHP Criterion 4 - Scope of Privileges**

The applicant affirms that it will grant an appropriate scope of privileges for access to the Lithotripter to any qualified physician who applies for privileges.

#### **SHP Criterion 5 - Accessibility**

All residents of the area regardless of age, gender, physical disability, ethnicity, or income status will have access to the ESWL services at River Oaks Hospital. The applicant further states it will, as with all of the hospital's services, provide a reasonable amount of indigent care related to the provision of renal ESWL services.

#### **SHP Criterion 6 -Recording of Data**

River Oaks Hospital affirms that it will record and maintain, at a minimum, the required information regarding charity care, care to the medically indigent and Medicaid populations and make it available to the Mississippi State Department of Health within fifteen (15) days of request.

#### **SHP Criterion 7 - Radiology Service/Urological Referral**

River Oaks Hospital offers an active and dynamic radiological service which includes CT Scanning, Ultrasound, Echocardiography, Nuclear Medicine, Mammography, Digital Angiography, and Cardiac Catheterization.

#### **SHP Criterion 8 - Guidelines and Standards**

The applicant affirms and will require that all individuals using the ESWL equipment shall meet, at a minimum, the AUA's guidelines and standards for training and proficiency in the operation of renal ESWL equipment.

#### **SHP Criterion 9 - CON Exemption**

River Oaks Hospital will provide ESWL services to its patients by contracting with South Central Urology Services, PLLC, located in Vicksburg, Mississippi.

### **B. General Review (GR) Criteria**

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revisions*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

#### **GR Criterion 2 - Long Range Plan**

The applicant states that this proposal is consistent with the long range plans of River Oaks Hospital to provide a broad range of diagnostic and therapeutic services consistent with the needs of its patients and the overall mission of the hospital.

#### **GR Criterion 3- Availability of Alternatives**

The Hospital considers maintaining the status quo alternative to be an inappropriate response. Furthermore, given the current state of technology and the limited utilization expected, hospital management determined that the purchase and operation of a fixed-based lithotripsy unit would not be cost effective. Therefore, this alternative was rejected.

#### **GR Criterion 4 - Economic Viability**

Three year operating projections reflect a first year net income of \$43,470, a second year profit of \$47,817, and a third year profit of \$52,598.

#### **GR Criterion 5 - Need for the Project**

The applicant states that all residents of the area regardless of age, gender, physical disability, ethnicity, or income status will have access to the ESWL services at River Oaks Hospital.

Three physician's affidavits and letters of comment are included in the application.

#### **GR Criterion 7- Information Requirement**

The applicant affirms that it will record and maintain, at a minimum, the required information regarding charity care, care to the medically indigent and Medicaid populations and make it available to the Mississippi State Department of Health within fifteen (15) days of request.

#### **GR Criterion 8 - Relationship to Existing Health Care System**

According to the applicant, the proposed project will have no adverse impact on the existing health care system of the area; on the contrary, it will serve as a complement to that system. Because of the growth the Mississippi River Oaks Hospital is experiencing, the offering of ESWL services by River Oaks Hospital using mobile equipment will be an asset to the community and the existing health care system of the area.

#### **GR Criterion 9 - Availability of Resources**

The applicant submits that **River Oaks Hospital** has both the financial resources and human resources to provide ESWL services. This proposed service will complement existing services offered through the hospital and has the support of the majority of physicians who will provide the referral base for the services.

#### **GR Criterion 16 - Quality of Care**

River Oaks Hospital is in compliance with the **Minimum Standards of Operation for Mississippi Hospitals** according to the Division of Health Facilities Licensure and Certification. The hospital is accredited through the Joint Commission on Accreditation of Healthcare Organizations and the American College of Radiology, and licensed by the Mississippi State Department of Health Division of Health Facilities Licensure and Certification.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

|                          |           |                        |
|--------------------------|-----------|------------------------|
| New Construction         | \$        | 0.00                   |
| Renovation Cost          | \$        | 0.00                   |
| Fixed Equipment Cost     | \$        | 0.00                   |
| Other Cost               | \$        | <u>6,850.00</u>        |
| <b>Total Expenditure</b> | <b>\$</b> | <b><u>6,850.00</u></b> |

**B. Method of Financing**

The project will be funded from cash on hand and patient revenue.

**C. Effect on Operating Cost**

The applicant submitted the following expenses, utilization, and results from operation (entire project) for the first three years following completion of the project.

| <b>EXPENSES</b>          | <b>YEAR 1</b>           | <b>YEAR 2</b>           | <b>YEAR 3</b>           |
|--------------------------|-------------------------|-------------------------|-------------------------|
| <b>TOTAL EXPENSES</b>    | <b>\$ 141,750</b>       | <b>\$ 155,925</b>       | <b>\$ 171,518</b>       |
| GROSS PAT. REVENUE       | \$ 441,000              | \$ 485,100              | \$ 533,610              |
| Total Deduction          | \$ (255,780)            | \$ (281,358)            | \$ (309,494)            |
|                          | \$ 0                    | \$ 0                    | \$ 0                    |
| NET PAT. SVC. REV.       | <u>\$ 185,220</u>       | <u>\$ 203,742</u>       | <u>\$ 224,116</u>       |
| <b>NET INCOME (LOSS)</b> | <b><u>\$ 43,470</u></b> | <b><u>\$ 47,817</u></b> | <b><u>\$ 52,598</u></b> |
| No. of procedures        | 63                      | 69                      | 76                      |
| Cost per procedure       | \$ 2,250                | \$ 2,260                | \$ 2,257                |
| Charge procedure         | \$ 7,000                | \$ 7,030                | \$ 7,021                |

\* Applicant projects approximately 6 percent of gross revenue for bad debt patients, medically indigent patients and charity care patients.

**D. Cost to Medicaid/Medicare**

Based on the total expenses stated in this application, the cost of the project to third party payors is as follows:

| <b>Patient Mix by Type Payor</b> | <b>Utilization Percentage</b> | <b>First Year Expenses</b>  |
|----------------------------------|-------------------------------|-----------------------------|
| <b>Medicaid</b>                  | 11.0%                         | \$ 15,592.50                |
| <b>Medicare</b>                  | 30.0%                         | \$ 42,525.00                |
| <b>Blue Cross</b>                | 27.0%                         | \$ 38,272.50                |
| <b>Other</b>                     | 29.0%                         | \$ 41,107.50                |
| <b>Self Pay</b>                  | <u>3.0%</u>                   | <u>\$ 4,252.50</u>          |
| <b>TOTAL</b>                     | <b><u>100.0%</u></b>          | <b><u>\$ 141,750.00</u></b> |

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment. The Division of Medicaid does not anticipate any increased cost to Medicaid for inpatient hospital services, and outpatient services will be paid as outlined in the State Plan. The Division of Medicaid does not oppose this application.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with criteria and standards contained in the 2004 State Health Plan; the Certificate of Need Review Manual, revised 2000; and duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by River Oaks Hospital for the Provision of ESWL Services.