

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
JULY 2009**

**CON REVIEW: ESRD-RLS-0609-016
RCG OF MAYERSVILLE, LLC, ROLLING FORK
RELOCATION OF ESRD FACILITY FROM MAYERSVILLE TO ROLLING FORK
CAPITAL EXPENDITURE: \$120,000
LOCATION: ROLLING FORK, SHARKEY COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

RCG of Mayersville, LLC is a private owned, for profit, Mississippi limited liability corporation.

B. Project Background

RCG of Mayersville, LLC, was issued CON No. R-0469, with an effective date of June 28, 2001, and expiration date of June 28, 2002. The certificate authorized the construction/replacement/relocation of the RCG Facility from Mayersville to Rolling Fork.

A six-month extension was granted on July 1, 2002, which extended the expiration date to December 28, 2002.

A progress report was filed on July 30, 2003, which indicated that the contract was offered for bid on December 1, 2002, and awarded on December 16, 2002, with an estimated completion date of November 2003. Services were expected to commence December 2003. After such progress report, the Mississippi State Department of Health received no further progress reports regarding the project.

Certificates of Need are valid for a period of 12 months and may be extended by the Department for a period not to exceed six months. The Attorney General's Opinion issued October 12, 2007 states that "Once the time period stated in the CON has expired, the CON is void and no extensions can be granted. At that point, the applicant would have to be required to reapply for a CON." Effective October 29, 2007, the Department revised its rules regarding issuance of six-month extensions to require CON holders to request a six-month extension every six months until the project is completed. In addition, all applicants with outstanding CON projects with expiration date prior to October 29, 2007, were given an opportunity to request a six-month extension by November 17, 2007, to remain effective.

RCG-Mayersville did not file a six-month extension by the November 17, 2007, deadline. Although its project was nearly complete, unfortunately, evidence presented in its progress report, dated December 22, 2008, indicated that the project was not complete as of November 17, 2007. Because the project was not complete by November 17, 2007, CON No. R-0469 for the replacement/relocation of its ESRD facility became void. Although the applicant

has now completed its facility in Rolling Fork, it cannot be certified for the new location until a new CON is issued. Currently, the facility has 35 patients and 13 stations.

C. Project Description

The applicant failed to comply with the six-month extension rule. Therefore, pursuant to the Attorney General's Opinion dated October 12, 2007, and the Department's revised rule regarding the granting of six-month extensions, the applicant requests to renew its CON authority to relocate. RCG of Mayersville, LLC moved from 129 Court Street, Mayersville, MS 392113 to 200919 Highway 61 South, Rolling Fork, MS 39159.

The applicant relocated its facility from a sub-standard modular structure in Mayersville to a leased masonry building in Rolling Fork which has been remodeled to accommodate an ESRD Facility.

The applicant states the objectives of RCG of Mayersville, LLC in the relocation of its facility from Mayersville to Rolling Fork is to promote quality and continuity of care. The applicant affirms that upon implementation of the proposed project there will be increased access to a much needed service as well as a reduction of travel time for patients.

II. TYPE OF REVIEW REQUIRED

This project for the relocation of an end stage renal disease facility is reviewed in accordance with Section 41-7-191, subparagraph (1)(b), of the Mississippi Code 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 of 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of the publication of the staff analysis. The opportunity to request a hearing expires on August 13, 2009.

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

A. State Health Plan (SHP)

The *2009 Mississippi State Health Plan* contains policy statements and service specific criteria and standards which must be met before an applicant is granted CON authority to establish an ESRD facility. The Plan does not contain criteria and standards for the relocation and replacement of an entire facility as proposed in the application; however RCG of Mayersville, LLC application is in compliance with the overall objectives of the Plan.

B. General Review (GR) Criteria

Chapter 8 of the Mississippi Certificate of Need Review Manual, Revised February 23, 2008, addresses the general criteria by which all applications for Certificate of Need are reviewed. This project was in substantial compliance with

general review criteria at the time of original submission. RCG of Mayersville, LLC documents that the project continues to be in substantial compliance with said criteria.

GR Criterion 1 – State Health Plan

The application is in compliance with the overall objectives of the FY 2009 State Health Plan.

GR Criterion 2 – Long Range Plan

RCG of Mayersville, LLC believes that relocating to a new location will ensure its current and future patients have easy access to dialysis services.

GR Criterion 3 – Availability of Alternatives

RCG of Mayersville, LLC states the ESRD facility has experienced tremendous growth in the delivery of their services. The existing ESRD facility was deteriorating, therefore causing a significant difficulty in providing Dialysis services to patients.

The applicant states that the replacement/relocation of the ESRD facility in Rolling Fork, Mississippi was the most effective alternative for providing dialysis services to the persons who reside in the Service Area. Since there is a substantial number of patients' residing in the proposed service area, it is believed that replacement of the facility in Rolling Fork will greatly enhanced access to ESRD services for those patients.

GR Criterion 4 – Economic Viability

The applicant has forecasted a net revenue of \$52,165 for the first year of operation.

GR Criterion 5 – Need for Project

- a. **Access by Population Served:** RCG of Mayersville, LLC currently serves thirty five (35) patients in one of the most remote sections of the Mississippi Delta. As dialysis patients require service three (3) times a week, geographic access is a very significant consideration for patients. The applicant intends to continue serving patients in the proposed service.
- b. **Relocation of Services:** The applicant states that in relocating the facility from Mayersville to Rolling Fork it will be proximal to the homes of a majority of the patients and thereby reduce their travel time to the facility. This relocation will have a positive effect on the low income persons, racial and ethnic minorities, women, and other underserved groups served by the facility.

The applicant further states that this is a replacement facility and the previous facility will either be sold or donated to the City of Mayersville. In any event, it will have no financial impact on the proposed project. Following the relocation of the services, the building owner anticipates the existing space to be utilized for storage.

c. Probable Effect on Existing Facilities in the Area:

There are no other existing ESRD facilities located within the RCG of Mayersville, LLC defined Service Area. The facilities proximal to the proposed facility are located in Greenville, Vicksburg and Yazoo City which are over thirty (30) highway miles away from an existing or proposed ESRD Facility.

GR Criterion 6 – Access to the Facility or Service

According to the applicant, all patients of the ESRD service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly, will have access to the services of the facility.

GR Criterion 7 – Information Requirement

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

GR Criterion 8 – Relationship to Existing Health care System

As previously mentioned, there are no existing comparable services within the service area. The applicant's current facility is the only provider of ESRD services in Sharkey County. RCG of Mayersville, LLC maintains a Patient Transfer Agreement with the Sharkey-Issaquena Community Hospital in Rolling Fork.

The proposed project will fill a geographic gap in the provision of ESRD services which currently exists in the proposed service area. The project is not expected to have an adverse effect on the existing health care system.

GR Criterion 9 – Availability of Resources

The applicant states that it has ample resources including clinical and management personnel, as well as funds for capital and operating needs for the proposed facility. The applicant further states that it has not experienced any significant problems in hiring or retaining qualified staff.

GR Criterion 10– Relationship to Ancillary or Support Services

The facility provides support services as needed, including social, dietetic and rehabilitative services.

GR Criterion 11– Health Professional training Programs

The applicant states that there are no Health Professional Training Programs in the service area.

GR Criterion 16– Quality of Care

The applicant is certified by the Mississippi State Department of Health Division of Licensure and Certification and provides high quality care to the residents of the proposed service area.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Non-Fixed Equipment	\$100,000
Legal & Accounting Fees	<u>20,000</u>
Total Project Cost	\$120,000

B. Method of Financing

The applicant intends to finance the proposed capital expenditure from accumulated cash reserves.

C. Effect on Operating Cost

Gross Revenue	\$1,083,981
Expenses	
Personnel	223,335
Operating Expenses	559,039
Non-Operating Expenses	<u>249,442</u>
Total Expenses	1,031,816
Net Income	<u>\$ 52,165</u>

The applicant indicates that it serves 35 patients three times a week, for approximately 5,460 treatments per year (35 x 156/patient). This calculates to a charge of \$199 per patient and a cost of \$189 per patient.

D. Cost to Medicaid/Medicare

ESRD treatment is a Medicare entitlement, and as such, the Medicare program will absorb the majority of the cost associated with this project. Cost to the Medicaid program will be negligible.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review. No comments have been received.

VI. CONCLUSION AND RECOMMENDATION

The original project was in substantial compliance with the overall criteria and standards of the *FY 2009 State Health Plan*; the *Mississippi Certificate of Need Review Manual, revised 2008*, and all adopted rules, procedures and plans of the Mississippi State Department of Health. This project continues to be in substantial compliance with all applicable rules, procedures and plans.

The Division of Health Planning and Resource Development recommends approval of this application submitted by RCG of Mayersville, LLC, Rolling Fork for the Relocation of its ESRD Facility from Mayersville, Mississippi to Rolling Fork, Mississippi.