

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
AUGUST 2014**

**CON REVIEW NUMBER: ESRD-RLSF-0514-005  
RCG OF NEWTON, INC. D/B/A RCG OF NEWTON  
RELOCATION OF ESRD FACILITY WITHIN ONE MILE AND  
ALLOWED EXPANSION OF STATIONS  
LOCATION: NEWTON, NEWTON COUNTY, MS  
CAPITAL EXPENDITURE: \$3,630,597.50**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

RCG of Newton, Incorporated d/b/a RCG of Newton is a business corporation located at 121 Old 15 Loop Newton, Newton County, Mississippi. Fresenius Medical Care-North America, Incorporated (FMC-NA) is the parent company of RCG of Newton, Incorporated d/b/a RCG of Newton.

The applicant provided a Certificate from the Secretary of State (SOS) dated May 2, 2014, verifying that the corporation was issued a Charter/Certificate of Authority on February 12, 1996. Based on the SOS Certificate, the company has been providing dialysis for ESRD patients for about 18 years. The document indicates that the business is incorporated in the State of Delaware; however, it is authorized by the SOS to do business in Mississippi and it is in good standing with the State. The applicant indicates that RCG Mississippi, Incorporated is governed by two directors and 14 officers.

**B. PROJECT DESCRIPTION**

RCG of Newton, Incorporated d/b/a RCG of Newton requests Certificate of Need authority to relocate its entire, existing 16 station End Stage Renal Dialysis (ESRD) facility into a to-be constructed building, less than one mile from the existing ESRD location. In addition, the applicant proposes to add three (3) ESRD stations as allowed in the *FY 2014 Mississippi State Health Plan (MSHP)*.

The applicant provides information to indicate that the new building will consist of 9,486 square feet and will be located on Old Highway 15 in Newton, Newton County, Mississippi. The applicant asserts that the new location will be across the parking lot from the existing ESRD location. RCG of Newton states that the existing ESRD facility has foundation problems and the proposed relocation of the facility will eliminate groundwork concerns while the addition of three ESRD stations would accommodate current and future ESRD utilization.

The applicant asserts that the new construction will meet all building requirements, federal, state and local codes. If the CON is approved, the applicant affirms that patients

and staff will park on the east side of the existing structure and at a later date, the current building will be demolished.

If the proposed project is CON approved, the applicant states that RCG of Newton, Incorporated d/b/a RCG of Newton will enter a lease agreement with the landlord, YB Newton, LLC. The proposed lease document states that YB Newton, LLC will also be financially responsible for constructing the shell of the building that the tenant, RCG of Newton, will be housed in.

The proposed lease agreement (“shell building”) states that the applicant will lease the building for 10 years at an annual cost of \$311,046; however, the lease states the lease will be 15 years at an annual base rent of \$32.79 per square foot. The lease indicates that RCG of Newton will have options to extend the term. Before signing the lease, the applicant must adhere to several other articles listed in the lease agreement. The agreement requires YB Newton, LLC to obtain an architect who has been approved by the applicant to construct 9,486 square feet of “shelled” space. Some of the agreement articles cover the tenant’s use of the building and they outline what repairs, replacements, alterations, expansions, etc can be made by RCH of Newton relating to the outpatient dialysis facility and the facility’s office space.

The applicant will complete interior plans as outlined in *Exhibit B-2 -Tenant's Outline Specifications* located under Exhibit D of the application. The architect firm provided a project budget cost of \$3,630,597.50. RCG of Newton will be responsible for the following costs: \$220,308 for fixed equipment; \$28,075 for non-fixed equipment, \$149,603 for other costs (televisions, computers, phones, etc). The useful life years for these items are listed as 8 years. The landlord will construct a 9,486 square feet building; however, the applicant provides a shell construction cost estimate of \$326.21 per square foot. Although the applicant lists that the same square feet will be renovated, RCG of Newton asserts that the only capital portion of the project the applicant has is the \$397,986. The construction cost is being handled by the developer (there is no renovation).

The facility received site approval from the Mississippi Department of Health, Division of Licensure and Certification (Licensure). RCG of Newton indicates it currently employs 10.2 full-time employees (FTEs) at its existing facility and the same manpower will be utilized to staff the same ESRD facility at the new location. In this case, no new staff will be required for the proposed project. The total proposed expenditure for this project is \$3,630,597.50 and the applicant proposes to finance \$397,986 of the proposed project with cash reserves. The developer will incur a cost of \$3,232,612. The capital expenditure will be obligated within ninety days of CON approval and the applicant anticipates the project to be completed within one year of the commencement date.

## **II. TYPE OF REVIEW REQUESTED**

The Mississippi State Department of Health (MSDH) reviews applications for the relocation of an end stage renal disease facility in accordance with and Section 41-7-191, subparagraph (1) (b) (e) and (j) 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 publication of the staff analysis. The opportunity to request a hearing expires September 10, 2014.

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

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

The FY 2014 Mississippi State Health Plan contains policy statements, criteria and standards, and service specific criteria and standards, which must be met before an applicant is granted CON authority to establish an ESRD facility. The applicant asserts that RCG of Newton is not establishing a new ESRD facility; however, the applicant proposes to relocate and replace its existing 16-station ESRD facility. In addition, the applicant does request a 3-station expansion of its facility.

The *FY 2014 MSHP* states under each heading below:

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

12. Expansion of Existing ESRD Facilities: Existing ESRD facilities may add ESRD 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.

RCG of Newton is proposing to add 3 ESRD stations without a CON based on Policy Statement 12 listed above. Since RCG of Newton is an existing ESRD facility and is not proposing the establishment of a limited care renal dialysis facility or the relocation of a portion of an existing ESRD facility's dialysis stations to another location, the facility is not required to meet a minimum annual utilization rate of eighty (80) percent listed in the FY 2014 MSHP.

To comply with the *FY 2014 MSHP*, the applicant submitted CON application to request authority for the relocation/construction of the ESRD facility. RCG Mississippi, Inc.'s application is in compliance with the overall objectives of the Plan. The application is in substantial compliance with applicable criteria and standards.

#### **SHP Criterion 17 - Affiliation with a Renal Transplant Center**

The applicant has an existing transplant affiliation agreement with the University of Mississippi Medical Center (UMMC) and affirms that they will continue its affiliation agreement with a transplant center within one (1) year after the facility is opened and operating. The applicant provides a copy of the transfer agreement with UMMC.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 revision*, addresses general criteria by which all CON applications are reviewed. This application is not in substantial compliance with general review criteria.

## **GR Criterion 1 - Mississippi State Health Plan**

This application is in compliance with the overall objectives of the *FY 2014 Mississippi State Health Plan*. The applicant proposes to relocate its entire, existing 16 station End Stage Renal Dialysis (ESRD) facility into a to-be constructed building, less than one mile from the existing ESRD location. In addition, the applicant proposes to add three (3) ESRD stations as allowed in the *FY 2014 MSHP*.

The *Plan* gives guidelines for all health planning in Mississippi. The *Plan* states that: Mississippi's planning and health regulatory activities have the following purposes:

- To prevent unnecessary duplication of health resources;
- To provide cost containment;
- To improve the health of Mississippi residents; and
- To increase the accessibility, acceptability, continuity, and quality of health services.

The applicant asserts that the proposed project seeks to improve the health of Newton County residents by relocating, replacing, and expanding its existing ESRD facility. RCG of Newton states that with the improvement of the physical facility through constructing a new building will approve the acceptability of the clinic and enable the clinic to provide quality health services. Additional stations will allow staff to schedule more patients to receive dialysis treatments.

As stated previously, RCG of Newton states that the existing ESRD facility has foundation problems and the proposed relocation of the facility will eliminate groundwork concerns while the addition of three ESRD stations would accommodate current and future ESRD utilization.

RCG of Newton asserts that the proposed project will provide a cost savings to eliminate continued repairs on the existing building while expanding from 16 ESRD stations to 19.

This project is consistent with the above stated goals of health planning.

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

The long range development plan of RCG of Newton's proposed project will:

- Provide high quality, easy to access ESRD services in Newton County,
- Provide a better environment for patient care and accommodate more patients upon an increase in utilization,
- Eliminate renovating an existing facility with cracks in the foundation, and
- Provide more daytime dialysis treatment slots.

The new location will continue to allow patients to receive dialysis at the existing ESRD facility while the building is being constructed.

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

The applicant indicates that the CON approval of the proposed project will give patients the opportunity to utilize a new replacement ESRD facility in the Newton area and allow more patients to use the additional proposed ESRD stations.

RCG of Newton affirms that the facility used dirt work to prevent soil erosion and added a retaining wall as methods to maintain the facility without moving to a new location. The applicant also considered adding more space to the existing building to expand; however, the current design of the building and major cracks in the foundation will not allow for an addition/expansion and the installation of proper water systems needed to operate the ESRD facility.

Past repairs and considered options would prove to be too much to keep the ESRD facility open at the same location. With the need for an expansion of 3 ESRD stations, the applicant points out that renovating the existing building will be futile based on the structure's current deficiencies.

The applicant believes that the proposed project will eliminate the need to spend more funds on maintaining a physical facility with cracks in the foundation. In this case, the applicant states that no other alternatives could be considered relating to the proposed project.

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

The applicant provided a three-year projected operating statement. The total operating revenue over a projected three year period, any income increases or decreases or net losses are shown in Attachment 1 of this document.

The proposed project has a capital expenditure that exceeds \$2,000,000. The applicant provided financial statements and a financial feasibility study to show the proposed project will be financially viable. Based on the statements, the project appears to be economically viable.

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

The applicant affirms that the population in Newton, Newton County, Mississippi (including low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly) will have access to RCG of Newton's proposal to relocate its existing 16 station End Stage Renal Dialysis (ESRD) facility less than one mile from the existing ESRD location and to add three (3) ESRD stations as allowed in the *FY 2014 MSHP*.

*The FY 2014 MSHP* shows that RCG of Newton is the only ESRD facility in Newton, Newton County, Mississippi. The application shows that the number of treatments from April 2013 through March 2013 is 7,803 and the number of ESRD stations operating is 16.

Based on the FY 2013 End Stage Renal Disease Utilization Survey, staff determined the following utilization for RCG of Newton:

COUNTY FACILITY/ CITY	ACTUAL NUMBER OF TREATMENTS	AVERAGE NUMBER OF OPERATIONAL STATIONS	AVERAGE SHIFTS PER WEEK	AVERAGE DAYS PER WEEK	UTILIZATION PERCENTAGE	AVERAGE NUMBER OF PATIENTS (MONTHLY)
Newton RCG - Newton	7,880	16	2	6	53	53

As mentioned previously, the applicant states that the current facility cannot be renovated due to major cracks in the foundation and additional space cannot be added to the existing design of the structure to expand from 16 ESRD stations to 19 stations. If RCG of Newton receives CON authority for the proposed project, the applicant asserts that the existing building will be demolished once the relocated/replacement ESRD facility becomes operational.

RCG of Newton states that the next closest ESRD facility is Central Dialysis Unit of Forrest and it is located in Scott County approximately 24.5 miles from RCG of Newton. In this case, RCG of Newton states that the probable effect of the proposed project on existing facilities in the Newton area is not applicable.

The application contains 6 letters of support from community officials and individuals expressing their reaction to the proposal. The Department received no letters of opposition concerning the proposed project.

**GR Criterion 6 - Access to the Facility or Service**

All patients will be served without regard to race, sex, age, physical abilities, or ability to pay. Also, RCG of Newton asserts that the facility will continue to provide ESRD services to Medicare, Medicaid, medically indigent, and commercial insurance patients if the proposed project is approved. FMC's Patient Admission Policy for FMS Clinical Services is included in the application. The applicant affirms that the ESRD facility will serve approximately 0.2% of its patients as indigent care. RCG of Newton asserts that Medicaid recipients who dialyze at the facility on specific days will continue to receive transportation assistance for travel to and from the facility. The applicant states that the hours of operation for the existing facility and the proposed relocation/replacement facility is as follows:

- *Monday through Saturday (Six days per Week)*
- *7 am to 6 pm*
- *Alternate Times of Operation are available by arrangement*

Per category, the applicant projects that 0.2% of the patients served at RCG of Newton will be medically indigent and charity care patients. As a note, the applicant states that patients without a payor source receive benefits after a 90-day waiting period and the facility does not expect to receive any reimbursement for those patients within the 90-day time frame. Upon receiving the results after the waiting period, RCG of Newton will consider the patients as medically indigent/charity.

The applicant's expected payor mix by type payor will be as follows: Medicaid, 0%; Medicare, 63%; Commercial, 32%; Self Pay, 0%; Charity Care, 0%; and other, 4%. For bad debt, the applicant estimates 4.4% of RCG of Newton's gross patient revenues and RCG of Newton asserts that the percentage is included in "Other" category.

**GR Criterion 7- Information Requirement**

RCG of Newton affirms that the facility will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

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

As stated previously, RCG of Newton is the only ESRD facility in Newton, Newton County, Mississippi and the next ESRD facility is in Scott County about 24.5 miles away from an existing ESRD facility, Central Dialysis Unit of Forrest.

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 Newton County. Patients in the area currently utilize the applicant's existing facility and it is anticipated that patients will continue to do so after the proposed relocation and expansion. Thus, the adverse impact on existing providers of ESRD services is not applicable to the proposed project.

The following are adverse effects on the existing health care system by the applicant if the proposed project is not implemented:

- The existing ESRD facility may become inoperable due to its structure deficiencies,
- There is no room for expansion at the existing location due to its present layout of the facility, and
- The ESRD patients could be severely disadvantaged if RCG of Newton ESRD services are discontinued.

The applicant provided two existing transfer agreements between RCG of Newton and two providers, UMMC and Pioneer Hospital. A Renal Transplant Agreement between UMMC and RCG, Southeast Region is also included in the application.

The *FY 2014 State Health Plan* shows the following ESRD facilities and stations in counties bordering Newton County:

County	ESRD Facility	May 2013 ESRD Stations
Clarke - 34.74 Miles	Pachuta Dialysis in Pachuta, MS	10
Jasper - 28.30 Miles	Bay Springs Dialysis in Bay Springs, MS	21
Lauderdale - 32.11 Miles	RCG Meridian, Meridian, MS	60
Leake - 49.11 Miles	DSI Carthage, Carthage, MS	15
Neshoba - 34.09 Miles	RCG Philadelphia, Philadelphia, MS	36
Scott - 20.88 Miles	Central Dialysis Unit-Forrest, Forrest, MS	18

**Note:** Kemper County- Bio Medical Applications, Inc d/b/a FMC-Dekalb is CON approved for 6 ESRD stations but not yet licensed.

Staff determined that RCG of Newton is located about 20.88 to 49.11 highway miles from the ESRD facilities listed in the above table. The number of miles will vary about 3 to 5 miles depending on whether the miles are highway miles or county miles.

Since each ESRD facility in Newton County has a utilization rate of 53%, which is less than the optimal rate of 65%, staff has determined that relocating an existing ESRD facility less than one mile from the current location (across the parking lot) through constructing a new building and adding three ESRD stations to the facility will cause the stabilization of existing utilization rates. Since RCH of Newton is the only ESRD provider in Newton County, staff determined that the proposed project will not have an adverse impact on existing ESRD providers in Newton County as well as other neighboring providers who are less than 30 miles from the proposed facility.

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

The applicant states that the required staff from the existing facility, RCG of Newton, will be utilized to implement the proposed project. The application lists each position the applicant plans to utilize to deliver healthcare services to ESRD patients during and after the construction phase of the proposed project.

Since Fresenius Medical Care-North America, Incorporated (FMC-NA) is the parent company of RCG of Newton, Incorporated d/b/a RCG of Newton, RCG of Newton, the applicant states that the company will provide additional staff if there is a shortage by supplementing and sharing personnel from other facilities. The applicant states that FMC-NA has a successful recruiting program and has maintained a satisfactory staffing history at the existing facility. Also, the applicant asserts that RCG of Newton has established relationships with nearby nephrologists and the physicians will support the proposed project. The CON application submitted by RCG of Newton contains a list of nephrologists and other physicians who will serve the patients of the ESRD facility.

#### **GR Criterion 10 - Relationship to Ancillary or Support Services**

The applicant affirms that all necessary ancillary or support services are and will be available and projects no changes in costs or charges if the proposed project is implemented.

#### **GR Criterion 11 - Delivery of Health Services**

If the proposed project is approved, the applicant states the relocation/replacement of RCG of Newton will allow the facility to be accessible to area programs to address the clinical needs of the health professional training programs.

#### **GR Criterion 12 - Access by Health Professional Schools**

RCG of Newton asserts the facility will coordinate with area health professional schools to have access to the services for training purposes.



#### **GR Criterion 14- Construction Projects**

If the proposed project is CON approved, the applicant states that RCG of Newton, Incorporated d/b/a RCG of Newton will enter a lease agreement with the landlord, YB Newton, LLC. The proposed lease document states that YB Newton, LLC will also be financially responsible for constructing the shell of the building that the tenant, RCG of Newton will be housed in.

The agreement requires YB Newton, LLC to obtain an architect who has been approved by the applicant to construct 9,486 square feet of "shelled" space.

The applicant will complete interior plans and RCG of Newton will be responsible for the following costs: \$220,308 for fixed equipment; \$28,075 for non-fixed equipment,

\$149,603 for other costs (televisions, computers, phones, etc). Based on Brown Studio Architecture cost estimates included in the application, the landlord is proposing to construct a shelled building consisting of 9,486 square feet at a project budget cost of \$3,630,597.50. The applicant provides a construction cost estimate of \$326.21 per square foot.

The application includes a statement from Licensure indicating that the Division does approve the site for the replacement of an existing freestanding ESRD facility. It also includes a schematic drawing to show how the floor plan will look after the construction and renovation process has been completed.

The applicant states that the project complies with state and local building codes, zoning ordinances, and all appropriate regulatory authorities. The applicant has provided written assurance that RCG of Newton will comply with state statutes and regulations for the protection of the environment.

The renovation formula was used by the RCG of Newton to show how much the proposed project will cost per square foot. Although the applicant lists that the same square feet will be renovated, RCG of Newton asserts that the only capital portion of the project the applicant has is the \$397,986. The construction cost is being handled by the developer (there is no renovation).

The *RS Means Building Construction Cost Data 2013* publication does not compare costs for renovation projects (see Attachment 3).

#### **GR Criterion 15- Competing Applications**

The Department received the proposed ESRD project submitted by the applicant, RCG of Newton, which is located in the central portion of Mississippi. Therefore, there are no competing applications for this service.

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

Currently, there are no other ESRD facilities in Newton County; however, RCG of Newton has been providing dialysis for ESRD patients for almost 20 years. The applicant believes the proposed project will continue to provide quality care to the residents of Newton County and allow the facility to be accessible to patients seeking ESRD service

and current ESRD patients who live in the area. The proposed ESRD facility will be certified to participate in the Medicare and Medicaid programs.

**IV. FINANCIAL FEASIBILITY**

**A. CAPITAL EXPENDITURE SUMMARY**

<b>Cost Item</b>	<b>Estimated Cost</b>	<b>% of the Total</b>
Construction Cost -New	\$2,624,800	72.30%
Construction Cost-Renovation	0	0.00%
Capital Improvements, i.e. (minor painting and repairs, refurbishing)	0	0.00%
Total Fixed Equipment Cost	220,308	6.07%
Total Non-Fixed Equipment Cost	28,075	0.77%
Land Cost	109,100	3.01%
Site Preparation Cost	0	0.00%
Fees (Architectural and Consultant Fees )	236,232	6.51%
Fees (Legal and Accounting )	0	0.00%
Contingency Reserve	262,480	7.23%
Capitalized Interest	0	0.00%
Other Cost (TVs, Furniture, Phones, IT, and Other Equip.)	149,603	4.12%
Other Cost	-	0.00%
<b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>	<b>\$3,630,598</b>	<b>100%</b>

Information pertaining to the cost per square feet for the proposed construction and/or renovation costs is listed under *GR Criterion 14- Construction Projects*.

**B. Method of Financing**

The developer will incur a cost of \$3,232,612 and the applicant proposes to finance \$397,986 of the proposed project with cash reserves.

**C. Effects on Operating Costs**

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses, and net income are shown in Attachment 1. Utilization, cost, and charges are also included in the applicant's Three-Year Projected Operating Statement (See Attachment 1).

**D. Cost to Medicaid/Medicare**

In the application, RCG of Newton provides the following revenue source projections for each payer category listed below:

<b>RCG of Newton, Inc. d/b/a RCG of Newton</b>			
<b>Payor</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>	<b>RCG of Newton First Year Revenue</b>
<b>Medicaid</b>	0.00%	\$0.00	\$ 7,098.00
<b>Medicare *</b>	63.00%	\$3,202,633.98	\$ 3,221,674.00
<b>Self Pay</b>	0.00%	\$0.00	\$ 12,028.00
<b>Commercial *</b>	32.00%	\$1,626,734.72	\$ 1,624,780.00
<b>Charity</b>	0.00%	\$0.00	\$ -
<b>Other *</b>	4.00%	\$203,341.84	\$ 217,966.00
<b>Total</b>	<b>100%</b>	<b><u>\$5,083,546.00</u></b>	<b><u>\$ 5,083,546.00</u></b>

Using Tables 4B and 4C in the financial section of the CON application, staff calculated the above first year revenue source projections based on what RCG of Newton reported for each payor category; however, RCG of Newton's numbers are slightly different from the Department's calculations.

**V. RECOMMENDATION 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 relocation of the ESRD facility and the expansion of stations for RCG of Newton, Incorporated d/b/a RCG of Newton, 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 of the *2014 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 Revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

Consequently, the Division of Health Planning and Resource Development recommends approval of the application submitted by RCG of Newton, Incorporated d/b/a RCG of Newton for the relocation of its entire, existing 16 station End Stage Renal Dialysis (ESRD) facility into a to-be constructed building, less than one mile from the existing ESRD location. In addition, the applicant is also approved to add three (3) ESRD stations as allowed in the *FY 2014 Mississippi State Health Plan (MSHP)*.

**ATTACHMENT 1**

**RCG of Newton, Inc. d/b/a RCG of Newton  
 Relocation of ESRD Facility within One Mile and  
 Allowed Expansion of Stations  
 Three-Year Projected Operating Statement (WITH PROJECT)**

	Proposed Year	Proposed Year 2	Proposed Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$	\$	\$
Outpatient Care Revenue	\$ 5,083,546	\$ 5,316,970	\$ 5,555,972
<b>Gross Patient Care Revenue</b>	<b>\$ 5,083,546</b>	<b>\$ 5,316,970</b>	<b>\$ 5,555,972</b>
Charity Care	-	\$	
Deductions from Revenue			
<b>Net Patient Care Revenue</b>	<b>\$ 5,083,546</b>	<b>\$ 5,316,970</b>	<b>\$ 5,555,972</b>
Other Operating Revenue	\$	\$	\$
<b>Total Operating Revenue</b>	<b>\$ 5,083,546</b>	<b>\$ 5,316,970</b>	<b>\$ 5,555,972</b>
<b>Operating Expense</b>			
Salaries	\$ 991,379	\$ 1,041,643	\$ 1,094,177
Benefits	357,875	376,019	394,984
Supplies	1,111,215	1,156,107	1,202,508
Services			
Lease	415,744	417,854	420,071
Depreciation	85,559	86,633	87,740
Interest			
Other	782,857	814,484	847,174
<b>Total Operating Expense</b>	<b>\$ 3,744,629</b>	<b>\$ 3,892,741</b>	<b>\$ 4,046,653</b>
<b>Net Operating Income (Loss)</b>	<b>\$ 1,338,917</b>	<b>\$ 1,424,229</b>	<b>\$ 1,509,319</b>
<b>Proposed</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Inpatient days	\$ -	\$ -	\$ -
Outpatient visits	\$ 626	\$ 626	\$ 626
Procedures	\$ -	\$ -	\$ -
Charge per outpatient day	\$ 8,121	\$ 8,494	\$ 8,875
Charge per inpatient day	\$ -	\$ -	\$ -
Charge per procedure	\$ -	\$ -	\$ -
Cost per inpatient day	\$ -	\$ -	\$ -
Cost per outpatient day	\$ 5,982	\$ 6,218	\$ 6,464
Cost per procedure	\$ -	\$ -	\$ -

**ATTACHMENT 2**

**RCG of Newton, Inc. d/b/a RCG of Newton  
 Relocation of ESRD Facility within One Mile and  
 Allowed Expansion of Stations**

**Computation of Construction and/or Renovation Cost**

		<u>Total</u>	<u>New Construction</u>	<u>Renovation</u>
	<u>Cost Component</u>			
A	New Construction Cost	\$2,624,800	\$2,624,800	
B	Renovation Cost	\$0		\$0
C	Total Fixed Equipment Cost	\$220,308	\$220,308	
	Total Non-Fixed Equipment Cost	\$28,075	\$28,075	
	Other	\$149,603		
	Capital Improvement	\$0		
	Land Cost	\$109,100	\$109,100	
D	Site Preparation Cost	\$0	\$0	
E	<i>Fees (Architectural, Consultant, etc.)</i>	\$236,232	\$236,232	\$236,232
F	<i>Contingency Reserve</i>	\$262,480	\$262,480	\$262,480
G	<i>Capitalized Interest</i>	\$0	\$0	\$0
	<b>Total Proposed Capital Expenditure</b>	<b>\$3,630,598</b>	<b>\$3,480,995</b>	<b>\$498,712</b>
	Square Footage	<b>9,486</b>	9,486	9,486
	<i>Allocation Percent</i>		100.00%	100.00%
	<b>Costs Less Land, Non-Fixed Eqt.&amp; Cap. Improvement</b>	<b>\$3,493,423</b>	<b>\$3,343,820</b>	<b>\$498,712</b>
	<b>Cost Per Square Foot</b>	<b>\$368.27</b>	<b>\$352.50</b>	<b>\$52.57</b>

Source: Mississippi Certificate of Need Review Manual, Revised 2011 and FY 2014 MSHP.