

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
JANUARY 2015**

**CON REVIEW NUMBER: ESRD-RC-1014-013  
RCG MISSISSIPPI, INC. D/B/A RCG OF LOUISVILLE  
REPAIR OF ESRD FACILITY DUE TO NATURAL DISASTER AND EXPANSION  
LOCATION: LOUISVILLE, WINSTON COUNTY, MISSISSIPPI  
CAPITAL EXPENDITURE: \$1,483,261**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant information**

RCG Mississippi, Inc. d/b/a RCG of Louisville ("RCG MS" or "RCG Louisville") is a business corporation incorporated in Delaware and authorized to do business in Mississippi. The structure, located at 562 East Main Street, Louisville, Mississippi, is leased from the Winston County Medical Foundation and is located near the Winston County Medical Center. RCG Mississippi, Inc. has two (2) directors and 14 officers and is in good standing with the State of Mississippi.

**B. Project description**

RCG MS requests Certificate of Need authority to repair its Louisville facility due to extensive damage caused by an EF4 tornado on April 28, 2014. The applicant was granted an Emergency CON on September 17, 2014, to begin the repair of the facility.

Most equipment at the facility was damaged. The applicant will replace dialysis chairs, the water treatment system, IT and phone systems and miscellaneous furniture. In addition, medical supplies that were either extensively damaged or lost following the tornado will also be replaced.

In order to meet the displaced patients' needs while the facility is inoperable, RCG diverted patients to Kemper County, Noxubee County, Starkville, Meridian, Philadelphia and Kosciusko. In order to accommodate these patients, RCG was granted temporary approval to add four (4) ESRD stations at its Macon facility in Noxubee County and to add six (6) ESRD stations at its DeKalb facility in Kemper County. The applicant states that these temporary stations will continue to serve the displaced patients until RCG can reopen its facility.

Repairs to the facility will be done in two phases. After repairs are completed in Phase I, which involves the repair of the damaged 5,300 square feet structure, RCG will reopen 13 of its 17 stations. Phase II will require the addition of 1,565 square

feet to the facility to replace the remaining four (4) stations and will accommodate four (4) additional stations, resulting in a 21 station facility. The applicant submits that the additional space will make the facility more patient-friendly and efficient. By performing the necessary additions of space and stations near the end of repair of the facility under the Emergency CON, the applicant states it will be able to meet the needs of its increasing patient base with the least amount of disruption to patient care.

The facility received site approval from the Mississippi State Department of Health, Division of Licensure and Certification (Licensure) on October 10, 2014. RCG of Louisville indicates it will employ 10.8 full-time employees (FTEs) at an estimated annual cost of \$840,301.

The total proposed expenditure for this project is \$1,483,261 and will be financed with cash reserves. The capital expenditure will be obligated within one month of CON approval and the applicant anticipates the project to be completed within six months of final approval.

## II. TYPE OF REVIEW REQUESTED

RCG MS was granted an Emergency CON on September 17, 2014, in accordance with Section 41-7-207 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 the Statute and rules and regulations set forth in the Certificate of Need Review Manual. Emergency CONs are valid for a period not to exceed 90 days, and a recipient of an emergency CON must submit the appropriate CON application to the Department within 45 days of the effective date of the Emergency CON.

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 February 4, 2015.

## 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. Applicable criteria and standards are addressed below.

#### **SHP Criterion 2 - Need**

As this project proposes the repair of an existing ESRD facility, the criteria and standards stated in the *Plan* for establishment of an ESRD facility are not applicable. The *Plan* also allows the expansion of an existing ESRD facility 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. The applicant requests an expansion of approximately 24% of its current number of certified stations but not more than the four (4) stations allowed under the *Plan*. Although the addition of the four stations does not require CON review, the applicant states that repair of its damaged facility; square footage expansion; and addition of the allowed four stations is necessary as one project in order to meet the facility's patient needs.

#### **SHP Criterion 6 – Minimum Services**

The applicant affirms that it provides, at a minimum, social, dietetic, and rehabilitative services. Rehabilitative services may be provided on a referral basis.

#### **SHP Criterion 7 – Access to Needed Services**

The applicant affirms that it provides reasonable access to equipment and facilities for such needs as vascular access and transfusions required by stable maintenance ESRD patients.

#### **SHP Criterion 8 – Hours of Operation**

The applicant states that prior to the tornado, its hours of operation were from 7:00 a.m. to 6:00 p.m. and alternate arrangements were made for those patients needing after-hours treatment. The applicant expects that the hours of operation and alternate arrangements for those patients needing after-hours treatment will remain the same as prior to the tornado.

#### **SHP Criterion 9 – Home Training Program**

The applicant affirms a home-training program is available for medically-eligible patients and that it counsels all patients on the availability of and eligibility requirements to enter the home/self-dialysis program.

#### **SHP Criterion 10 – Indigent/Charity Care**

The applicant acknowledges this requirement and affirmed that it provided a reasonable amount of indigent/charity care prior to the tornado and will continue to do so upon reopening of the facility after the repair and expansion take place.

#### **SHP Criterion 11 - Facility Staffing**

The applicant described the facility's staffing by category of registered nurses, technologists, technicians, social worker, dietician and administrative/management.

#### **SHP Criterion 12 – Staffing Qualifications**

RCG Louisville affirms that the staff of the facility will meet, at a minimum, all requirements and qualifications as stated in 42 CFR, Subpart D § 494.140.

### **SHP Criterion 13 – Staffing Time**

The applicant affirms the following:

- When the unit is in operation, at least one (1) R.N. is on duty. There is a minimum of two (2) persons for each dialysis shift, one of whom will be an R.N.
- The medical director or a designated physician is on-site or on-call at all times when the unit is in operation.
- When the unit is not in operation the medical director or designated physician and a registered nurse will be on call.

### **SHP Criterion 14 – Data Collection**

The applicant affirms that it records and maintains required utilization data and data regarding services provided to indigent patients and will make such information available as required by the Department.

### **SHP Criterion 15 – Staff Training**

The applicant affirms it provides an ongoing program of training in dialysis techniques for nurses and technicians at the facility.

### **SHP Criterion 16 – Scope of Privileges**

RCG affirms that the facility provides access to doctors of medicine or osteopathic medicine licensed by the State of Mississippi who possess qualifications established by the governing body of the facility.

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

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

## **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 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 *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 Louisville residents by repairing the extensive damage to the facility caused by the April 28, 2014, EF4 tornado and expanding the facility to better accommodate the needs of those patients seeking necessary dialysis treatment.

RCG Louisville states that the proposed addition of four stations will increase patient accessibility and will improve the health of these patients as it will improve slot availability for day chairs, making dialysis more convenient, which will hopefully result in fewer missed appointments. In addition, these repairs and addition of space and stations to the existing facility will not result in a duplication of health resources. The applicant further asserts that cost savings will result by repairing and expanding the facility at the same time.

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

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

RCG MS states that its long range plan is to continue to provide high quality, easy to access ESRD services for those residents in need of dialysis services near Louisville. Repairing the existing facility will relieve the Applicant's displaced patients from the burden of traveling to Kemper and Noxubee counties, Starkville, Meridian, Philadelphia, and Kosciusko to receive dialysis treatment. The applicant submits that the repair of the existing facility, along with the addition of 1,565 square feet of space and four additional ESRD stations will improve RCG Louisville's ability to effectively and efficiently provide high quality ESRD services to residents in and around Louisville.

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

The applicant indicates that because of the need for the facility to become operational as soon as possible after the EF4 tornado caused sever damage, the applicant researched other available sites within one mile of the current facility (to relocate the facility through a determination of non-reviewability process); considered filing a CON application for relocation; and, considered repairing the current building. The applicant determined that repairing the current building was the best and fastest option to begin providing dialysis services again in Louisville. Near the time the repairs are complete, approved by an Emergency CON, the applicant proposes to add 1,565 square feet of space and four additional stations, thus allowing the facility to make its needed additions without further disrupting patient care.

**GR Criterion 4 - Economic Viability**

The applicant submits that the charges for the service and the profitability of those services will remain the same as before the tornado. Further, the proposed repair and expansion of the current Louisville facility will not increase the cost of dialysis services for patients or Medicaid. The applicant believes that its experience operating in the service area and its affiliation with the Fresenius network will ensure that there will not be a negative effect on the cost of health care as well as control healthcare costs.

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

The applicant submits that due to the tornado's destruction, which caused the temporary closure of the Louisville facility, the patients that were treated at the facility had to travel much further to other Fresenius dialysis facilities located in Kemper and Noxubee counties, Starkville, Meridian, Philadelphia and Kosciusko. Once the Louisville facility is repaired and expanded, dialysis services will, once again, be readily accessible to those persons needing dialysis treatment in and around the Louisville area. The applicant states that dialysis services will also continue to be provided to the traditionally underserved groups – in particular low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly.

RCG MS states that while the total of this project is below the capital expenditure threshold, the applicant's repair of its damaged facility; square footage expansion; and addition of the allowed four stations are necessary as one project in order to meet the facility's patient needs. Currently, Louisville patients have to travel to other towns multiple times a week to receive dialysis. The repair and expansion of the facility will allow these patients and future patients to receive dialysis in their hometown in a facility with expanded square footage that will result in a more patient friendly and efficient environment.

Based on the FY 2013 End Stage Renal Disease Utilization Survey, staff determined the utilization for RCG of Louisville was 56.82%, based on the following:

County Facility/City	Actual Number of Treatments	Avg. Number of Operational Stations	Avg. Shifts per Week	Avg. Days Per Week	Utilization Percentage	Avg. No. of Patients (Monthly)
Winston RCG - Louisville	9,042	17	2	6	56.82	60

The application contains six letters of support. The Department received no letters of opposition concerning the proposed project.

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

The applicant submits that all ESRD patients must receive dialysis services. The repair and expansion of the Louisville facility will ensure that Medicare, Medicaid and medically indigent ESRD patients residing in and around Louisville have quality access to care.

The hours of operation are from 7:00 a.m. to 6:00 p.m., six days per week. Alternate times of service are available by arrangement.

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

RCG Louisville 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**

RCG of Louisville is the only ESRD facility located in Winston County. The applicant states that prior to the April 28, 2014 tornado, the target population accessed its dialysis treatment services at the Louisville facility; however, the facility is currently closed and patients are being sent to facilities in Kemper County, Noxubee County, Starkville, Meridian, Philadelphia and Kosciusko. These facilities range in distance from 28.15 miles to 64.13 miles from Louisville. After the applicant's facility is repaired and expanded, the target population may once again receive quality care that it experienced at the facility prior to the tornado.

The applicant submits that failure to implement the proposed project will result in the closure of the applicant's facility and will be detrimental to its patients in the Louisville area seeking dialysis services. Its former patients will continue to travel to other locations farther away from home, to receive necessary dialysis services three times a week. If the facility is repaired but the expansion of square footage and stations is not allowed, daily slot times will be limited, leaving less options for patients to receive treatments and result in more missed appointments.

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

The applicant states that it currently has personnel required to staff the facility, including registered nurses, nephrologists, technical/paramedical, and administrative/managerial employees.

### **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**

The applicant states that RCG MS cooperates with health professional training programs in the surrounding area.

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

RCG MS asserts the facility will coordinate to meet the needs of health professional training programs in the surrounding area.

**GR Criterion 16 - Quality of Care**

The applicant submits that it has provided past quality of care and after the facility is repaired and expanded, the target population may once again receive quality care that it experienced at the facility prior to the tornado.

**IV. FINANCIAL FEASIBILITY**

**A. Capital expenditure summary**

Item	Estimated Cost	% of Total
New Construction	<b>\$350,560</b>	<b>23.63%</b>
Renovation	604,200	40.73%
Capital Improvements	0	0%
Fixed Equipment	271,175	18.28%
Non-Fixed Equipment	75,922	5.11%
Land Cost	0	0%
Site Preparation	0	0%
Fees (Architectural, consultant, etc.)	85,928	5.79%
Contingency Reserve	95,476	6.43%
Capitalized Interest	0	0%
Other	0	0%
<b>Total Proposed Capital Expenditure</b>	<b>\$1,483,261</b>	<b>99.97%</b>

The above capital expenditure is proposed to repair 5,300 square feet of space and to add 1,565 square feet of new space. See Attachment 2 for calculation of the project's cost per square foot.

**B. Method of Financing**

The applicant proposes to finance the project with cash reserves.

**C. Effects on Operating Costs**

The applicant's projections of gross revenues for the first, second, and third years 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 Louisville provides the following revenue source projections for each payor category listed below:

<b>Payor Mix</b>	<b>Utilization Percentage (%)</b>	<b>First Year Revenue (\$)</b>
<b>Medicare</b>	70	\$ 1,803,955
<b>Medicaid</b>	01	12,024
<b>Commercial</b>	16	418,429
<b>Self Pay</b>	0	1,040
<b>Charity Care</b>	0	0
<b>Other</b>	13	338,098
<b>Total</b>	<b>100</b>	<b>\$ 2,573,546</b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. However, no comments had been received from the Division of Medicaid as of this staff report.

**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 State Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by RCG of Mississippi, Inc. d/b/a RCG of Louisville for the repair of an ESRD Facility due to Natural Disaster and Expansion of an ESRD Facility.

**ATTACHMENT 1**

**RCG of Mississippi, Inc. d/b/a RCG of Louisville  
 Repair of ESRD Facility Due to Natural Disaster and  
 Expansion of ESRD Facility**

**Three-Year Projected Operating Statement (Project Only)**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Patient Revenue:			
Inpatient	0	-	-
Outpatient	2,573,546	3,395,725	3,976,729
<b>Gross Patient Revenue</b>	<b>\$ 2,573,546</b>	<b>\$ 3,395,725</b>	<b>\$ 3,976,729</b>
Charity Care	-	-	-
Deductions	-	-	-
<b>Net Patient Revenue</b>	<b>\$ 2,573,546</b>	<b>\$ 3,395,725</b>	<b>\$ 3,976,729</b>
Other Operating Revenue	-	-	-
<b>Total Operating Revenue</b>	<b>\$ 2,573,546</b>	<b>\$ 3,395,725</b>	<b>\$ 3,976,729</b>
<b>Expenses</b>			
Operating Expenses:			
Salaries	\$ 579,518	\$ 768,399	\$ 904,304
Benefits	260,783	345,779	406,937
Supplies	695,839	913,658	1,064,713
Services	-	-	-
Lease	159,000	159,000	159,000
Depreciation	169,075	169,075	169,075
Interest	-	-	-
Other	521,494	684,684	797,882
<b>Total Expenses</b>	<b>\$ 2,385,709</b>	<b>\$ 3,040,595</b>	<b>\$ 3,501,911</b>
<b>Net Income (Loss)</b>	<b>\$ 187,837</b>	<b>\$ 355,130</b>	<b>\$ 474,818</b>
<b>Assumptions</b>			
Inpatient days*			
Outpatient days*			
Procedures	312	313	314
Charge/outpatient day			
Charge/inpatient day			
Charge/procedure	\$ 8,249	\$ 10,849	\$ 12,665
Cost /inpatient day			
Cost /outpatient day			
Cost /procedure	\$ 7,647	\$ 9,714	\$ 11,153

**ATTACHMENT 2**

**RCG of Mississippi, Inc. d/b/a RCG of Louisville  
 Repair of ESRD Facility Due to Natural Disaster &  
 Expansion of ESRD Facility**

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

<b>Cost Component</b>	<b>Total</b>	<b>New Construction</b>	<b>Renovation</b>
New Construction Cost	\$350,560	\$350,560	
Renovation Cost	\$604,200		\$604,200
Total Fixed Equipment Cost	\$271,175	\$61,819	\$209,356
Total Non-Fixed Equipment Cost	\$75,922		
Land Cost	\$0	\$0	
Site Preparation Cost	\$0	\$0	
<i>Fees (Architectural, Consultant, etc.)</i>	\$85,928	\$19,589	\$66,339
<i>Contingency Reserve</i>	\$95,476	\$21,765	\$73,711
<i>Capitalized Interest</i>	\$0	\$0	\$0
<i>Other</i>	\$0	\$0	
<b>Total Proposed Capital Expenditure</b>	<b>\$1,483,261</b>	<b>\$453,734</b>	<b>\$953,605</b>
Square Footage	<b>6,865</b>	1,565	5,300
<i>Allocation Percent</i>		22.80%	77.20%
<b>Costs Less Land, Non-Fixed Eqt., Other</b>	<b>\$1,407,339</b>	<b>\$453,734</b>	<b>\$953,605</b>
<b>Cost Per Square Foot</b>	<b>\$205.00</b>	<b>\$289.93</b>	<b>\$179.93</b>

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