

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

CON REVIEW: ESRD-NIS-1214-017*
**HATTIESBURG CLINIC PROFESSIONAL ASSOCIATION D/B/A
HATTIESBURG CLINIC DIALYSIS UNIT
ESTABLISHMENT OF A SATELLITE ESRD FACILITY
CAPITAL EXPENDITURE: \$38,000.00
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

STAFF ANALYSIS

PROJECT SUMMARY

A. Applicant Information

Hattiesburg Clinic Professional Association d/b/a Hattiesburg Clinic Dialysis Unit is a business corporation. The applicant indicates that Hattiesburg Clinic is governed by a four member Board of Directors and has three officers.

The applicant provided a Certificate from the Secretary of State, verifying that the corporation was issued a Charter/Certificate of Authority on November 18, 2014. The document indicates that the business is incorporated in the State of Mississippi.

B. Project Description

Hattiesburg Clinic Professional Association d/b/a Hattiesburg Clinic Dialysis Unit requests Certificate of Need (CON) authority to establish a ten (10 station), satellite End Stage Renal Disease ("ESRD") facility in Forrest County.

The applicant states that the proposed ten-station ESRD facility will be relocated from Hattiesburg Clinic Professional Association d/b/a Hattiesburg Clinic Dialysis Unit, an affiliated facility sixty (60) station ESRD facility. Hattiesburg Clinic Dialysis Unit is located at 5909 Highway 49, Suite 10 (the Main Clinic), Hattiesburg, Mississippi. The applicant indicates that the proposed satellite facility location is to be in an already existing building to be named West Hattiesburg Clinic Dialysis located at 6855 Lincoln Road Extension, Hattiesburg, Mississippi. The applicant states that the proposed location is an allocated section of an office building that is approximately 6 years old. The applicant asserts that the proposed satellite ESRD facility will be located within 7 miles of Hattiesburg Clinic Dialysis Unit.

The applicant intends to lease 8,876 square feet of shelled medical office space. The applicant further states that no renovation will be performed by Hattiesburg Clinic Dialysis Unit. The applicant believes that the establishment of a satellite facility in Forrest County will provide residents in with a more convenient, accessible ESRD facility and relieve patient load at Hattiesburg Clinic Dialysis Unit.

If the proposed project is CON approved, the applicant states that Hattiesburg Clinic Dialysis Unit will enter a lease agreement with Mun Yew Lian Revocable Trust. The applicant indicates that Hattiesburg Clinic Dialysis Unit will lease 8,876 square feet at a lease cost for a term of 5 years with the option to renew for the proposed satellite facility. The MSDH Division of Health Facilities Licensure and Certification has approved the site for the proposed project.

During the first year of operation the applicant expects to employ 7.9 full-time equivalent employees at a total personnel cost of \$538,755. The applicant states that the 7.9 full time employees will be existing employees that will be relocated from Hattiesburg Clinic Dialysis Unit to the proposed satellite facility. The applicant further states that Hattiesburg Clinic Dialysis Unit will not share in any new construction cost associated with the proposed project. The total proposed capital expenditure for this project is \$38,000, which will be used to purchase water treatment equipment necessary for dialysis services. The applicant indicates cash reserves will be used to fund the project.

The applicant anticipates that the anticipated date for obligation of capital expenditure of the proposed project is within six (6) months of final approval and the proposed completion of the total proposed project within one year of the start date.

II. TYPE OF REVIEW REQUIRED

This project for the establishment of an end stage renal disease facility is reviewed in accordance with Section 41-7-191, subparagraph (1)(a), and 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 March 12, 2015.

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 and service specific criteria and standards which the applicant is required to meet before receiving CON authority to establish a ten-station satellite ESRD facility. This application is in substantial compliance with applicable criteria and standards.

Policy Statement No. 14 of the 2015 State Health Plan states “Any existing ESRD facility which reaches a total of 30 ESRD stations, may establish a ten (10) station satellite facility. If a proposed satellite ESRD facility is to be located more than one (1) mile from the existing facility, a certificate of need must be obtained by the facility prior to the establishment of the satellite facility”.

According to the *FY 2015 State Health Plan*, Hattiesburg Clinic Dialysis Unit has 60 certified and CON approved stations.

The applicant states that the proposed facility will be located within 7 miles from the existing Hattiesburg Clinic Dialysis Unit. The applicant states that the physical address for the proposed facility will be located at 6855 Lincoln Road Extension, Hattiesburg, Mississippi.

Therefore, the applicant is requesting CON approval for the establishment of a ten (10) station satellite ESRD facility in Forrest County.

SHP Criterion 3- Need

Need Criterion for Establishment of ESRD Satellite Facilities: In order for a 30 station ESRD facility to be approved for the establishment of a ten (10) station satellite facility through the transfer and relocation of existing stations within a five mile radius or less from the existing facility, the facility must (a) document that it has maintained a minimum annual utilization rate of 55% for the 12 months prior to the month of the submission of the CON application; (b) justify the need for the project, which may include, but is not limited to, physical or space limitations at the existing facility; and (c) document that it is more cost effective to establish a satellite facility than to expand the existing facility. If the proposed satellite facility will be established at a location between a five and twenty-five mile radius of the existing facility, the facility must (a) document that it has maintained a minimum annual utilization rate of 55% for the 12 months prior to the month of the submission of the CON application; (b) justify the need for the project, which may include, but is not limited to, physical or space limitations at the existing facility; and (c) document that it is more cost effective to establish a satellite facility than to expand the existing facility; and (d) demonstrate that the proposed satellite facility's location is not within 30 miles of an existing facility without obtaining the existing facility's written support. NOTE: ESRD Policy Statements 2, 4, 5 and 6, and Need Criterion 1, do not apply to applications for the establishment of satellite ESRD facilities. An ESRD satellite facility established under this Need Criterion 3 shall not be used or considered for purposes of establishing or determining an ESRD Facility Service Area.

(a) Document that it has maintained a minimum annual utilization rate of 55% for the 12 months prior to the month of the submission of the CON application.

The applicant indicates that Hattiesburg Clinic Dialysis Unit is currently experiencing 57% utilization.

(b) Justify the need for the project, which may include, but is not limited to, physical or space limitations at the existing facility.

The applicant states that patients from the western Forrest County area are currently traveling to the main Clinic and other area facilities for dialysis treatments. The applicant indicates that the creation of a satellite facility in West Hattiesburg will enable these patients to receive necessary dialysis at a more convenient and accessible location.

The applicant considered expanding the Hattiesburg Clinic Dialysis Unit facility but the facility is landlocked. Therefore the applicant decided that the satellite facility would better serve patients and increase the number of day chairs at Hattiesburg Clinic Dialysis Unit.

(c) Document that it is more cost effective to establish a satellite facility than to expand the existing facility.

The applicant affirms that Hattiesburg Clinic Dialysis Unit cannot be expanded to accommodate ten additional stations because the facility is landlocked. The applicant states that assuming the facility wasn't landlock if the Main Clinic could expand, the cost of construction would be required to add additional stations which would exceed the \$38,000 capital expenditure designated for the proposed project. The applicant further states that the addition would disrupt patient care and would not accomplish their goal of providing a smaller more accessible facility for both those patients seeking a quieter, smaller facility. The applicant states that because of this issue the creation of a satellite facility in Forrest County is the most cost effective option.

The application contained letters of support from and various patients and residents in the community.

SHP Criterion 4 - Number of Stations

Hattiesburg Clinic Dialysis Unit has 60 hemodialysis ESRD stations and will transfer ten ESRD hemodialysis stations to the proposed satellite facility. The applicant affirms that the satellite ESRD facility will contain ten hemodialysis stations in West Forrest County. Therefore, the applicant is in compliance with this criterion.

SHP Criterion 5 - Minimum Utilization

The applicant projects 37 patients in year one, 39 patients in year two, and 41 patients in year three for the proposed ten-station satellite ESRD facility. Typically, an ESRD patient receives three treatments per week or 156 treatments per year. The following table compares the applicant's projections with the Department's requirements:

		Applicant's Projections		
Year	Stations	Patients	Treatments	Utilization Rate
1	10	37	5,772	61%
2	10	39	6,084	65%
3	10	41	6,396	68%

Based on MSDH's utilization requirements in the *FY 2015 MSHP* and numbers provided by applicant, staff determined the number of treatments for the first through third year of operation will be 4,680, 6084, and 6,084.

		MSDH Projections	
Year	Stations	Treatments	Utilization Rate
1	10	4,680	50%
2	10	6,084	65%
3	10	6,084	65%

SHP Criterion 6 - Minimum Services

Hattiesburg Clinic Dialysis Unit affirms that the facility will provide social, dietetic, and rehabilitative services.

SHP Criterion 7 - Access to Needed Services

Hattiesburg Clinic Dialysis Unit affirms 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

Hattiesburg Clinic Dialysis Unit will operate Monday through Saturday between the hours of 6:00 a.m. to 6:00 p.m. The applicant affirms alternate arrangements will be made for those patients needing after-hours treatments.

SHP Criterion 9 - Home Training Program

Hattiesburg Clinic Dialysis Unit affirms that a home-training program will be made available for the satellite patients through its Main Clinic. The applicant states that patients who would like to participate in the home training program will be counseled on the availability and eligibility requirements of the home-training program.

SHP Criterion 10 - Indigent/Charity Care

The applicant affirms that they will provide a reasonable amount of indigent/charity care and serve approximately 1.5% indigent/charity care patients. 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. If the proposed project is CON approved, the applicant affirms that 7.9 full time equivalents will be utilized to operate the satellite ESRD facility.

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 affirms 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 affirms 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 asserts 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 affirms 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. The applicant states that their affiliated facilities within the service area have existing relationships with nephrologists in the area who currently treat the applicant's patients and will continue to treat the patients at the proposed facility.

SHP Criterion 17 - Affiliation with a Renal Transplant Center

The applicant affirms that they will enter into an affiliation agreement with a transplant center within one (1) year after the facility is opened and operating. The applicant provided an existing copy of a transfer agreement between the University of Alabama at Birmingham Renal Transplantation Center and the Tulane Regional Transplant Program located at Tulane Medical Center Hospital and Clinic. The applicant anticipates this same agreement or a similar agreement will be applicable to the West Hattiesburg Clinic Dialysis satellite facility.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 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 – State Health Plan

This application is in compliance with the overall objectives of the *FY 2015 State Health Plan*.

GR Criterion 2 – Long Range Plan

The applicant's long range plan is to provide high quality, easy access ESRD services for those residents in need of dialysis services near western Forrest County area. The applicant states that the proposed facility will help relieve the patient load at other affiliated facilities while providing greater access to dialysis services for residents of the western Forrest County area. The applicant believes, a satellite facility will allow for greater accessibility to dialysis services by western Forrest County area residents at more convenient times.

GR Criterion 3 – Availability of Alternatives

The applicant considered the following alternatives:

- Not establishing a satellite ESRD facility in western Forrest County and continuing to service those patients through its existing facilities – the applicant states that this option wasn't feasible.
- Expansion of the facility – the applicant states that the facility cannot be expanded to accommodate ten stations due to space constraints and the facility is landlocked. The applicant also states that the expansion of the existing facility would not meet the goals of operating a smaller facility for their patients. .

The applicant suggests that the relocation of stations from the Main Clinic's facility will increase the availability of day chairs throughout Forrest County

The applicant believes that the establishment of a ten-station satellite ESRD facility in West Hattiesburg will be the most efficient, effective, and accessible alternative to meet the needs of the patients in western Forrest County.

GR Criterion 4 – Economic Viability

Based on the applicant's three-year projections, this project will have a net income of \$19,494 the first year, \$19,821 the second year, and \$31,670 the third year of operation, respectively.

- a. **Proposed Charge:** The applicant submits that the proposed project will not increase the cost of dialysis services to patients or Medicaid. The applicant deems that the experience gained by Fresenius in effectively operating other ESRD facilities in the service area and across the state will help ensure that there will not be a negative effect on the cost of health care.
- b. **Projected Levels of Utilization:** The applicant makes the following projections of dialysis treatments to be performed during the first three years of operation: 61%; 65%; and 68%, respectively.
- c. **Project's Financial Feasibility Study:** The department has determined that a financial feasibility study is not necessary for the proposed project.

GR Criterion 5 – Need for Project

- a. **Access by Population Served:** The applicant states that dialysis services will be offered to all ESRD patients, including without limitation, to the underserved population.
- b. **Relocation of Services:** The applicant states that while ten stations from the Hattiesburg Clinic Dialysis Unit facility will be relocated to create the proposed satellite facility, services will continue to be provided at the existing location. Therefore, this application does not entail the relocation of services or replacement of an ESRD facility.

- c. **Probable Effect on Existing Facilities in the Area:** As previously stated, the applicant affirms that while ten stations from the Hattiesburg Clinic Dialysis Unit facility will be relocated to create the proposed satellite facility, services will continue to be provided at the existing location. Therefore, the applicant does not intend an effect on existing facilities in the area.
- d. **Community Reaction:** The application contained letters of support for the proposed project from various patients and residents in the community.

No letters of opposition for the proposed project were received.

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.

The following table shows the projected estimated gross patient revenues of health care provided to charity/medically indigent patients for years one and two for the proposed project:

Projected Year	Total Dollar Amount of Gross Patient Revenue
1	\$18,594 (1.5%)
2	\$19,539 (1.5%)

The applicant confirms that Hattiesburg Clinic Dialysis Unit has no existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority/handicapped persons.

The proposed facility will operate Monday through Saturday from 6:00 a.m. to 6:00 p.m.

GR Criterion 7 – Information Requirement

The applicant affirms that it will record and maintain all requested information required under GR Criterion 7 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

The applicant affirms that there are two other ESRD facilities in the service area, which are Hattiesburg Clinic Dialysis Unit (Main Clinic) and the affiliated dialysis facility located in Collins, MS which is approximately 29 miles away. The applicant asserts that the most significant impact will be on the Main Clinic. However, the indicates that the transfer of patients to the proposed satellite facility will also help the Main Clinic as well as increase appointment time availability. The applicant insists that failure to implement the proposed project will result in ESRD patients residing near western Forrest County continuing to travel three times a week to other locations, farther away from their homes to receive necessary dialysis services.

The applicant asserts that new transfer/referral/affiliation agreements will be entered into with local hospitals upon the establishment of the West Hattiesburg satellite facility.

GR Criterion 9 – Availability of Resources

The applicant states that its affiliates have successfully recruited physicians and professional staff members to serve residents in need of dialysis treatment. The applicant affirms that Hattiesburg Clinic Dialysis Unit has sufficient nephrologists to support the proposed satellite facility. The applicant further affirms that due to the applicant's surrounding medical community, all ancillary services will be sufficiently available as they are including: laboratory services, drugs, and any other necessary services related to the method in which a patient chooses to receive dialysis services.

GR Criterion 10– Relationship to Ancillary or Support Services

The applicant affirms that Hattiesburg Clinic Dialysis Unit all necessary ancillary or support services will be available.

GR Criterion 11– Health Professional Training Programs

Hattiesburg Clinic Dialysis Unit asserts the facility will coordinate with area health professional training programs in the surrounding area. The applicant states that currently Hattiesburg Clinic Dialysis Unit has a Clinical Experience Agreement with Jones County Junior College.

GR Criterion 14– Construction Projects

The applicant intends to lease 8,876 square feet of pre-existing shelled medical office space. The applicant further states that no renovation will be performed by Hattiesburg Clinic Dialysis Unit for the proposed facility.

If the proposed project is CON approved, the applicant states that Hattiesburg Clinic Dialysis Unit will enter a lease agreement with Yew Lian Revocable Trust. The applicant indicates that Hattiesburg Clinic Dialysis Unit will lease 8,876 square feet at a lease cost for a term of 5 years with the option to renew for the proposed satellite facility. The MSDH Division of Health Facilities Licensure and Certification has approved the site for the proposed project.

GR Criterion 16– Quality of Care

The applicant states that while this application does not concern an existing ESRD facility, the applicant has consistently provided quality of care to its patients all across South Mississippi including the proposed satellite's main clinic in Hattiesburg.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage% of Total
Construction Cost - New	\$ 0	0%
Construction Cost - Renovation	\$ 0	0%
Capital Improvements	\$ 0	0%
Total Fixed Equip Cost	\$ 38,000	100%
Total Non-Fixed Equip Cost	\$ 0	0%
Land Cost	\$ 0	0%
Site Prep Cost	\$ 0	0%
Fees – architectural/engineering	\$ 0	0%
Contingency Reserve	\$ 0	0%
Capitalized Interest	\$ 0	0%
Other		
Total Proposed Expenditures	\$ 38,000	100.00%

As stated previously, no new construction or renovation is associated with the proposed project.

The department has determined that a financial feasibility study is not necessary for the proposed project.

B. Method of Financing

The applicant proposes that the project will be financed from cash reserves.

C. Effect on Operating Cost

Attachment 1 lists Hattiesburg Clinic Dialysis Unit projections of expenses, gross revenue, net income and utilization for the first three years of operation.

D. Cost to Medicaid/Medicare

ESRD treatment is a Medicare entitlement. As such, the Medicare program will absorb a majority of the costs associated with this project. The 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 and comment. The Division asserts that no foreseeable increase in allowable costs to Medicaid will result as it relates to the proposed project. The Department of Medicaid does not oppose this project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of a satellite ESRD facility as contained in the *FY 2015 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised September 1, 2011*; and all 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 Hattiesburg Clinic Professional Association d/b/a Hattiesburg Clinic Dialysis Unit for the establishment of a ten (10 station), satellite End Stage Renal Disease (“ESRD”) facility in Forrest County.

Attachment I

Hattiesburg Clinic Professional Association
d/b/a Hattiesburg Clinic Dialysis Unit

Establishment of a Ten-Station Satellite ESRD Facility
in Forrest County

Three-Year Operating Statement with Project

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$ 0	\$ 0	\$ 0
Outpatient Revenue	1,242,305	1,305,472	1,368,922
Gross Patient Revenue	\$ 1,242,305	\$ 1,305,472	\$ 1,368,922
Charity	\$ 0	\$ 0	\$ 0
Deductions from Revenue	2,694	2,834	2,972
Net Patient Care Revenue	\$ 1,239,611	\$ 1,302,638	\$ 1,365,950
Other Operating Revenue	\$ 0	\$ 0	\$ 0
Total Operating Revenue	\$ 1,239,611	\$ 1,302,638	\$ 1,365,950
Operating Expenses	\$	\$	\$
Salaries	387,904	387,904	408,027
Benefits	150,851	150,851	158,677
Supplies	373,580	393,753	413,926
Services	0	0	0
Lease Expenses	97,512	97,512	97,512
Depreciation	0	0	0
Interest	11,889	11,889	11,889
Other	237,369	270,909	244,249
Total Operating Expenses	\$ 1,259,105	\$ 1,282,818	\$ 1,334,280
Net Operating Income	\$ 19,494	\$ 19,821	\$ 31,670
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Number of ESRD Procedures	5,772	6,084	6,396
Charge per Outpatient Day	\$ 0	\$ 0	\$ 0
Charge per Inpatient Day	\$ 0	\$ 0	\$ 0
Charge per Procedure	\$ 215	\$ 215	\$ 214
Cost per Inpatient Day	\$ 0	\$ 0	\$ 0
Cost per Outpatient Day	\$ 0	\$ 0	\$ 0
Cost per Procedure	\$ 218	\$ 211	\$ 209