

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

**CON REVIEW NUMBER: ESRD-RLS-0615-009  
BIO-MEDICAL APPLICATIONS OF MISSISSIPPI, INC. D/B/A FRESENIUS MEDICAL  
CARE DIALYSIS SERVICES OF RANKIN COUNTY - BRANDON  
RELOCATION OF ESRD FACILITY WITHIN ONE MILE AND EXPANSION OF  
ESRD STATIONS  
LOCATION: BRANDON, RANKIN COUNTY, MISSISSIPPI  
CAPITAL EXPENDITURE: \$5,232,954.70**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Bio-Medical Applications of Mississippi, Inc. d/b/a Fresenius Medical Care Dialysis Services of Rankin County – Brandon (“FMC-Brandon”) is a business corporation incorporated in Delaware and authorized to do business in Mississippi. The facility, located at 141 Gateway Drive, Brandon, Mississippi, operates 23 dialysis stations. Bio-Medical Applications of Mississippi, Inc. has two (2) directors and 13 officers, and is in good standing with the State of Mississippi.

**B. Project Description**

FMC-Brandon requests Certificate of Need authority to relocate its entire facility within one mile of its current location on Gateway Drive to Mar Lyn Drive in Brandon, Mississippi. In addition, the applicant proposes to add seven stations at its new location for a total of 30 ESRD stations. The applicant states that the current building is completely landlocked and its only option to ease crowding and to accommodate current and anticipated patient growth is to relocate to a location which will be able to expand to meet demand.

The project will encompass approximately 12,008 square feet of construction to be completed by a developer, YB Rankin, LLC, and FMC-Brandon will complete the interior work to provide dialysis service. Usable space to be renovated is approximately 11,540 square feet. FMC-Brandon ensures that the facility will be constructed in compliance with all applicable federal, state and local Building Codes.

The applicant received site approval from the Mississippi State Department of Health, Division of Licensure and Certification (Licensure) on June 29, 2015. The project will require an additional 4.0 full time equivalents (FTE) personnel at an annual cost of \$410,866.

The total proposed capital expenditure for this project is \$5,232,954.70 that applicant proposes to finance with cash reserves. The capital expenditure is expected to be obligated within six months of final CON approval and the applicant anticipates the project to be completed within one year of final approval.

## II. TYPE OF REVIEW REQUESTED

This project for the relocation and expansion of an ESRD facility is reviewed in accordance with §41-7-173 (c)(ii) and (iii) and §41-7-191 (1)(b) and (e) 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 8, 2015.

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

### A. State Health Plan (SHP)

The *FY 2015 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 relocate (with a capital expenditure in excess of \$2,000,000) an ESRD facility. In addition, the *Plan* addresses the expansion of an ESRD facility in excess of four (4) stations or 15% of the facility's current number of certified stations. Applicable criteria and standards are addressed below.

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

In the event that an existing ESRD facility proposes to add more than the greater of four (4) stations or 15% of the facility's current number of stations within a two-year period, then the facility shall document that it has maintained a minimum annual utilization rate of 65% for the 12-months prior to the month of the submission of the CON application.

FMC-Brandon proposes to add seven (7) ESRD stations at its proposed new facility, for a 30% increase in stations. FMC-Brandon reported utilization of its present location for the 12 months prior to submission of this application to be 69.9%, operating 21.3 stations from May 2014 to April 2015. The applicant received certification for two additional stations March 2015 (see Attachment 3).

#### **SHP Criterion 4 – Number of Stations**

The applicant currently operates 23 stations at the present location and proposes to operate 30 stations at the new facility.

### **SHP Criterion 5 – Minimum Utilization**

As stated above, FMB-Brandon operated 21.3 stations from May 2014 to April 2015, with 69.9% utilization. Two stations were certified at the end of February 2015 and were put in place March 2015.

### **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 the normal hours of operation are from 6:00 a.m. to 4:30 p.m. and alternate arrangements are made for those patients needing after-hours treatment.

### **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 affirms that it provides a reasonable amount of indigent/charity care and will continue to do so after the expansion takes 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**

FMC-Brandon 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**

FMC-Brandon 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 these facilities upon relocation and expansion. 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 2015 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 some 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 residents in and around Rankin County by relocating the existing ESRD facility to a location which can more easily accommodate a growing ESRD population. In addition, the applicant states that the relocation of the existing facility will result in a cost savings because the applicant will not be forced to undertake many short-term fixes as would be required with the old building.

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

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

FMC-Brandon states that its long range plan is to provide high quality, easy to access ESRD services for those residents in need of dialysis services in primarily the Rankin County area and also nearby outlying areas. The applicant asserts that the relocated facility will provide a better environment for patient care, accommodate future patient demand, and ease the crowding experienced at the current location because of the larger building footprint.

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

FMC-Brandon asserts that relocating to the proposed new location is the most effective alternative. The applicant states it considered staying in the current location; however, this alternative does not promote positive and forward-thinking healthcare. FMC-Brandon points out that in the past 12 months FMC Brandon has operated at a 100% occupancy rate. The applicant further states that the lowest occupancy rate in the past 12 months was 63.5%.

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

The applicant submits that the charges will remain the same between the current facility and the relocated one; projected levels of utilization are reasonably consistent with those experienced by similar facilities in the service area and the applicant at its current facility. The applicant anticipates utilization to slightly increase with the addition of stations.

The applicant anticipates utilization to be 53.3% in year 1, 69.2% in year 2, and 80% in year 3 after completion of the project. In addition, the applicant projects net incomes of \$1,102,761, \$1,713,153, and \$2,146,740 for the first, second and third years, respectively, with the relocation and addition of seven stations. Therefore, the project appears to be economically viable.

FMC-Brandon submitted a letter from the Senior Director Finance & Accounting, Joint Ventures Fresenius Medical Services, attesting to the financial viability of the project.

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

The applicant submits that dialysis services will 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.

The applicant states that no dialysis services will remain at the old location; however, because approximately two years remain on its current lease, it is anticipated that the existing facility will be used for storage, office space and staff training.

FMC-Brandon expects that utilization will remain substantially the same as dialysis is not an elective service but one that is required for patients with ESRD. The proposed project seeks to increase the availability to the applicant's growing patient base by adding seven stations. The applicant states that with the addition of the seven stations and the resulting availability of more desirable treatment slots, the facility's utilization may slightly increase.

The application contains 13 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 applicant will continue to provide such services to those Medicare, Medicaid, and medically indigent ESRD patients residing in the Rankin County area after its relocation. FMC-Brandon further states that patients without a payor source receive federal benefits after a 90-day waiting period. The 90-day waiting period results in what the applicant considers medically indigent/charity care.

The hours of operation are from 6:30 a.m. to 4:30 p.m., six days per week. Alternate times of Operation are available by arrangement.

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

FMC-Brandon 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**

FMC-Brandon states that it currently provides dialysis services to the target population at its existing ESRD facility located at 141 Gateway Drive, Brandon, Mississippi. The new facility will be located less than one (1) mile from the existing facility. The nearest facility offering dialysis services (NRI Brandon) is located approximately 2.1 miles away in Rankin County.

Because the applicant proposes to relocate an existing facility within one mile of its current location, it is not expected to have an adverse affect on the NRI Brandon facility.

The applicant submits that failure to implement the proposed project will result in patients continuing to receive life-saving treatments in an unaccommodating atmosphere.

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

The applicant states that it has successfully recruited the personnel necessary for the efficient operation of the facility. Current personnel will remain on staff during and after relocation. FMC-Brandon states that in the event there is a shortage of staff, the applicant's affiliation with other ESRD facilities will allow the applicant to supplement and share personnel from the other facilities when necessary. The applicant states it also has established relationships with nearby nephrologists who will support the proposed 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 including: laboratory services, drugs, and any other necessary services related to the method in which a patient chooses to receive dialysis services.

Costs and charges are expected to remain the same after the relocation of the existing ESRD facility.

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

The applicant states that FMC-Brandon will cooperate with health professional training programs in the surrounding area.

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

FMC-Brandon asserts that the facility will cooperate 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 and will continue to provide quality care to its patients.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

Item	Estimated Cost	% of Total*
New Construction	\$2,161,440	41%
Renovation	1,320,880	25%
Capital Improvements	0	
Fixed Equipment	250,000	5%
Non-Fixed Equipment	285,449	5%
Land Cost	500,000	10%
Site Preparation	0	
Fees (Architectural, consultant, etc.)	313,409	6%
Contingency Reserve	401,777	8%
Capitalized Interest	0	
Other	0	
<b>Total Proposed Capital Expenditure</b>	<b>\$5,232,955</b>	<b>100%</b>

\*Totals may not compute due to rounding.

The above capital expenditure is proposed for the development of a 12,008 square foot facility by a developer. The applicant proposes to complete the newly constructed space for the operation of a 30-station dialysis facility. Usable space to be completed is approximately 11,540 square feet. See Attachment 2 for calculation of the project's cost per square foot. The RS Means Construction Cost Data 2014 edition does not compare cost of ESRD facilities.

**B. Method of Financing**

The applicant proposes to finance the project with cash reserves. The consolidated statements of cash flow contained in the application indicate that sufficient cash is available for the project.

**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**

FMC-Brandon provides the following revenue source projections for each payor category listed below (with project):

<b>Payor Mix</b>	<b>Utilization Percentage (%)</b>	<b>First Year Revenue (\$)</b>
<b>Medicare</b>	63%	\$ 3,176,764
<b>Medicaid</b>	2%	87,596
<b>Commercial</b>	32%	1,596,522
<b>Self Pay</b>	0	-
<b>Charity Care</b>	0	-
<b>Other</b>	<u>3%</u>	<u>166,308</u>
<b>Total</b>	<b>100%</b>	<b>\$ 5,027,190</b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. The Division of Medicaid commented that it foresees no increase in allowable costs to Medicaid as a result of the project; therefore, the Division does not oppose this project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the overall objectives, criteria and standards of the *2015 Mississippi State Health Plan*, with regard to relocation and expansion of ESRD facilities; 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 Bio-Medical Applications of Mississippi, Inc., d/b/a Fresenius Medical Care Dialysis Services of Rankin County - Brandon for the Relocation of ESRD Facility within one Mile and Expansion of ESRD Stations.

**ATTACHMENT 1**

**Bio-Medical Applications of Mississippi, Inc.  
 d/b/a Fresenius Medical Care Dialysis Services of Rankin County-Brandon  
 Relocation of ESRD Facility within One Mile  
 and Expansion of ESRD Stations  
 Three-Year Projected Operating Statement (WITH PROJECT)**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Patient Revenue:			
Inpatient	0	-	-
Outpatient	\$ 5,027,190	\$ 6,634,370	\$ 7,769,105
<b>Gross Patient Revenue</b>	<b>\$ 5,027,190</b>	<b>\$ 6,634,370</b>	<b>\$ 7,769,105</b>
Charity Care	-	-	-
Deductions	-	-	-
<b>Net Patient Revenue</b>	<b>\$ 5,027,190</b>	<b>\$ 6,634,370</b>	<b>\$ 7,769,105</b>
Other Operating Revenue	-	-	-
<b>Total Operating Revenue</b>	<b>\$ 5,027,190</b>	<b>\$ 6,634,370</b>	<b>\$ 7,769,105</b>
<b>Expenses</b>			
Operating Expenses:			
Salaries	\$ 894,607	\$ 1,186,401	\$ 1,396,216
Benefits	313,112	415,240	488,676
Supplies	1,019,678	1,433,557	1,670,542
Services	-	-	-
Lease	445,306	445,306	445,306
Depreciation	346,350	346,350	346,350
Interest	-	-	-
Other	833,376	1,094,363	1,275,276
<b>Total Expenses</b>	<b>\$ 3,924,429</b>	<b>\$ 4,921,217</b>	<b>\$ 5,622,365</b>
<b>Net Income (Loss)</b>	<b>\$ 1,102,761</b>	<b>\$ 1,713,153</b>	<b>\$ 2,146,740</b>
<b>Assumptions</b>			
Inpatient days*			
Outpatient days*			
Procedures	14,975	19,470	22,464
Charge/outpatient day			
Charge/inpatient day			
Charge/procedure	\$ 336	\$ 341	\$ 346
Cost /inpatient day			
Cost /outpatient day			
Cost /procedure	\$ 262	\$ 253	\$ 250

**ATTACHMENT 2**

**Bio-Medical Applications of Mississippi, Inc.  
 d/b/a Fresenius Medical Care Dialysis Services of Rankin County-Brandon  
 Relocation of ESRD Facility within One Mile  
 and Expansion of ESRD Stations  
 Computation of Construction and/or Renovation Cost**

<b>Cost Component</b>	<b>Total</b>	<b>New Construction</b>	<b>Renovation</b>
New Construction Cost	\$2,161,440	\$2,161,440	
Renovation Cost	\$1,320,880		\$1,320,880
Total Fixed Equipment Cost	\$250,000	\$250,000	\$0
<b>Total Non-Fixed Equipment Cost</b>	<b>\$285,449</b>		
<b>Land Cost</b>	<b>\$500,000</b>	<b>\$500,000</b>	
Site Preparation Cost	\$0	\$0	
<i>Fees (Architectural, Consultant, etc.)</i>	\$313,409		<i>\$313,409</i>
<i>Contingency Reserve</i>	\$401,777		<i>\$401,777</i>
<i>Capitalized Interest</i>	\$0	<i>\$0</i>	<i>\$0</i>
<i>Other</i>	\$0	<i>\$0</i>	
<b>Total Proposed Capital Expenditure</b>	<b>\$5,232,955</b>	<b>\$2,911,440</b>	<b>\$1,320,880</b>
Square Footage	<b>12,008</b>	12,008	11,540
<i>Allocation Percent</i>		<i>NA</i>	<i>100%</i>
<b>Costs Less Land, Non-Fixed Eqt., Other</b>	<b>\$4,447,506</b>	<b>\$2,911,440</b>	<b>\$1,320,880</b>
<b>Cost Per Square Foot</b>	<b>\$385.40</b>	<b>\$200.95</b>	<b>\$176.44</b>

Source: Mississippi Certificate of Need Review Manual, Revised 2011 and FY 2015 MSHP.

Note: The FMC Brandon facility will be constructed by a developer and renovated by the applicant; therefore, staff allocated the cost of construction between the two parties.

**ATTACHMENT 3**

**Bio-Medical Applications of Mississippi, Inc.  
 d/b/a Fresenius Medical Care Dialysis Services of Rankin County-Brandon  
 Relocation of ESRD Facility within One Mile  
 and Expansion of ESRD Stations**

**Utilization by Month May 2014 – April 2015**

<b>Month</b>	<b>Stations</b>	<b>Treatment</b>	<b>Utilization</b>
May	21	1,152	70.3%
June	21	1,087	66.4%
July	21	1,159	70.8%
August	21	1,149	70.1%
September	21	1,131	69.0%
October	21	1,187	72.5%
November	21	1,040	63.5%
December	21	1,251	76.4%
January	21	1,149	70.1%
February	21	1,122	68.5%
March	23	1,274	71.0%
April	23	1,260	70.2%
<b>Total</b>	<b>21.3</b>	<b>13,961</b>	<b>69.9%*</b>

**\*Average of the above referenced utilization percentages**

Source: Bio-Medical Applications of Mississippi, Inc. CON Application