

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

**CON REVIEW HG-NIS-0214-001
METHODIST HEALTHCARE-OLIVE BRANCH
PERCUTANEOUS CORONARY INTERVENTION (PCI) SERVICES
ABSENT OPEN-HEART SURGERY SERVICES
LOCATION: OLIVE BRANCH, DESOTO COUNTY, MISSISSIPPI
CAPITAL EXPENDITURE: \$0**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Methodist Healthcare-Olive Branch Hospital (MH) is located in Olive Branch, Desoto County, Mississippi (MS) and is a short-term, licensed general medical/surgical organization, hospital owned by a not-for-profit corporation. Methodist Healthcare-Olive Branch Hospital received Certificate of Need authority to construct a 100 bed hospital; however, only 60 beds of the 100 beds are operational. The facility is wholly-owned and operated by a parent organization, Methodist Le Bonheur Healthcare (MLBH). The parent organization also has ownership interest in multiple health care facilities in West Tennessee, North MS, and East Arkansas.

Methodist Healthcare-Olive Branch Hospital is certified to participate in the Medicare and Medicaid programs and six officers/directors govern the facility. The applicant provided a Certificate from the Secretary of State's Office dated April 15, 2008 and it verifies the hospital is in good standing with the with the State of Mississippi, Office of the Secretary of State. The document also shows that MH received a non-profit charter incorporation/certificate of authority in 1998.

The applicant states that the hospital opened in August 26, 2013 and MH did not treat inpatients and outpatients until December 2013. Thus, MH does not have utilization figures/rates for 2010 though 2012.

B. PROJECT DESCRIPTION

Methodist Healthcare-Olive Branch Hospital requests CON authority for the Department to grant MH an exception to provide Percutaneous Coronary Intervention (PCI) procedures in their existing cardiac cath lab without having an operational heart surgery services on-site.

The applicant asserts that MH applied for a Certificate of Need (CON) to construct a hospital and provide obstetrical services, diagnostic and therapeutic cardiac catheterizations (cath) services, open-heart surgery services, and magnetic resonance imaging (MRI) services.

The applicant states that MH received CON authority on July 29, 2010 for the above services under the project below:

CON REVIEW: HG-CB 0909-023
Methodist Healthcare-Olive Branch Hospital
Construction/Establishment of a 100-Bed Acute Care Hospital,
MRI, Therapeutic Cardiac Catheterization and Open-Heart
Surgery Equipment and Services
Capital Expenditure: \$137,080,000
Location: Olive Branch, Desoto County, Mississippi

As previously mentioned, MH opened in August 2013 and it operates 60 of 100 approved beds; however, space for the remaining 40 beds is shelved space and will be occupied as the volume demand increases. Methodist Healthcare-Olive Branch Hospital asserts its emergency, obstetric and diagnostic cath services are currently operational.

Upon receiving CON authority for the project listed above, the applicant states that MH is a provider of diagnostic and therapeutic cardiac catheterization (cath) services with open-heart surgery services. At the time of approval, no policy statements or CON Criteria and Standards were available for a hospital to provide PCI service without open-heart surgery services.

Since the *FY 2014 Mississippi State Health Plan* (MSHP) provides language to address PCI services without open heart surgery services, MH requests approval from the Department to provide PCI services, if it is warranted. The applicant asserts that although MH was approved for open-heart surgery services, the program is not yet operational. However, MH opened its cath lab in September 2013 and performed 50 cardiac cath procedures before the end of 2013.

If the proposed project is approved, MH affirms that providing PCI service without surgery capabilities will allow patients to receive both diagnostic caths and PCI services in one location (hospital) until their open-heart surgery program becomes operational. The applicant states that patients who need open-heart services can be transferred to Tennessee Methodist facilities, which are located within close proximity of MH.

The applicant states that the proposed PCI services will eventually provide open-heart surgery capabilities in Cardiac Catheterization/Open Heart Surgery Planning Area (CC/OHSPA) 1; however, currently, there is only one hospital, with three cath labs within a 45 mile radius of MH that is operating in CC/OHSPA 1.

The applicant asserts that the proposed project will not involve any new construction or renovation or equipment costs.

The applicant states no capital expenditure is required for the proposed project; however, a three-year projected operating statement and audited financial statements from 2010 through 2012 were included in the application. As a result of this project, the applicant projects that 6.5 full-time equivalents (FTEs) will be required for the proposed project at a cost of \$458,262.

The applicant received site approval for the proposed project from the Mississippi State Department of Health, Division of Licensure and Certification. As note, MH asserts that the cardiac lab is fully constructed and is operational and is equipped for diagnostic and therapeutic cardiac catheterization (cath.) procedures. The applicant states that all funding or capital costs associated with proposed PCI service have been approved under the project referenced above, CON Review Number: HG-CB 0909-023.

The applicant anticipates that the proposed PCI service project will be implemented immediately upon final approval of the proposed project.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the Acquisition or Otherwise Control of Therapeutic Cardiac Catheterization Equipment and/or the Offering Of Therapeutic Cardiac Catheterization Services under the applicable statutory requirements of Sections 41-7-173, 41-7-191 (1)(d)(ii), 41-7-193 and 41-7-195, Mississippi Code of 1972, 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 June 18, 2014.

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

A. State Health Plan (SHP)

The *FY 2014 Mississippi State Health Plan (MSHP)* contains criteria and standards for Cardiac Catheterization Services and Open-Heart Surgery Services and the Acquisition or Otherwise Control of Cardiac Catheterization Equipment and/or the Offering of Cardiac Catheterization Services.

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.

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

The cardiac catheterization narrative in Chapter 5 of the *MSHP* under 114 discusses cardiac catheterization and two disciplines: cardiac catheterization and angiography and lists various therapeutic interventions. It also states that any facility performing diagnostic cardiac catheterizations without open-heart surgery capability must:

- maintain formal referral agreements with a nearby facility to provide emergency cardiac services, including open-heart surgery
- must also delineate the steps it will take to ensure that high-risk or unstable patients are not catheterized in the facility
- must document that more complex procedures are not performed in the facility; such procedures include, but are not limited to:
 - percutaneous coronary interventions (PCI)
 - transseptal puncture
 - transthoracic left ventricular puncture
 - myocardial biopsy.

The MSHP provides a numbered list of Joint Policy Statements under 115.01 for the criteria and standards referenced above relating to the proposed project. The narrative lists two goals and five standards MSDH adopted to further the goals.

As mentioned under the *Project Description*, Methodist Healthcare-Olive Branch Hospital states that the MH was approved for the Acquisition or Otherwise Control of Therapeutic Cardiac Catheterization Equipment and/or the Offering of Therapeutic Cardiac Catheterization Services; and the Acquisition or Otherwise Control of Open-Heart Surgery Equipment and/or the Offering of Open-Heart Surgery Services.

The hospital is now proposing to provide primary and elective percutaneous coronary intervention (PCI) services at the hospital. The hospital states MH has open-heart surgery capabilities; however, the program is not operational and will provide the service at a later time as the other hospital(s) in CC/OHSPA 1.

The applicant asserts that MH is located in CC/OHSPA 1 and it consists of the following counties: DeSoto, Marshall, Panola, Tate, and Tunica. The *FY 2014 State Health Plan* shows that these five counties have a 2015 projected population of 311,111 and DeSoto County has a population projection of 196,459. Since the population base is 311,111, the population base standard for CC/OHSPA 1 exceeds the minimum 100,000 listed in the first standard shown.

SHP Criterion 1 - Need

Methodist Healthcare-Olive Branch Hospital documented a minimum population base of 100,000 in the CC/OHSPA 1, where the proposed therapeutic cardiac catheterization equipment/service is to be located. The Division of Health Planning and Resource Development's population projection for CC/OHSPA 1 is 311,111 and is based on the 2015 population projection listed in the *FY 2014 MSHP*. For CC/OHSPA 1, the 2015, 2020, and 2025 population projections are reported by the applicant as 304,349, 331,789, and 353,550, respectively. The growth rate for the projected time period listed above is 16.2%.

The *FY 2014 MSHP* shows that MH is located in CC/OHSPA 1 and the area consists of the following counties: DeSoto, Marshall, Panola, Tate, and Tunica. The applicant's information in the application coincides with the number of counties located in CC/OHSPA 1; however, MH provides the following breakdown of their specific service areas:

Primary Service Area	Secondary Service Area	Third Service Area
DeSoto County	Marshall County Tunica County Tate County	Panola County Lafayette County Benton County

Based on the applicant's information, MH states its owner and parent organization, Methodist Le Bonheur Healthcare is the largest healthcare provider and the populations that they serve have diverse socio-economic characteristics. The applicant states that MH serves populations in the service areas listed above, other states that border DeSoto County, and the North MS area. For projected 2015 and 2025 populations, the applicant provides statistical information to show that the Olive Branch population will increase by over 42,000 new residents (22 percent), while north MS continues to rapidly grow. With this in mind, MH asserts that ages 55 years and older will increase by over 26,000 persons; thus, this age population will need cardiac care.

Since the hospital opened in August of 2013, MH evaluated its initial volume of 700 inpatients/observations, 7,000 outpatients, and determined that patients are electing to seek treatment closer to home rather than the Methodist Le Bonheur Healthcare system in the Memphis area.

With the delivery of acute care services to the patients in the North MS area, the applicant affirms that the service will reduce the need for patients to travel to other Methodist Le Bonheur Healthcare facilities in the TN area. As a result, MH believes the hospital will retain more acute care patients and will attract additional healthcare providers and specialists to the service area.

Methodist Healthcare-Olive Branch Hospital asserts that heart disease is the leading cause of death in MS and based on the 2011 use rate for cardiac cath procedures for the projected population of 2025, MH predicts that almost 7,000 cath procedures will be performed in CC/OHSPA 1. Hence, MH states almost twice as many cath procedures will be performed that the volumes performed by existing providers in 2012. The applicant believes that cardiovascular services are in high demand in CC/OHSPA 1 based on the statistics MH reported below:

Mississippi				
Disease	Ranking for Leading Causes of Deaths	Year	Percentage of Deaths Accounted For	Prevalance
Heart Disease and Stroke	1st	2011	26%	
High Blood Pressure	5th	2011	5%	41%
High Cholesterol		2009		39%

To determine if there is a need for the proposed PCI services without open-heart surgery services on-site, MH conducted a survey to gather information on DeSoto County residents. The survey revealed that there is a high prevalence of cardiovascular disease, high blood pressure, and high cholesterol. The applicant also reports that smoking and obesity are linked to cardiovascular disease. The results of the survey revealed that healthcare disparities exist between residents who earn at or slightly less than \$40,000 versus households which are considered low-income households.

Based on the data reported below in the *FY 2014 MSHP*, there is only one hospital in CC/OHSPA 1. The applicant asserts that MH did not open until August 2013; however, their cath lab did not become operational until September 2013. The hospital reported that MH performed 50 cardiac cath procedures before the end of 2013.

Table 5-10
Cardiac Catheterizations by Facility and Type
by Cardiac Catherization/Open Heart Planning Area (CC/OHSPA)
FY 2011 and FY 2012

Facility	County	Total Adult Procedures		Total Pediatric Procedures		Total PTCA Procedures		# Labs
		2011	2012	2011	2012	2011	2012	
CC/OHSPA 1		2,848	2,928	0	0	966	0	3
Baptist Memorial Hospital-DeSoto	DeSoto	2,848	2,928	0	0	966	0	3

Source: FY 2014 MSHP

Methodist Healthcare-Olive Branch Hospital states that access to facilities by Olive Branch residents and other northern communities are hindered by long commute times. The applicant asserts that any delay in distance and heavy traffic will pose problems for residents to access care in the DeSoto area or other MLBH hospitals in the neighboring state of TN. The applicant points out residents of DeSoto County and in the northern communities of MS rely on accessible acute care, emergency, and cardiovascular services.

Based on MH's assessments, most DeSoto County and northern MS residents have Cigna commercial insurance coverage through contracts with MLBH; however, before MH was constructed and opened, Olive Branch residents who were insured with Cigna had to travel outside the State of MS to access care from the MLBH hospitals in TN. Since MH opened in August 2013, the applicant projects that MS residents insured by MLBH payors can now seek acute and emergency care in MS.

SHP Criterion 2 - Minimum Procedures

An applicant proposing the establishment of therapeutic cardiac catheterization services shall demonstrate that the proposed equipment/service utilization will be a minimum of 450 cardiac catheterizations, both diagnostic and therapeutic, per year by its third year of operation and a minimum of 100 total PCIs.

Methodist Healthcare-Olive Branch Hospital affirms that the facility performs more than 975 diagnostic and therapeutic cardiac cath procedures for Mississippi residents utilizing Methodist facilities in TN. The applicant projects that MH will perform the following procedures for 2015, 2016, and 2017 relating to CC/OHSPA 1:

- 253, 303, and 355 diagnostic cardiac catheterizations
- 170, 205, and 240 PCIs
- 423, 508, and 595 total cath procedures

SHP Criterion 3 - Impact on Existing Providers

An applicant proposing to acquire or otherwise control therapeutic cardiac catheterization equipment and/or offer therapeutic cardiac catheterization services shall document that each existing unit which is (a) in the CC/OHSPA and (b) within 45 miles of the applicant, has been utilized for a minimum of 450 procedures (both diagnostic and therapeutic) per year for the two most recent years as reflected in data supplied to and/or verified by the Mississippi State Department of Health.

The table below from the *FY 2014 MSHP* shows the number of procedures reported by each facility in CC/OHSPA 1. The applicant asserts that MH meets the requirement listed under this criterion. The applicant states that the MH only performed 50 cardiac cath procedures from September 2013 through 2013 and utilization is not available before that time period. However, the existing facility in CC/OHSPA 1 has three cath labs, which performed over 450 procedures per unit for FY 2011 and 2012; 949 and 979 per unit for the same period (see table below). Staff contends that MH is located in Olive Branch, MS and Baptist Memorial Hospital is located in Southaven, MS; thus, both facilities are located within 45 miles of each other.

Table 5-10
Cardiac Catheterizations by Facility and Type
by Cardiac Catheterization/Open Heart Planning Area (CC/OHSPA)
FY 2011, and FY 2012

Facility	County	Total Adult Procedures		Total Pediatric Procedures		Total PTCA Procedures		# Labs
		2011	2012	2011	2012	2011	2012	
CC/OHSPA 1		2,848	2,928	0	0	966	0	3
Baptist Memorial Hospital-DeSoto	DeSoto	2,848	2,928	0	0	966	0	3

Source: *FY 2014 MSHP*

The applicant provided calculations for diagnostic and therapeutic cardiac cath services based on MH's seven county service area, the 2015 and 2025 projected population for those counties, and the 2012 procedures reported for CC/OHSPA 1. For 2015 and 2025 projected years, MH determined that 5,800 and 7,000 cath procedures will be performed in the same respective years.

Based on the number of cath procedures performed in CC/OHSPA 1, the number of cath procedures per unit for the same area, and the projections listed above, MH asserts that the hospital will perform an adequate amount of procedures to support their diagnostic and PCI cardiac cath program without detrimentally impacting existing provider(s) in CC/OHSPA 1. The applicant believes that MH projections show that there is a need for additional capacity in order to provide sufficient healthcare services to the residents in CC/OHSPA 1.

The hospital is not owned and/or operated by the state or its agencies.

SHP Criterion 4 - Staffing Standards

The applicant affirms that MH will provide sufficiently trained and experienced professional staff and will also evaluate the performance of the training programs. The Mississippi State Department of Health staff shall use guidelines presented in the *Optimal Resources for Examination of the Heart and Lungs: Cardiac Catheterization and Radiographic Facilities*, published under the auspices of the Inter-Society Commission for Heart Disease Resources, as resource materials when reviewing these items in an application.

SHP Criterion 3 - Staff Residency

The applicant asserts that medical staff performing therapeutic cardiac catheterization procedures will be onsite within thirty (30) minutes.

SHP Criterion 6 - Recording and Maintenance of Data

Methodist Healthcare-Olive Branch Hospital asserts that the facility shall provide, as required under licensure standards, written assurance that the facility will record and maintain separate utilization data for diagnostic and therapeutic cardiac catheterization procedures (e.g., morbidity data, number of diagnostic and therapeutic cardiac catheterization procedures performed and mortality data, all reported by race, sex and payor status) and make that data available to the Mississippi State Department of Health annually.

SHP Criterion 7 - Open-Heart Surgery

The criterion states that an applicant proposing the establishment of therapeutic cardiac catheterization services shall document that open-heart surgery services are available or will be available on-site where the proposed therapeutic cardiac catheterization services are to be offered before such procedures are performed. However, qualified applicants may submit an application to perform percutaneous coronary intervention (PCI) services in a hospital without on-site cardiac surgery.

To qualify, Methodist Healthcare-Olive Branch Hospital asserts that the facility will meet the current American College of Cardiology (ACCF), American Heart Association Task Force on Practice Guidelines (AHA) and the Society of Cardiovascular Angiography and Interventions (SCAI)-ACCF/AHA/SCAI Guideline for Percutaneous Coronary Intervention and the following:

- a. Methodist Healthcare-Olive Branch Hospital asserts the facility will comply with performing a minimum of 50 total PCIs per year/per primary operator (physicians), including 12 primary PCIs per year/per facility.

- b. The applicant states that qualified operators will have a life-time experience of greater than 150 total PCIs with acceptable outcomes as primary operator after completing fellowship or have completed an Interventional Cardiology fellowship.
- c. The facility asserts that it will use a minimum of less than 120 minutes to accomplish transfer from the onset of PCI complications to cardiopulmonary bypass. The facility's program affirms that MH will have a formal emergency transfer agreement(s) with a hospital(s) providing open-heart surgery. While transporting a patient to the receiving hospital,
- d. MH affirms that it will ensure the availability of an intra-aortic balloon pump (IABP).

The applicant asserts that Methodist Le Bonheur Germantown Hospital in Germantown, TN and Methodist University Hospital in Memphis, TN, which are located 12 miles and 20 miles, will accept all transfers from MH concerning PCIs patients who need open-heart surgery services.

- e. Methodist Healthcare-Olive Branch Hospital provides projections to show that the facility will annually perform a minimum of 100 total PCIs per year (see below):
 - For 2016, MH projects 304 diagnostic procedures and 205 PCI procedures for an excess of 450 cath procedures by year 2 or 508 total cath;
 - For years 2015, 2016, and 2017, the projected inpatient and outpatient cath utilization for the same projected years will to be 170, 205, and 240, respectively.
- f. The applicant affirms that the proposed MH program will participate in the STEMI ("ST"-Segment Elevation Myocardial Infarction) Network.
- g. The applicant asserts that MH will perform primary PCI procedure 24 hours per/365 days per year.

SHP Criterion 8 - Regulatory Approval

Methodist Healthcare-Olive Branch Hospital verified that MH has approval to provide cardiac catheterization equipment or service. As a note, MH states that the cardiac cath equipment is installed and is operational. The applicant states MH is now seeking CON approval by the Mississippi State Department of Health to provide PCI services without open-heart surgery services on-site.

SHP Criterion 9 - Provision of Diagnostic Catheterization Services

Methodist Healthcare-Olive Branch Hospital asserts it is an existing provider of diagnostic cardiac cath services; however, MH does not have data to demonstrate that a diagnostic cardiac catheterization unit has been utilized for a minimum of 300 procedures per year for the two most recent years because the hospital opened in August 2013. The facility reports that MH performed 50 cardiac cath procedures in the 1st quarter of 2013.

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.

GR Criterion 1 - State Health Plan (SHP)

The *State Health Plan* contains criteria and standards for the following regarding the proposed MH: Acquisition or Otherwise Control of Therapeutic Cardiac Catheterization Equipment and/or the Offering of Therapeutic Cardiac Catheterization Services.

As previously mentioned, the applicant asserts that MH was approved for the above referenced services and equipment; however, now MH is proposing to provide percutaneous coronary intervention (PCI) services at the hospital without open-heart surgery capabilities. Although MH has CON authority for the services and equipment above and has open-heart surgery capabilities, the open-heart surgery program is not operational as of the filing date of the application. Methodist Healthcare-Olive Branch Hospital states the facility will provide open-heart surgery services at a later time.

Staff contends that the proposed PCI services in DeSoto County, CC/OHSPA 1 does foster the health planning purpose of increasing the accessibility, acceptability, continuity, and quality of health services.

GR Criterion 2 - Long Range Plan

The applicant states that MHLB has hospitals in Shelby and Fayette Counties in TN and DeSoto County, MS and these locations are a part of the facility's mission to provide multiple entry points to acute care for communities regardless of each patient's social or economic status. Methodist Healthcare-Olive Branch Hospital considers the hospital to be a tri-state healthcare provider and has procedures in place to monitor and assess the needs of the community.

To determine if there is a need for the proposed PCI services without open-heart surgery services on-site, MH conducted a survey to gather information on DeSoto County residents.

Methodist Healthcare-Olive Branch Hospital asserts that proposing to provide PCI services without open-heart services on-site and performing diagnostic caths will allow the hospital to address the medical conditions listed above under in *SHP 1 –Need* above. The applicant affirms that that the proposed project will also allow MH to accomplish its long-range plan and financial/strategic commitments of providing high quality health/cardiac care to residents in CC/OHSPA 1.

The applicant asserts that the proposed project is consistent with MH's long-range goals/objectives. The proposed project only seeks for MH to provide PCI services without open-heart surgery services on-site.

GR Criterion 3- Availability of Alternatives

The applicant indicated that MH considered continuing to provide diagnostic caths; however, this option would pose a problem for patients. In this scenario, MH states that it is customary for a medical professional to first perform a diagnostic cath procedure on a patient and if need be, have the capabilities to perform a PCI procedure during the same encounter. If MH decided to continue to provide diagnostic caths without PCI services to patients, patients would have to transfer from MH to one of the two TN hospital locations and reschedule to have the PCI procedure performed on another date. The applicant believes this option is not the best practice for patients.

By providing a diagnostic caths and PCI services to patients at the same location until MH's open-heart surgery program is operational, MH affirms that the proposed project will maintain a continuity of care for its patients, clinicians, and physicians.

The proposed project does not require MH to modernize the existing facility or involve new construction. Staff determined that Baptist Memorial Hospital-DeSoto County (BMHDC) is the only facility in the *FY 2014 MSHP* that provides cardiac catheterization services in CC/OHSPA 1.

The applicant asserts that if the proposed project is approved, MH will increase access to both diagnostic cath and PCI services, eliminate a duplication of services, and enhance services already provided at the hospital. In addition, MH states that the project will also improve outcomes, reduce cost to patients and payers while providing a continuity of care.

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 *FY 2014 MSHP* shows that BMHDC is a hospital in Mississippi that offers cardiac catheterization services in CC/OHSPA 1. To determine the projected charges for PCI services without open-heart surgery on-site, MH asserts that it analyzed other Methodist Le Bonheur Healthcare hospitals and asserts that MH will adopt a charge structure similar to that of other hospitals in the Methodist system. The applicant states that normal rate increases are applied to current charges to project the proposed charges (see financial assumptions below):

Inpatient and Outpatient Revenue

- For years 2015, 2016, and 2017, the projected inpatient and outpatient cath utilization for the same projected years will to be 170, 205, and 240, respectively.

Payor Mix (Projected Discharge Payor Mix Percentage)

- Medicare – 35%
- Medicaid - 6%
- Charity - 4%
- Commercial/Other 55%

Operating Expense Attributed to Proposed Project (Minimal Increases)

- Salaries & Benefits – 2.5%
- Supplies – 2%
- Contract Services – 2%

The applicant asserts that MH's projected levels of utilization are based on actual patient volumes and a plan for a shift of volumes from Methodist Le Bonheur Healthcare providers in TN. Methodist Healthcare-Olive Branch Hospital states there is a need of additional cardiac cath services in northern MS and is listed throughout MH's application. Their results determined that MHs projections are reasonable, represent the current utilization and forecast what will be expected in CC/OHSPA 1. The applicant asserts MH's owner and parent company, Methodist Le Bonheur Healthcare, will support the service in case the project fails.

The applicant states that the proposed project will not have an impact on the overall cost of healthcare nor gross revenues or Medicaid expenses per procedure.

The proposed project does not have a capital expenditure that exceeds \$2,000,000. Since MH opened in August 2013, MH did not provide statements from the last three-year historical period; however, MH provided Methodist Le Bonheur Healthcare and Affiliates' audited, combined financial documents and statements for 2010 through 2012. The proposed project appears to be economically viable based on the financial documents,

GR Criterion 5 - Need for the Project

The applicant affirms that the population in Olive Branch, Desoto County, Mississippi and CC/OHSPA 1 residents (including low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly) will have access to MH proposing to provide Percutaneous Coronary Intervention (PCI) procedures. If the proposed project is CON approved by the Department, MH will perform PCI procedures in their existing cardiac cath lab without having an operational heart surgery services on-site.

As previously mentioned, the proposed project is not an establishment of a new facility or relocation of an existing facility. In CC/OHSPA 1, the FY 2014 MSHP shows that an existing hospital located in area 1 has a cardiac cath program. Based on the information reported in the application, Methodist Healthcare-Olive Branch Hospital nor other hospitals in the facility's defined service area offer PCI services without open heart surgery. Thus, there are no existing facilities providing similar services.

Narrative and tables under *SHP Criterion 1 - Need*, *SHP Criterion 2 – Minimum Procedures*, and *SHP Criterion 3 - Impact on Existing Providers* discuss methodologies used relating to this criterion and the results from the methodologies.

The applicant submitted about 10 endorsement letters from community officials and individuals expressing their reaction to the proposal.

GR Criterion 6- Accessibility

Methodist Healthcare-Olive Branch Hospital affirms that the proposed facility will be in compliance with federal and state regulations in regard to serving all patients in CC/OHSPA 1 and the tri-state service area regardless of race, creed, sex, or ability to pay.

The applicant projects that 8% of the patients served at MH will be medically indigent and charity care patients. As a note, the hospital doesn't separate the numbers for each of those categories. The applicant indicates that the expected payor mix by type payor will be as follows: Medicaid, 14%; Medicare, 38%; Commercial, 39%; Self Pay, 0%; Charity Care, 8%; and *other, 0% (*applicant's payor percentages in the application are off by 1 percent due to rounding).

If the proposed project is approved, MH states patients will be able to access cath and PCI services at one location. The application includes MH's admission policy and indicates that the hospital in Olive Branch is accessible to CC/OHSPA 1 residents 24 hours per day. The applicant asserts that since MH will participate in the STEMI network, the hospital will be operational 365 days/year.

GR Criterion 7- Information Requirement

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

GR Criterion 8 - Relationship to Existing Health Care System

The applicant indicates that one hospital in CC/OHSPA 1 provides cardiac cath services. As mentioned previously, MH was CON approved for the Acquisition or Otherwise Control of Therapeutic Cardiac Catheterization Equipment and/or the Offering of Therapeutic Cardiac Catheterization Services; and the Acquisition or Otherwise Control of Open-Heart Surgery Equipment and/or the Offering of Open-Heart Surgery Services. Although MH has the above listed services and its open-heart surgery program is not operational, MH is proposing to provide PCI services without open-heart capabilities at the hospital.

The applicant affirms that MH serves its primary area DeSoto County; however, the facility also provides healthcare services to residents in Marshall, Tunica, Tate, and Panola Counties. In addition, MH serves residents who reside in counties located outside of CC/OHSPA 1, Lafayette and Benton Counties.

Methodist Healthcare-Olive Branch Hospital affirms that there is only one other hospital in DeSoto County that would be comparable to the facility. On the other the other hand, Tunica County is the only county within MH's primary and secondary service area without a hospital. To address economic and health disparities located in any adjacent county without a hospital, MH has CON authority to also provide outpatient services to Tunica County. In this case, MH was approved to establish a hospital, other services, and set up a cardiac clinic in Tunica County in order to abide by CON requirements.

The applicant states it is important to continue to meet the needs of the Tunica County community by offering both diagnostic cath and PCI services at MH in Olive Branch. The applicant trusts that the proposed project will provide a continuum of cardiac cath services for the patients receiving outreach services in Tunica and other surrounding counties.

Refer to *SHP Criterion 1 - Need* and *SHP Criterion 3 – Impact on Existing Providers Need* for information and discussions which address GR Criterion 8. As stated in previous discussions, MH states the DeSoto County population is projected to rapidly increase over the next 10 years and asserts that there is a need for additional cardiac cath services in the service area to address the population increase.

If the proposed MH project is not approved, the applicant predicts that the DeSoto County population will continue to grow at a rapid pace, patients will have to travel to its TN facilities to receive PCI services, and in turn, this will place a resource strain on its TN facilities. Also, MH states that without the implementation of PCI services, it would hinder MH's ability to be a full service acute care facility.

The applicant affirms that MH has transfer agreements with Methodist Le Bonheur Germantown Hospital in Germantown, TN and Methodist University Hospital located in Memphis, TN.

GR Criterion 9 - Availability of Resources

The applicant asserts the following concerning staffing:

- Physicians are performing diagnostic cath procedures at MH,
- Hospital will provide sufficient trained/experienced professional staff,
- Hospital will evaluate the performance of the staffing program,
- Facility will staff 6.5 additional FTEs over the next few years,
- No clinical related contractual services are proposed for the project, and
- MH has the resources to effectively support the facility's staffing efforts.

Methodist Healthcare-Olive Branch Hospital affirms that its associates that routinely serve its patients and customers are MH's greatest assets and the facility has demonstrated an admirable staffing history. Over the last several years, MH asserts that the hospital has implemented a host of strategies focused on attracting and retaining qualified personnel. The applicant believes that it compares favorably with national benchmarks for low turnover and for nursing hours per patient day and RN skill mix.

The applicant asserts that 6.5 FTEs are projected for the proposed project at a cost of \$256,560.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts MH currently provides ancillary and support services and there will be no increase in the utilization of ancillary and support services as a result of this project.

GR Criterion 11- Health Professional Training Programs

The applicant states the facility's owner and parent company, Methodist Healthcare has clinical agreements with multiple colleges in various disciplines, training/medical/specialty programs, and about 1,400 students participate in these programs. Methodist Healthcare-Olive Branch Hospital asserts that the owner and parent company listed above heavily works in training programs in the Memphis area. Thus, staff believes it appears that the proposed project of MH will not have an adverse effect upon the health professional training programs in CC/OHSPA 1.

GR Criterion 12- Access by Health Professional Schools

The applicant asserts it currently works with health professional training programs in the area (See response under GR 11).

GR Criterion 14 - Construction Projects

The applicant contends no new construction or renovation is associated with the proposed project.

GR Criterion 15 – Competing Applications

Since there are no competing applications, no additional information is required to adhere to this criterion.

GR Criterion 16 - Quality of Care

The applicant affirms that Methodist Le Bonheur Healthcare has several accreditation and awards, certifications, and established quality improvement protocols to show its historical commitment to quality healthcare. By the implementation of the proposed project, the applicant believes that the project will improve and enhance the delivery of care by increasing services and providing a more comprehensive cardiac program. Methodist Healthcare-Olive Branch Hospital participates in the Medicare and Medicaid programs and is accredited by The Joint Commission.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

No capital expenditure or new construction or renovation is required for the proposed project.

B. Method of Financing

Methodist Healthcare-Olive Branch Hospital asserts that no capital expenditure is needed to fund the project because the applicant states

that all capital costs associated with the service have been approved through the approval of CON Review: HG-CB-0909-0213 for Methodist Healthcare-Olive Branch Hospital to establish the hospital.

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, Methodist Healthcare-Olive Branch Hospital provides the following revenue source projections for each payor category listed below:

Methodist Healthcare - Olive Branch Hospital		
Payor	Utilization Percentage	First Year Revenue
Medicaid	14.00%	\$31,887,543.66
Medicare	38.00%	\$86,551,904.22
Self Pay	0.00%	\$0.00
Commercial	39.00%	\$88,829,585.91
Charity	8.00%	\$18,221,453.52
Other *	1.00%	\$2,277,681.69
Total	100%	<u>\$227,768,169.00</u>

MH states that medically indigent and charity care are the same (8%). There is no bad debt included in charity revenues.

**NOTE: The applicant's payor percentages in the application are off by 1 percent due to rounding.*

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. The Division states that effective September 1, 2012, it changed the methodology by which it reimburses outpatient services so that the cost incurred, subsequent to that date, will no longer affect outpatient payments.

In addition, effective October 1, 2012, the Division changed the methodology by which it reimburses inpatient services so that the cost incurred, subsequent to that date, will only affect cost outlier payments. Based on the Division of Medicaid's analysis, the estimated increase in cost outlier payments resulting from this project cannot be determined at this time. The Division of Medicaid opposes this project.

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 this application submitted by Methodist Healthcare-Olive Branch Hospital to offer PCI services absent (without) open-heart surgery services.

ATTACHMENT 1

**Methodist Healthcare-Olive Branch Hospital
 Percutaneous Coronary Intervention (PCI) Services
 Absent Open-Heart Surgery Services**

Three-Year Projected Operating Statement (With Project

Revenue	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient Care Revenue	\$ 110,896,303	\$ 133,307,776	\$ 158,481,983
Outpatient Care Revenue	116,871,866	140,042,599	164,872,890
Gross Patient Care Revenue	\$ 227,768,169	\$ 273,350,375	\$ 323,354,873
Charity Care	\$ 18,690,075	\$ 22,534,884	\$ 26,750,231
Deductions from Revenue	160,612,680	194,581,253	232,238,732
Net Patient Care Revenue *	\$ 48,465,414	\$ 56,234,238	\$ 64,365,909
Other Operating Revenue	\$ (241,354)	\$ (244,384)	\$ (247,329)
Total Operating Revenue *	\$ 48,224,060	\$ 55,989,853	\$ 64,118,580
Operating Expense			
Salaries	\$ 18,713,088	\$ 21,118,442	\$ 23,623,216
Benefits	4,465,470	5,063,709	5,698,010
Supplies	8,601,259	10,061,686	11,609,804
Services	3,776,306	3,306,072	3,447,963
Lease	711,883	713,413	714,973
Depreciation	6,410,333	6,460,333	6,531,167
Interest	8,700	8,300	7,800
Other	4,919,242	5,177,576	5,478,212
Total Operating Expense	\$ 47,606,282	\$ 51,909,531	\$ 57,111,146
Net Operating Income (Loss) *	\$ 617,778	\$ 4,080,322	\$ 7,007,434
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient days	13,377	15,253	17,272
Outpatient visits	0	0	0
Procedures	0	0	0
Charge per outpatient day	0	0	0
Charge per inpatient day	\$ 8,290	\$ 8,740	\$ 9,176
Charge per procedure	0	0	0
Cost per inpatient day	\$ 3,559	\$ 3,403	\$ 3,307
Cost per outpatient day	0	0	0
Cost per procedure	0	0	0