

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
MAY 2016**

**CON REVIEW: ESRD-NIS-0316-006  
RCG MISSISSIPPI INC. D/B/A RCG OF PHILADELPHIA  
D/B/A NESHOPA COUNTY DIALYSIS  
ESTABLISHMENT OF A SATELLITE ESRD FACILITY  
CAPITAL EXPENDITURE: \$4,114,560.65  
LOCATION: PHILADELPHIA, NESHOPA COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**PROJECT SUMMARY**

**A. Applicant Information**

RCG Mississippi Inc. d/b/a RCG of Philadelphia d/b/a Neshoba County Dialysis is a business corporation. The applicant indicates that RCG of Philadelphia is governed by a two member Board of Directors and has fourteen officers.

The applicant provided a Certificate from the Secretary of State, verifying that the corporation was issued a Charter/Certificate of Authority on May 2, 2014. The document indicates that the business is incorporated in the State of Mississippi.

**B. Project Description**

RCG Mississippi Inc. d/b/a RCG of Philadelphia d/b/a Neshoba County Dialysis requests Certificate of Need (CON) authority to establish a ten (10) station, satellite End Stage Renal Disease ("ESRD") facility in Neshoba County.

The applicant states that the proposed ten-station ESRD facility will be relocated from RCG Philadelphia, an affiliated facility thirty-nine (39) station ESRD facility. The 2015 MS State Health Plan states that RCG Philadelphia facility has thirty-six (36) ESRD Stations. Conversely, RCG of Philadelphia received a Determination of Reviewability approval from the MS Department of Health to add three hemo-dialysis stations to its existing 36 stations on January 27, 2015; which brought the total number of hemo-dialysis stations for RCG of Philadelphia to 39. RCG Philadelphia is located at 105 Office Drive, Philadelphia, Mississippi.

The applicant indicates that the proposed satellite facility will be located off Hwy 16 on Central Drive (street number to be assigned) in Philadelphia, Neshoba County Mississippi. The applicant declares that the proposed satellite ESRD facility will be located within 4 miles of RCG Philadelphia and will be named Neshoba County Dialysis.

The applicant asserts that the developer (Young Developers d/b/a YB Neshoba, LLC) will construct a shell building to house the proposed satellite facility and thus the developer will be responsible for the costs associated with the exterior construction. The applicant further asserts that Neshoba County Dialysis will be responsible for only the costs associated with the interior build-out.

The applicant states that the proposed build-out will include interior studs, drywall, floor, wall and ceiling finishes, interior doors, casework, specialty items, plumbing, HVAC and electrical systems. The construction will comply with all ordinances and regulations with a usable square footage of 8,544. The applicant also states that the footprint of the building will be built to accommodate future growth, however only ten (10) stations will be relocated from the host 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 6.6 full-time equivalent employees at a total personnel cost of \$386,910.00. The applicant indicates cash reserves will be used to fund the project.

The applicant believes that the establishment of a satellite facility in Neshoba County will provide residents with a more convenient, accessible ESRD facility and relieve patient load at RCG Philadelphia and other Fresenius facilities.

The applicant foresees that the anticipated date for obligation of capital expenditure of the proposed project is within six (6) to nine (9) 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 June 6, 2016.

## 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*, RCG Philadelphia, an affiliated facility thirty-six (36) certified and CON approved stations.

The applicant declares that the proposed satellite ESRD facility will be located within 4 miles of RCG Philadelphia. The applicant states that the proposed satellite facility will be located off Hwy 16 on Central Drive (street number to be assigned) in Philadelphia, Neshoba County Mississippi. The application contained a map demonstrating the distance between the proposed facility and RCG Philadelphia.

The applicant is requesting CON approval for the establishment of a ten (10) station satellite ESRD facility in Neshoba 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 RCG Philadelphia is currently experiencing 56.72% 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 the proposed satellite facility will provide ESRD patients a new access point for dialysis services which will help reduce the overcrowding issues experienced at the nearby facilities and the host facility, enable patients to have flexibility with their appointment times, and improve parking and congestion

issues. The applicant believes that this redistribution of stations will also improve the efficiency of services provided to the patients utilizing the host facility and it will overall improve patient care; both in accessibility and efficiency. The applicant affirms that expansion is not possible because there is no available space for lease at the current location.

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

The applicant states that the expansion of the existing facility is not possible as there is no available space for lease at the current location. Therefore, the applicant states that the most cost effective and only logical solution is to establish the proposed facility.

**SHP Criterion 4 - Number of Stations**

RCG Philadelphia has 39 hemo-dialysis ESRD stations and will transfer ten ESRD hemo-dialysis stations to the proposed satellite facility. The applicant affirms that the satellite ESRD facility will contain ten hemo-dialysis stations in Neshoba County. Therefore, the applicant is in compliance with this criterion.

**SHP Criterion 5 - Minimum Utilization**

The applicant projects 32.5 patients in year one, 42.25 patients in year two, and 48.75 patients in year three for the proposed ten-station satellite ESRD facility. The applicant estimates that each patient would receive 144 treatments per year. 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	Treatments	Utilization Rate
1	10	4,680	50%
2	10	6,084	65%
3	10	7,020	75%

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 as follows:

		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**

Neshoba County Dialysis affirms that the facility will provide social, dietetic, and rehabilitative services.

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

Neshoba County Dialysis 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**

Neshoba County Dialysis will operate Monday through Saturday between the hours of 6:00 a.m. to 5:00 p.m. The applicant affirms alternate arrangements will be made for those patients needing after-hours treatments.

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

Neshoba County Dialysis affirms that a home-training program will be made available, and counsel all patients on the availability of and eligibility requirements to enter the home/self-dialysis program. The applicant states that Fresenius provides treatment option programs for all pre-ESRD patients. Modality choices, including CAPD, CCPD, and home hemodialysis, are presented by trained staff to patients in a classroom or individual setting in physician offices.

### **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 6.6 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.

### **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 Neshoba County area. The applicant believes, a satellite facility will allow for greater accessibility to dialysis services by the Neshoba County area residents at more convenient times.

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

The applicant affirms that not establishing a satellite facility in Philadelphia and continuing to serve those patients through its existing facility was considered. However, the host facility could not be expanded due to the unavailability of space. Therefore the applicant decided that establishing a satellite facility would be the best option.

The applicant suggests that the selected site for the satellite facility is close enough to the host facility so the patient's weekly schedule will not be significantly disrupted all while providing an additional access point for treatment. The applicant believes that moving forward with the proposed project, Fresenius will be able to solve the flexibility and overcrowding issues at its host facility, and thus, will be able to better serve its patients in the Neshoba County area.

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

#### **GR Criterion 4 – Economic Viability**

Based on the applicant's three-year projections, this project will have a net income of \$86,562 the first year, \$246,983 the second year, and \$376,557 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: 50%; 65%; and 75%, respectively.
- c. **Project's Financial Feasibility Study:** The application contained a letter attesting to the financial feasibility of 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 RCG Philadelphia 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 RCG Philadelphia 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 the Board President of Neshoba County Board of Supervisors, physicians, 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:

<b>Projected Year</b>	<b>Total Dollar Amount of Gross Patient Revenue</b>
1	\$483.80 (2%)
2	\$640.78 (2%)

The applicant states that patients without a payor source receive benefits after a 90-day waiting period. The 90-day waiting period results in what is considered by the applicant as medically indigent/charity care.

The applicant confirms that Neshoba County Dialysis 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 5:00 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 states currently area residents travel to multiple clinics including the host facility to receive ESRD services. The applicant asserts that the most significant impact will be on the host facility. However, the applicant indicates that the transfer of patients to the proposed satellite facility will also help the host facility as well as increase appointment time availability. The applicant insists that failure to implement the proposed project will result in ESRD patients residing near Neshoba County continuing to travel three times a week to the host facility as well as other locations, farther away from their homes to receive necessary dialysis services. The applicant further states that the failure to implement the propose project will also not address the congestion issues and availability of day

chairs at RCG Philadelphia.

The applicant asserts that new transfer/referral/affiliation agreements will be entered into with Methodist University Hospital Transplant Institute upon the establishment of the Neshoba County 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 Neshoba County Dialysis has sufficient nephrologists to support the proposed satellite facility. The applicant further affirms that due to the applicant's existing presence in the metro area, the applicant has established relationships with the nearby nephrologists who will support the proposed facility.

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

The applicant affirms that Neshoba County Dialysis all necessary ancillary or support services will be available.

#### **GR Criterion 11– Health Professional Training Programs**

Neshoba County Dialysis asserts the facility will coordinate with area health professional training programs in the surrounding area.

#### **GR Criterion 14– Construction Projects**

The applicant asserts that the developer will construct a shell building to house the proposed satellite facility and thus the developer will be responsible for the costs associated with the exterior construction. The applicant further asserts that Neshoba County Dialysis will be responsible for only the costs associated with the interior build-out.

The applicant states that the proposed build-out will include interior studs, drywall, floor, wall and ceiling finishes, interior doors, casework, specialty items, plumbing, HVAC and electrical systems. The construction will comply with all ordinances and regulations with a usable square footage of 8,544. The applicant also states that the footprint of the building will be built to accommodate future growth, however only ten (10) stations will be relocated from the host facility.

If the proposed project is CON approved, the applicant states that Neshoba County Dialysis will enter a lease agreement with Young Developers d/b/a YB Neshoba, LLC. A copy of the proposed leased agreement between Neshoba County Dialysis and YB Neshoba, LLC was included in the application. 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 their patients. The applicant affirms that each dialysis patient will benefit from the expertise and experience of the nation's largest dialysis provider and its extensive clinical network. The applicant suggests that this affiliation will also help to ensure quality of care delivery of health care services, staff training and expectations.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

<b>Cost Item</b>	<b>Projected Cost</b>	<b>Percentage% of Total</b>
Construction Cost - New	\$ 1,606,272	39.04%
Construction Cost - Renovation	\$ 1,093,632	0.27%
Capital Improvements	\$ 0	0%
Total Fixed Equip Cost	\$ 250,000	6.08%
Total Non-Fixed Equip Cost	\$ 206,068	5.01%
Land Cost	\$ 400,000	9.72%
Site Prep Cost	\$ 242,991	5.91%
Fees – architectural/engineering	\$ 0	0.00%
Contingency Reserve	\$ 315,597	73.67%
Capitalized Interest	\$ 0	0%
Other	\$ 0	0%
<b>Total Proposed Expenditures</b>	<b>\$ 4,114,561</b>	<b>100.00%</b>

The applicant provided a letter attesting to the feasibility of 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 Neshoba County Dialysis 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 RCG Mississippi Inc. d/b/a RCG of Philadelphia d/b/a Neshoba County Dialysis for the establishment of a ten (10 station), satellite End Stage Renal Disease (“ESRD”) facility in Neshoba County.

**Attachment 1**

RCG Mississippi Inc. d/b/a RCG of Philadelphia  
d/b/a Neshoba County Dialysis  
Establishment of a Ten-Station Satellite ESRD Facility  
in Neshoba County

**Three-Year Operating Statement with Project**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$ 0	\$ 0	\$ 0
Outpatient Revenue	1,322,059	1,743,978	2,042,262
<b>Gross Patient Revenue</b>	<b>\$ 1,322,059</b>	<b>\$ 1,743,978</b>	<b>\$ 2,042,262</b>
Charity	\$ 0	\$ 0	\$ 0
Deductions from Revenue			
<b>Net Patient Care Revenue</b>	<b>1,322,059</b>	<b>1,743,978</b>	<b>2,042,262</b>
Other Operating Revenue	\$ 0	\$ 0	\$ 0
<b>Total Operating Revenue</b>	<b>\$ 1,322,059</b>	<b>\$ 1,743,978</b>	<b>\$ 2,042,262</b>
<b>Operating Expenses</b>			
Salaries	\$ 276,364	\$ 366,418	\$ 431,234
Benefits	110,546	146,567	172,494
Supplies	253,022	332,182	371,109
Services	0	0	0
Lease Expenses	259,900	259,900	259,900
Depreciation	155,832	155,832	155,832
Interest	0	0	0
Other	179,835	236,097	275,137
<b>Total Operating Expenses</b>	<b>\$ 1,235,498</b>	<b>\$ 1,496,995</b>	<b>\$ 1,665,706</b>
<b>Net Operating Income</b>	<b>\$ 86,562</b>	<b>\$ 246,983</b>	<b>\$ 376,557</b>
	<b>Proposed Year 1</b>	<b>Proposed Year 2</b>	<b>Proposed Year 3</b>
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Number of ESRD Procedures	4,680	6,084	7,020
Charge per Outpatient Day	\$ 0	\$ 0	\$ 0
Charge per Inpatient Day	\$ 0	\$ 0	\$ 0
Charge per Procedure	\$ 282	\$ 287	\$ 291
Cost per Inpatient Day	\$ 0	\$ 0	\$ 0
Cost per Outpatient Day	\$ 0	\$ 0	\$ 0
Cost per Procedure	\$ 264	\$ 246	\$ 237