

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2003**

**CON REVIEW HG-NIS-1202-076
BAPTIST MEMORIAL HOSPITAL-UNION COUNTY
ESTABLISHMENT OF PORTABLE LITHOTRIPSY SERVICES
CAPITAL EXPENDITURE: \$-0-
LOCATION: NEW ALBANY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Baptist Memorial Hospital-Union County (Baptist-Union) is a non-profit hospital, the sole member of Baptist Memorial Health Care System, Inc., a Tennessee non-profit corporation. A three-member Board of Directors governs the hospital.

The facility is licensed for 141 medical/surgical beds and 12 skilled nursing beds. The occupancy rates, average length of stay (ALOS), and Medicaid utilization for the three most recent years are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate
1999	46.10	4.76	10.85
2000	49.25	5.11	10.97
2001	44.00	5.02	10.22

B. Project Description

Baptist Memorial Hospital-Union is requesting CON authority to offer extracorporeal shock wave lithotripsy (ESWL) services on a part-time basis using a portable service. The equipment is a mobile lithotriper that performs a non-invasive procedure to treat kidney stones by emitting high energy shock waves to zoom in on a stone to break the stone into small particles. In turn, the particles are passed through the urinary tract system. Before the ESWL equipment is used, trained staff use radiographs, fluoroscopy or ultrasound to produce images of the stone so that the physicians can see exactly where the stone is located to achieve fragmentation.

The applicant states that by initiating the service at Baptist-Union it will provide convenience for patients who currently must travel to other locations for lithotripsy. The applicant further states that access at the hospital will make scheduling easier and more convenient for both patients and physicians as well as being cost effective. The transportable lithotripsy equipment will be moved into an operating room at the facility and operated on the specified days.

Baptist Union will use mobile service offered by United Medical Services, Inc. (UMS). On November 18, 1998, FLG Corporation, Evansville, Indiana, which is now called United Medical Services, Inc.; received a determination of Non-reviewability to operate in Mississippi. The anticipated equipment to be used by UMS is the Dornier Compact Delta Lithotripter.

Baptist-Union states that it will operate the mobile service on a part time basis, initially one-half to one full day every other week. Furthermore, the applicant projects that it will provide 50 procedures the first full year of operation, 70 procedures the second year, and 80 procedures the third year.

The hospital site for ESWL services has been approved by the Mississippi State Department of Health, Division of Licensure and Certification.

The applicant states that no renovation is needed for this project. There is no capital expenditure associated with this project.

II. TYPE OF REVIEW REQUESTED

The Mississippi State Department of Health reviews applications for the provision of mobile renal ESWL services in accordance with Section 41-7-191, subparagraph (1) (d) (xiii) 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 March 6, 2003.

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

A. State Health Plan (SHP)

The *FY2003 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving CON authority for provision of ESWL services. This application is in substantial compliance with applicable criteria and standards.

SHP Criterion 1 - Need

The applicant states that the need for this project is demonstrated by the number of patients currently being diagnosed with renal calculi at Baptist-Union. Also, the applicant states that adding a urologist to the medical staff will allow convenient care for these patients at the hospital. Over the last three years, an average of 89 patients per year have been diagnosed with renal calculi. Local physicians from 9 practices have estimated that approximately 217 patients per year are diagnosed in their offices with renal calculi.

To confirm the estimate of the number of cases in the Baptist-Union service area that might benefit from lithotripsy services, a forecasting model provided by Claritas was applied to the primary three county area. To provide a conservative estimate the model was adjusted by a range of 20 percent - 80 percent of the cases and account for the market share.

The applicant states the need to provide access to the service at Baptist-Union is also supported by the general medical staff and especially by the new Urologist joining the medical staff.

SHP Criterion 2 - Documentation of Medical Personnel

The applicant affirms that there will be board certified general surgeons, a certified urologist, and a radiologist available 24 hours per day within the facility to provide emergency services as required. The board certified radiologist will have experience in x-ray, CT, and ultrasound imaging.

SHP Criterion 3 - Imaging Capabilities

Baptist-Union provides whole body CT scanning and ultrasound imaging at the hospital.

SHP Criterion 4 - Scope of Privileges

The applicant affirms that the governing body of Baptist will grant appropriate scope of privileges for access to their proposed lithotripter to any qualified physician who applies for privileges.

SHP Criterion 5 - Accessibility

The applicant affirms that the facility will offer a reasonable amount of indigent/charity care as described in the *FY 2003 Mississippi State Health Plan*, as well as service all residents of the area regardless of age, race, gender, or disability. Baptist-Union has projected the following to represent the percentage of patients who are expected to utilize ESWL services of Baptist-Union: 41.8 percent Medicare, 17 percent Medicaid, 3 percent charity and indigent, and 4.2 percent self-pay.

SHP Criterion 6 - Recording of Data

Baptist-Union 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 regarding the operation of the ESWL equipment. Also, the facility states it will record source of payment for procedures and the total amounts charged during the fiscal year.

SHP Criterion 7 - Staffing

The facility has an active Radiology Department with full support services. In addition, the hospital has an established urological referral practice.

SHP Criterion 8 - Guidelines and Standards

The facility affirms that all persons using the lithotripsy equipment meet the applicable minimum standards for training and proficiency in the operation of renal ESWL equipment as outlined in the American Urological Association's guidelines.

SHP Criterion 9 - CON Exemption

The applicant provided information to indicate that the lithotripsy vendor has CON approval as determined by the Mississippi State Department of Health.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revisions*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 2 - Long Range Plan

The long range plan for Baptist-Union is to provide appropriate services as conveniently for the patient and medical staff as possible with cost effectiveness.

GR Criterion 3 - Availability of Alternatives

The applicant states the hospital determined that there were no other alternatives to provide ESWL services in Union County; thus, they embraced the idea of applying for the service by submitting a CON as opposed to doing nothing at all.

GR Criterion 4 - Economic Viability

Three year operating projections reflect a first year net profit of \$50,286, second year profit of \$71,725, and a third year profit of \$94,281. The proposal reflects that there is no capital expenditure associated with this project.

GR Criterion 5 - Need for the Project

Five endorsement letters from various community officials were included in the CON application dated December 20, 2002.

The applicant states that community officials and physicians of the area recognize that Baptist-Union complies with all federal regulations regarding community service and support Baptist-Union efforts to service all patients in Service Area 1 regardless of race, creed, sex, or ability to pay.

GR Criterion 7 - Information Requirement

Baptist-Union affirms that they 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

Baptist-Union states that the proposed services will add to the continuum of care available to patients at the facility.

This proposal is not expected to have any significant negative impact on the health care system as a whole.

GR Criterion 9 - Availability of Resources

The applicant affirms that qualified health personnel, management personnel, and required staff will be available for lithotripsy services through Baptist-Union. The applicant has on file a list of full time staff members who are employed at Baptist-Union and states that these employees will be available to provide various ranges of quality healthcare to the residents in the area.

GR Criterion 10 - Relationship to Ancillary or Support Services

As a result of this project, there will be no increase in the utilization of ancillary services.

GR Criterion 12- Access by Health Professional Schools

As part of the Baptist Memorial Health Care System, Baptist-Union participates in a number of health professional training programs. Patients receiving lithotripsy treatment may be observed by students in education programs with appropriate consultation and consent.

GR Criterion 16 - Quality of Care

The applicant states that Baptist Memorial Hospital, Union County is accredited by the Joint Commission on Accreditation of Healthcare Organization.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure

The applicant indicates that there is no capital expenditure associated with this project.

B. Method of Financing

There is no financing associated with this project.

C. Effects on Operating Costs

The applicant projects the following expenses, utilization, and results from operation for the first three years of operation.

<u>Expenses</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Salaries & Benefits	\$ 2,860	\$ 4,124	\$ 5,340
Supplies	11,000	15,862	20,539
Rent/Equipment Lease (Include personnel)	106,250	154,000	198,000
Other Expenses	<u>13,750</u>	<u>19,828</u>	<u>25,674</u>
Total Operating Expenses	<u>\$133,860</u>	<u>\$193,814</u>	<u>\$249,553</u>
Procedures	50	70	88
Cost per Procedure:	\$ 2,677	\$ 2,769	\$ 2,836
Charge per Procedure:	\$ 6,695	\$ 6,896	\$ 7,103
<u>Revenues</u>			
Gross Patient Revenues	\$334,750	\$ 482,720	\$ 625,040
Deductions from Patient Revenue: Contractual Adj.			
Medicare	\$ 78,733	\$ 113,533	\$ 147,009
Medicaid	29,023	41,851	54,191
Commercial Ins.	22,763	32,824	42,503
Charity/Indigent Care	10,043	14,481	18,751
Provision of Bad Debts	10,043	14,481	18,751
Deductions from Patient Service Revenue	<u>\$150,605</u>	<u>\$ 217,170</u>	<u>\$ 281,205</u>
Net Patient Serv. Revenue	<u>\$184,145</u>	<u>\$ 265,550</u>	<u>\$ 343,835</u>
Net Operating Revenue	<u>\$ 50,285</u>	<u>\$ 71,736</u>	<u>\$ 94,282</u>

D. Cost to Medicaid/Medicare

Payor	Percentage by Payor	First Year Expense
Medicare	34.22%	\$61,869
Medicaid	15.42%	\$27,879
Other	50.36%	\$91,050
Total	100.00%	\$180,798

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for comment. A letter was received from the Division of Medicaid stating that outpatient services are paid as outlined in the *State Health Plan*, therefore the Division of Medicaid will not be affected by this change and takes no position on the project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the provision of mobile renal ESWL services as contained in the FY 2003 Mississippi State Health Plan; Chapter 8 of the Mississippi Certificate of Need Review Manual, 2000; 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 this application submitted by Baptist Memorial Hospital-Union.