

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

**CON REVIEW HG-RE-0703-019  
JEFF ANDERSON REGIONAL MEDICAL CENTER  
REPLACEMENT OF CARDIAC CATHETERIZATION LABORATORY  
MERIDIAN, MISSISSIPPI (LAUDERDALE COUNTY)  
CAPITAL EXPENDITURE: \$5,360,738.00**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

Jeff Anderson Regional Medical Center (JARMC) is a short-term general acute-care, 260-bed medical/surgical hospital located in Meridian, Mississippi; Lauderdale County. The hospital is operating as a not-for-profit, tax-exempt hospital. JARMC offers a wide range of general acute care services accompanied by a full medical staff to operate each department in the hospital. Services range from major surgery to vascular surgery. JARMC provided documentation to show that the hospital was issued a Non Profit Charter of Incorporation on August 6, 1947. Also, JARMC filed a Certificate showing it has been issued a Non-Profit Charter of Incorporation with the Office of the Secretary of State on February 1, 1994, and is presently governed by a six member Board of Trustees. The applicant includes a copy of the Warranty Deed to verify that JARMC owns the land the hospital sits on. The facility will be certified to participate in the Medicare and Medicaid programs, and will participate with the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The facility is licensed by the Mississippi State Department of Health, Division of Licensure and Certification.

The facility is licensed for 260 beds set up and staffed. The occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years are as follows:

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (DAYS)</b>	<b>Medicaid Utilization Rate</b>
<b>2001</b>	51.02	5.61	8.23
<b>2002</b>	57.59	5.26	10.70
<b>2003</b>	57.57	5.26	12.06

## **B. PROJECT DESCRIPTION**

Jeff Anderson Regional Medical Center (JARMC) is requesting CON authority to replace its cardiac catheterization equipment with new state-of-the-art equipment. Briefly, JARMC established its first cardiac catheterization laboratory and equipment in 1986 to service the residents of East Central Mississippi. It is located on the second floor of a building adjacent to the present JARMC. Both buildings are joined together by a crosswalk. After seven years, JARMC officials saw the need to upgrade the existing cardiac catheterization equipment with innovative equipment by requesting and receiving a CON in 1993.

Since the equipment is now 10 years old, JAMRC proposes to replace the existing equipment with cardiac catheterization equipment manufactured by GE Medical Systems Cardiology Solution. The equipment is composed of the following: two General Electric Innova 2000 Cardiac Catheterization Laboratories including a Gemnet-Centricity Image Management Systems and Data Management Systems. The equipment will be in use 10 hours per day, five days per week. JARMC will continue to service GHSA 4 which consists of five counties: Clarke, Kemper, Lauderdale, Neshoba, and Newton. The applicant states that these counties have a 2000 projected population of 158,412.

Briefly, the applicant states that the proposal includes "building out" 6,917 square feet of space on the first floor of JARMC's most recent hospital addition. The applicant states the area on the first floor of JARMC was initially planned for a future cardiac catheterization laboratory; however, it was "shelled" at the time of construction. The cost to renovate will be \$1,502,030.00 and the cost of the replacement equipment will be \$3,658,708.00. The applicant includes a capital expenditure summary, a Three Year Projected Operating Statement, and an audited Financial Statement. The applicant states that the project will not involve changes in staffing at JARMC because the facility will utilize existing staff. Capital from operations will be used to fund the project. Capital expenditure will be obligated within 30 days of CON approval, and completion of this project will take place within 12 months following approval.

## **II. TYPE OF REVIEW REQUESTED**

The Mississippi State Department of Health reviews applications for construction, renovation, and major medical equipment acquisition in accordance with Section 41-7-191, subparagraph (1) (f) and (j) 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 October 4, 2003.

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

#### A. State Health Plan (SHP)

The *FY 2003 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving CON authority for the acquisition or otherwise control of therapeutic cardiac catheterization equipment and/or the offering of therapeutic cardiac catheterization services. This application is in substantial compliance with applicable criteria and standards.

##### **SHP Criterion 1- Need**

The Certificate of Need criteria and standards for the acquisition or otherwise control of therapeutic cardiac catheterization equipment and/or the offering of therapeutic cardiac catheterization services outlined in the *FY 2003 Mississippi State Health Plan* states that the applicant shall document a minimum population base of 10,000 in the CC/OHSPA where the proposed therapeutic cardiac catheterization equipment/services will be located. Division of Health Planning and Resource Development population projections shall be used. At the time the CON application was submitted, the applicant states JARMC will continue to service GHSA 4 which consists of five counties: Clarke, Kemper, Lauderdale, Neshoba, and Newton. Also, the applicant referenced source data from the *Mississippi Population Projections for 2000, 2005, and 2010, Center for Policy Research, and Planning, Mississippi Institutions of Higher Learning, September 1996* publication that these counties have a 2000 projected population of 158,412.

##### **SHP Criterion 2 - Minimum Procedures**

According to the *FY 2003 State Health Plan*, JARMC is in General Hospital Service Area 4 and the cardiac catheterization equipment has performed 1,824 and 1,833 procedures in Fiscal Years 2000 and 2001. Since JARMC has an established cardiac catheterization laboratory and equipment, the facility has demonstrated a utilization of more than 450 procedures as indicated in the *FY 2003 Plan*. Thus, the applicant is in compliance with the criteria and standard under this heading.

### **SHP Criterion 3 - Impact on Existing Providers**

As previously stated, JARMC is located in GHSA 4 which consists of five counties: Clarke, Kemper, Lauderdale, Neshoba, and Newton. Out of the counties listed, three hospitals performed cardiac catheterization procedures. Based on *the FY 2003 State Health Plan*, JARMC and Riley Memorial Hospital (RMH) completed 1,833 and 271 procedures, respectively, while Rush Foundation Hospital (RFH) completed 727 procedures. Based on the utilization rates, the hospitals performed more than the optimal level required for a cardiac catheterization unit in one year. Therefore, the applicant feels that the replacement cardiac catheterization equipment will not have an adverse impact on any of the providers in the service area.

### **SHP Criterion 4 - Staffing Standards**

The applicant affirms that JARMC will continue to document that it has the ability to administer cardiac catheterization services, provide sufficiently trained and experienced professional staff, and evaluate the performance of the programs.

### **SHP Criterion 5 -Staff Residency**

The applicant affirms that the medical staff performing therapeutic cardiac catheterizations will reside within 45 minutes of the facility.

### **SHP Criterion 6 - Recording of Data**

JARMC 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 cardiac catheterization laboratory and equipment.

### **SHP Criterion 7 -Open Heart Surgery Services**

The applicant affirms that open heart surgery services are available on-site where the proposed therapeutic cardiac catheterization services are to be offered. The applicant referenced the *FY 2003 Plan* and reported that JARMC performed 364 and 369 open heart surgery procedures in fiscal years 2000 and 2001, respectively.

### **SHP Criterion 8 - Regulatory Approval**

JARMC acknowledges this criterion by submitting a Certificate of Need application to receive a determination by the Mississippi State Department of Health to approve or disapprove JARMC's request to replace its cardiac catheterization equipment and to renovate "shelled" space.

### **SHP Criterion 9 -Diagnostic Catheterization Services**

The applicant is a current provider of therapeutic cardiac catheterization services and is in compliance with this criterion.

## **B. General Review (GR) Criteria**

### **B. General Review (GR) Criteria**

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revisions*, address 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 development plan of JARMC is to continue its effort to be a major referral center to its residents of GHSA 4 and provide quality specialty and sub-specialty services from their scope of service list. The applicant believes that the renovation of "shelled" space designated for the cardiac catheterization laboratory and replacement equipment will complement the cardiology service currently offered at JARMC.

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

The applicant states there is no other cost effective method of providing cardiac catheterization laboratory services to the people of East Central Mississippi.

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

JARMC submitted an audited financial statement (Exhibit K) to indicate that the hospital will meet operating expenses and other requirements of the project for the first three (3) years after the project is completed. The management staff has determined the project to be feasible.

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

Briefly, JARMC established its first cardiac catheterization laboratory and equipment in 1986 to service the residents of East Central Mississippi. After seven years, JARMC saw the need to upgrade the existing cardiac catheterization equipment with innovative equipment by requesting and receiving a CON in 1993. Presently, the equipment is 10 years old and JAMRC believes there is need to replace the existing equipment with new cardiac catheterization equipment to improve its cardiac services.

With this in mind, space was "shelled" at the time of construction for future plans to renovate a cardiac catheterization laboratory on the first floor of JARMC's most recent hospital addition. Now, JARMC requests CON authority to follow through with their initial CON to move the lab from the second floor of an adjacent building to the present JARMC and build out 6,917 square feet of space to accommodate the needs of a state-of-the-art laboratory. JARMC will continue to service GHSA 4.

The applicant received five endorsement letters from the medical staff at JARMC stating the need for new cardiac catheterization equipment. In addition, the physicians recognize that JARMC complies with all federal regulations regarding community service and support JARMC efforts to service all patients in Service Area 4 regardless of race, creed, sex, or ability to pay.

### **GR Criterion 6- Accessibility**

JARMC affirms that the hospital will service all patients in Service Area 4 regardless of race, creed, sex, or ability to pay. The equipment will be in use 10 hours per day, five days per week.

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

JARMC 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**

If the CON for JARMC is approved, the hospital will provide cardiac catheterization services to General Hospital Service Area 4 and will accept referrals from other physicians referring patients to JARMC for services.

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

The applicant includes a \$5,360,738.00 capital expenditure summary, a Three Year Projected Operating Statement, and an audited Financial Statement. The applicant states that the project will not involve changes in staffing at JARMC because the facility will utilize existing staff. JARMC submitted audited financial statements (Exhibit K) to indicate that the hospital will meet operating expenses and other requirements of the project for the first three (3) years after the project is completed. Capital from operations will be used to finance the project. The applicant states there is no other cost effective method of providing cardiac catheterization services to the people of East Central Mississippi.

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

The applicant feels the cardiac catheterization laboratory and equipment will complement its existing cardiology service in GHSA 4 and will not affect ancillary or support services at any of the hospitals in the area.

### **GR Criterion 14- Construction Projects**

JARMC applied for a CON in the amount of \$5,360,738.00. The applicant provided a schematic drawing to show how the cardiac catheterization laboratory will look after renovation is completed and provided a letter from the Division of Health Facilities Licensure and Certification verifying site approval. In addition, the applicant affirms that JARMC complies with state and local building codes, zoning ordinances, and all appropriate regulatory authorities. A formula calculation was used by the hospital to show how much the proposed project will cost per square foot. The "build out" cost to renovate the "shelled" area of 6,917 square feet will be \$217.00 per square foot.

### **GR Criterion 16 - Quality of Care**

The facility will be certified to participate in the Medicare and Medicaid programs, will participate with the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), and is licensed by the Mississippi State Department of Health, Division of Licensure and Certification.

**IV. FINANCIAL FEASIBILITY**

<b>A. CAPITAL EXPENDITURE SUMMARY</b>	
<b>Construction Cost -New</b>	<b>\$1,502,030.00</b>
<b>Construction Cost-Renovation</b>	<b>None</b>
<b>Capital Improvements, i.e. (minor painting and repairs, refurbishing)</b>	<b>None</b>
<b>Total Fixed Equipment Cost</b>	<b>\$3,658,708.00</b>
<b>Total Non-Fixed Equipment Cost</b>	<b>\$0.00</b>
<b>Land Cost</b>	<b>\$0.00</b>
<b>Site Preparation Cost</b>	<b>\$0.00</b>
<b>Fees (Architectural, Consultant, etc.)</b>	<b>\$150,000.00</b>
<b>Contingency Reserve</b>	<b>\$50,000.00</b>
<b>Capitalized Interest</b>	<b>None</b>
<b>Other Cost (Specify)</b>	<b>None</b>
<b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>	<b>\$5,360,738.00</b>

The "build out" cost to renovate the "shelled" area of 6,917 square feet will be \$217.00 per square foot.

**B. Method of Financing**

Capital from operations will be used to finance the proposed project.



**C. Effects on Operating Costs**

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

	First Year	Second Year	Third Year
<b>Patient Services Revenue</b>	\$ 252,945,720.00	\$ 268,122,463.00	\$ 284,209,811.00
Less Contractual Adjustment	\$ 141,649,603.00	\$ 152,829,804.00	\$ 163,420,641.00
<b>Net Patient Service Revenue</b>	\$ 111,296,117.00	\$ 115,292,659.00	\$ 120,789,170.00
Other Revenue	\$ 9,557,000.00	\$ 10,034,850.00	\$ 10,536,592.00
Total Revenue and Other Support	\$ 120,853,117.00	\$ 125,327,509.00	\$ 131,325,762.00
<b>Expenses</b>			
Salaries and Wages	\$ 36,838,948.00	\$ 38,312,506.00	\$ 39,845,006.00
Fringe Benefits	\$ 7,367,790.00	\$ 7,662,501.00	\$ 7,969,001.00
House Keeping	\$ 1,720,960.00	\$ 1,772,589.00	\$ 1,825,766.00
Pharmacy and Supplies	\$ 33,139,000.00	\$ 34,795,950.00	\$ 36,535,747.00
Plant Operators and Maintenance	\$ 3,208,194.00	\$ 3,368,604.00	\$ 3,537,034.00
General and Administrative	\$ 10,630,303.00	\$ 11,161,818.00	\$ 11,719,909.00
Depreciation	\$ 8,782,990.00	\$ 9,134,310.00	\$ 9,408,339.00
Bad Debts and Charity	\$ 13,254,764.00	\$ 14,746,735.00	\$ 15,631,540.00
Total Expenses	\$ 114,942,949.00	\$ 120,955,013.00	\$ 126,472,342.00
<b>Net Profit</b>	\$ 5,910,168.00	\$ 4,372,496.00	\$ 4,853,420.00
Avg. Number of Procedures	2,085	2,250	2,450
Charge/Procedure	\$ 9,764.00	\$ 9,764.00	\$ 9,764.00
Cost/Procedure	\$ 6,854.00	\$ 6,854.00	\$ 6,854.00

**Note:** The above expenses represent operating expenses for the entire facility for the first three years after the project is initiated. Based on the applicant's projection of costs and charges per procedure, the project will cost an estimated \$14,290,590 (2,085 X \$6,854) the first year and will generate approximately \$20,357,940 (2,085 x \$9,764) in revenues the first year of operation.

**D. Cost to Medicaid/Medicare**

<b>Payor</b>	<b>Utilization Percentage</b>	<b>First Year Expense</b>
<b>Medicaid</b>	11.50%	\$ 63,900.00
<b>Medicare</b>	55.00%	\$ 305,610.00
<b>Other</b>	33.50%	\$ 186,145.00
<b>Total</b>	100%	\$ 555,655.00

JARMC projects 4% bad debt, 2% Medically indigent, and 1.2% charity care.

**Note:** The above cost represents the applicant's additional operating expenses for the first year due to the replacement of the cardiac catheterization laboratory.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, this project is expected to increase Medicaid expenditures by approximately \$66,640.00 for inpatient hospital services. The Division does not oppose the application.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the acquisition or otherwise control of therapeutic cardiac catheterization equipment and/or the offering of therapeutic cardiac catheterization services as contained in the *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 the Jeff Anderson Regional Medical Center (JARMC).