

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
DECEMBER 9, 2022**

**CON REVIEW: ASC-CO-1022-017  
AMBULATORY CARDIOVASCULAR CENTER OF MISSISSIPPI, LLC  
D/B/A AMBULATORY CARDIOVASCULAR CENTER OF MISSISSIPPI  
COST OVERRUN TO CON REVIEW ASC-NIS-0221-001; CON NUMBER R-0971  
ESTABLISHMENT OF A JOINT VENTURE CARDIAC AMBULATORY  
SURGERY FACILITY  
ORIGINAL CAPITAL EXPENDITURE: \$1,761,000.00  
ADDITIONAL CAPITAL EXPENDITURE: \$59,546.00  
REVISED CAPITAL EXPENDITURE: \$1,820,546.00  
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Ambulatory Cardiovascular Center of Mississippi, LLC d/b/a Ambulatory Cardiovascular Center of Mississippi (“ACC of MS” or the “Applicant”) is a limited liability company whose sole member is Forrest General Hospital (“Forrest General”). ACC of MS is co-owned by Hattiesburg Clinic Professional Association (“Hattiesburg Clinic”) and South Mississippi Health Services, Inc. and is managed by Hattiesburg Clinic. Hattiesburg Clinic and South Mississippi Health Services, Inc. each appointed three (3) members to the six (6) member Board of Managers.

The original application contained a Certificate of Good Standing, dated February 4, 2021, from the Office of the Secretary of State certifying Ambulatory Cardiovascular Center of Mississippi, LLC is in good standing to do business in the state of Mississippi.

**B. Project Background**

ACC of MS was granted Certificate of Need (“CON”) No. R-0971 to establish a Joint Venture Cardiac Ambulatory Surgical Facility (“JV-CASF”) pursuant to its original CON application and in accordance with the CON policies, criteria and standards set forth in the *FY 2020 Mississippi State Health Plan* (the “FY 2020 MSHP”). In its original application, the Applicant proposed to enter into a fair-market-value lease with Hattiesburg Clinic for the use of space in Hattiesburg Clinic’s central office building located at 415 South 28<sup>th</sup> Avenue in Hattiesburg, MS to house the JV-CASF. According to the Applicant, the JV-CASF would operate four (4) days a week and during the hours of operation two (2) procedure rooms would be exclusively available for cardiac catheterizations, percutaneous coronary

intervention (“PCI”) procedures, and other cardiology services that may be performed in an ambulatory surgical facility as approved by the Centers for Medicare and Medicaid Services (“CMS”). The original application also contained a letter, dated February 16, 2021, documenting the Mississippi State Department of Health (“MSDH”), Division of Health Facilities Licensure and Certification’s approval of the Joint Venture Cardiac Ambulatory Surgical Facility site.

In its original CON application, the Applicant projected a capital expenditure of \$1,761,000.00 and proposed the capital expenditure would be obligated by March 31, 2021, or upon CON approval. The Applicant expected the project to be complete within sixty (60) to ninety (90) days following CON approval. Besides exceeding the approved capital expenditure, the Applicant submits the project is 100% complete.

The Applicant’s Cost Overrun Application contains a copy of CON No. R-0971, which has an effective date of May 6, 2021, and an expiration date of May 6, 2022. A six-month extension, approved October 31, 2022, extended the expiration date of CON No. R-0971 to May 6, 2023.

**C. Project Description**

ACC of MS now requests CON authority for a cost overrun to CON No. R-0971, Establishment of a JV-CASF. The Cost Overrun Application requests authority to increase the approved capital expenditure from \$1,761,000.00 to \$1,820,549.00. According to the Applicant, the cost overrun is attributable to inflation and increased software cost.

The application contains a Unanimous Consent to Action signed by the Managers of ACC of MS. The Consent to Action approved the Applicant’s preparation and filing of Ambulatory Cardiovascular Center of Mississippi’s CON Cost Overrun Application. According to the Unanimous Consent to Action, following the issuance and implementation of the CON and subsequently the commencement of operations, the Applicant determined it was necessary to file an application for a CON cost overrun after assessing the capital expenditure incurred on the JV-CASF project.

**1. Provide a photocopy of the original Certificate of Need.**

The Applicant provided a copy of the original Certificate of Need.

**2. Describe all proposed changes not approved in the original CON application (e.g. changes in square footage, construction, or renovation; changes in range, facilities served, or types of services, bed changes; equipment changes; etc.)**

ACC of MS affirms there have been no changes to the proposed

project since the original CON approval.

**a. Transfer of CON:**

The Applicant's cost overrun request does not involve the transfer of a CON.

**b. Change of Site:**

The Applicant's cost overrun request does not involve a site change.

**3. If the project is related in whole or in part to compliance with requirements of the Licensure and Certification Division of the MSDH, or any other certification or licensing authority, provide documentation.**

The Applicant states this item is not applicable to their cost overrun request.

**4. If the project is related to a construction/expansion project, enclose a copy of the revised cost estimate signed by a licensed architect or licensed Mississippi building contractor.**

The Applicant states this item is not applicable to their cost overrun request.

**5. If actual construction has not begun, give date it will begin and the reasons for the delay.**

The Applicant affirms its project is 100% complete and confirms the project did not involve construction work.

**6. Provide evidence that the Division of Radiological Health has approved the plans for provision of radiation therapy services, if applicable.**

The Applicant states its project does not involve the provision of radiation therapy services; therefore, this element is not applicable.

**7. If the project involves the purchase/lease/change in vendor or manufacturer of major medical equipment, not included in the originally approved certificate of need project, provide the following:**

- a. **Type of equipment, capacity, and manufacturer;**
- b. **Purchase price of equipment;**
- c. **Purchase and installation date(s) of equipment; and**
- d. **Explanation of cost variance from original quotes.**

The Applicant states these items are not applicable.

8. **Will the amendment require any change in facility staffing? If so, identify changes in terms of personnel skills, number of personnel and indicate your recruitment plan which will obtain the services of these personnel.**

The Applicant states this is not applicable as its cost overrun request does not involve changes in facility staffing.

9. **List all transfer/referral/affiliation agreements between your facility and other providers of health care within your service area, which have changed since the original application was submitted or will change as a result of this amendment.**

The Applicant states this is not applicable to the project.

10. **Provide the estimated date this project will be implemented/completed if the amendment/cost overrun is granted.**

The Applicant states the project is complete. The Applicant further states its application requests cost overrun approval for an additional capital expenditure of \$59,546, due to inflation and increased software cost.

## **II. TYPE OF REVIEW REQUIRED**

The Mississippi State Department of Health reviewed the original project pursuant to Sections 41-7-191(1) and 41-7-193 of the Mississippi Code of 1972 Annotated, as amended, and the duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. The State Health Officer reviews all projects for cost overrun in accordance with the 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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires December 19, 2022.

**III. FINANCIAL ANALYSIS**

**A. Capital Expenditure Summary**

**1. Complete the Capital Expenditure Summary.**

**Revised Capital Expenditure Summary Table**

|   | <b>Original<br/>Approved<br/>Amount</b> | <b>Revised<br/>Amount</b> | <b>Increase or<br/>(Decrease)</b> |
|---|---|---------------------------|-----------------------------------|
| New Construction                                  | \$ 0.00                                 | \$ 0.00                   | \$ 0.00                           |
| Construction/ Renovation                          | 0.00                                    | 0.00                      | 0.00                              |
| Land  | 0.00                                    | 0.00                      | 0.00                              |
| Site Work   | 0.00                                    | 0.00                      | 0.00                              |
| Fixed Equipment                                   | 1,312,000.00                            | 1,312,000.00              | 0.00                              |
| Non-Fixed Equipment                               | 378,000.00                              | 378,000.00                | 0.00                              |
| Contingency                                       | 0.00                                    | 0.00                      | 0.00                              |
| Fees (Architectural,<br>Consultant, etc.)         | 71,000.00                               | 71,000.00                 | 0.00                              |
| Capitalized Interest                              | 0.00                                    | 0.00                      | 0.00                              |
| Capital Improvement                               | 0.00                                    | 0.00                      | 0.00                              |
| Other (Additional Software<br>Cost and Inflation) | 0.00                                    | 59,546.00                 | 59,546.00                         |
| <b>Total Capital Expenditure</b>                  | <b>\$1,761,000.00</b>                   | <b>\$1,820,546.00</b>     | <b>\$59,546.00</b>                |

**2. Line-Item Justification for increase (or decrease).**

The Applicant states the increased capital expenditure is attributable to inflation and additional software cost.

- a. **Capital Expenditure made to date and percentage of completion:** According to the Applicant, the expenditure made to date totals \$1,820,546.00, which represents a \$59,546.00 or 3% increase over the original approved capital expenditure. The Applicant states the project is 100% complete.

**3. Revised Operating Statement:**

The Applicant asserts the minor cost overrun will not impact the projected operating statement and will not involve an increase in cost per procedure or charge per procedure.

4. **Sources of Financing.**

- a. **Loan/Lease amount, interest rate, term of loan, and payment/lease amount:** The Applicant asserts the financing details associated with the project have not changed.
- b. **Loan amortization schedule:** The Applicant affirms this item is not applicable.

5. **Audited or un-audited financial statements.**

The Applicant asserts this item is not applicable as ACC of MS is a newly formed limited liability company and does not yet have financial statements.

6. **Depreciation Schedule.**

The Applicant states this item is not applicable to the cost overrun.

7. **Effect on Medicaid patients; Medicare patients and other payers.**

The Applicant states its minor cost overrun will not impact Medicare or Medicaid patients or other payers.

B. **Method of Financing**

In its original CON application, the Applicant proposed to finance the project with a fifteen (15) year term loan from Trustmark National Bank. According to the Applicant, there are no financing changes associated with the cost overrun.

C. **Effect on Operating Cost**

The Applicant states the cost overrun will not impact its projected operating statement and will not result in an increase in cost per procedure or charge per procedure.

See Attachment 1 for the Three Year Projected Operating Statement submitted with the original application.

D. **Cost to Medicaid/Medicare**

The Applicant submits the minor cost overrun will not impact Medicare or Medicaid patients or other payors. The cost to Medicaid/Medicare and other payors as presented in the original application is listed below.

| Payor Mix    | Utilization Percentage (%) | First Year Revenue (\$) |
|--------------|----------------------------|-------------------------|
| Medicare     | 60.00%                     | \$13,839,008.00         |
| Medicaid     | 7.00%                      | \$1,714,379.00          |
| Commercial   | 26.00%                     | \$6,033,711.00          |
| Self Pay     | 0.00%                      | \$50,000.00             |
| Charity Care | 5.00%                      | \$1,150,000.00          |
| Other        | 1.00%                      | \$316,169.00            |
| <b>Total</b> | <b>100.00%</b>             | <b>\$23,103,267.00</b>  |

#### IV. COMPLIANCE WITH THE STATE HEALTH PLAN, POLICIES AND PROCEDURES

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

The FY 2020 Mississippi State Health Plan (the "FY 2020 MSHP") was in effect at the time the original CON application was submitted. The original application was found to be in substantial compliance with the FY 2020 MSHP, and the cost overrun project continues to be in substantial compliance with the FY 2020 MSHP. In addition, the cost overrun project is also in substantial compliance with the FY 2022 MSHP.

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

The Mississippi Certificate of Need Review Manual, September 1, 2019, Revision (the "CON Review Manual") was in effect at the time the original CON application was submitted to the Department, and the original project was found to be in compliance with the CON Review Manual.

Chapter 6, Section 6.6, of the CON Review Manual contains guidelines by which cost overrun projects are reviewed. The Applicant's Cost Overrun Application is in substantial compliance with Chapter 6, Section 6.6, of the CON Review Manual as explained below.

##### 1. Construction Projects:

- a. **Revised Estimate:** The Applicant states the project does not require new construction or renovation. The Applicant confirms the project is 100% complete.
- b. **Method Used to Determine Cost Estimate:** The Applicant states it expended \$1,820,546.00, which exceeds the \$1,761,000.00 approved capital expenditure by approximately 3% or \$59,546.00.

According to the Applicant, the increased capital expenditure is attributable to inflation and additional software cost.

- c. **Revised Expenditure Summary:** See the Revised Capital Expenditure Summary Table in the Financial Analysis section of this Staff Analysis.
2. **Purchase of Equipment:** The Applicant confirms the cost overrun does not involve the purchase of additional equipment.
3. **Construction Cost:** The Applicant affirms the cost overrun does not require construction or renovation; therefore, there are no additional construction cost.
4. **Licensure and Certification Requirements:** The Applicant affirms there are no additional licensure and certification requirements associated with its cost overrun request.
5. **Fee Calculation:** The Applicant's Cost Overrun Application included the appropriate fee amount.

Chapter 8 of the *Mississippi Certificate of Need Review Manual (September 1, 2019, Revision)* addresses general criteria by which all CON applications are reviewed. The Applicant's Cost Overrun Application is in substantial compliance with the general review criteria contained in the Chapter 8 of the *CON Review Manual*.

## V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. The Division had no comments on this application as of December 9, 2022.

## VI. CONCLUSION AND RECOMMENDATION

The Applicant's original project was found to be in substantial compliance with the criteria and standards for the establishment of a Joint Venture Cardiac Ambulatory Surgical Facility as contained in the *FY 2020 MSHP*, in effect at the time of submission. The cost overrun project continues to be in compliance with the *FY 2020 MSHP* and is also in compliance with the *FY 2022 MSHP*. The cost overrun project also continues to be in compliance with the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision* and the duly 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 Ambulatory Cardiovascular Center of Mississippi, LLC d/b/a Ambulatory Cardiovascular Center of Mississippi for a Cost Overrun to CON No. R-0971 for the Establishment of a Joint Venture Cardiac Ambulatory Surgical Facility. The Cost



Overrun will increase the approved capital expenditure from \$1,761,000.000 to \$1,820,546.00, an increase of \$59,546.00.

**Attachment 1**

| <b>Ambulatory Cardiovascular Center of Mississippi LLC<br/>Three-Year Operating Statement (Project Only)</b> |                        |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | Year 1                 | Year 2                  | Year 3                  |
| <b>Revenue</b>   |                        |                         |                         |
| Patient Revenue:   |                        |                         |                         |
| Inpatient  |                        |                         |                         |
| Outpatient   | \$23,103,267.00        | \$ 23,796,365.00        | \$ 23,796,365.00        |
| <b>Gross Patient Revenue</b>   | <b>\$23,103,267.00</b> | <b>\$ 23,796,365.00</b> | <b>\$ 23,796,365.00</b> |
| Charity Care   | \$ 1,150,000.00        | \$ 1,184,500.00         | \$ 1,184,500.00         |
| Deductions from Revenue  | \$13,427,267.00        | \$ 13,830,085.00        | \$ 13,830,085.00        |
| <b>Net Patient Revenue</b>   | <b>\$ 8,526,000.00</b> | <b>\$ 8,781,780.00</b>  | <b>\$ 8,781,780.00</b>  |
| Other Operating Revenue  | \$ 116,914.00          | \$ 116,914.00           | \$ 116,914.00           |
| <b>Total Operating Revenue</b>   | <b>\$ 8,642,914.00</b> | <b>\$ 8,898,694.00</b>  | <b>\$ 8,898,694.00</b>  |
| <b>Expenses</b>  |                        |                         |                         |
| Operating Expenses:  |                        |                         |                         |
| Salaries   | \$ 594,048.00          | \$ 611,870.00           | \$ 630,226.00           |
| Benefits   | 166,334.00             | 171,324.00              | 176,463.00              |
| Supplies   | 4,840,925.00           | 5,082,971.00            | 5,184,631.00            |
| Services   | 682,080.00             | 711,896.00              | 711,896.00              |
| Lease  | 348,800.00             | 348,800.00              | 348,800.00              |
| Depreciation   | 219,611.00             | 219,611.00              | 219,611.00              |
| Interest   | 67,159.00              | 63,000.00               | 57,000.00               |
| Other  | 297,800.00             | 297,800.00              | 297,800.00              |
| <b>Total Expenses</b>  | <b>\$ 7,216,757.00</b> | <b>\$ 7,507,271.00</b>  | <b>\$ 7,626,426.00</b>  |
| <b>Net Income (Loss)</b>   | <b>\$ 1,426,157.00</b> | <b>\$ 1,391,423.00</b>  | <b>\$ 1,272,268.00</b>  |
| <b>Assumptions</b>   |                        |                         |                         |
| Inpatient days   | 0                      | 0                       | 0                       |
| Outpatient days  | 0                      | 0                       | 0                       |
| Procedures   | 2,262                  | 2,330                   | 2,330                   |
| Charge/outpatient day  | N/A                    | N/A                     | N/A                     |
| Charge per inpatient day   | N/A                    | N/A                     | N/A                     |
| Charge per procedure   | \$ 10,214.00           | \$ 10,214.00            | \$ 10,214.00            |
| Cost per inpatient day   | N/A                    | N/A                     | N/A                     |