

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
MARCH 19, 2018**

**CON REVIEW: ESRD-ES-0218-001
RENAL CARE GROUP TUPELO, LLC D/B/A RCG OF CENTRAL NEW ALBANY
EXPANSION OF STATIONS AT EXISTING ESRD FACILITY
CAPITAL EXPENDITURE: \$216,635.00
LOCATION: NEW ALBANY, UNION COUNTY, MISSISSIPPI**

STAFF ANALYSIS

PROJECT SUMMARY

A. Applicant Information

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany is a business corporation. The applicant indicates that Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany is governed by two Board of Directors and fourteen officers.

The applicant provided a Certificate from the Secretary of State, verifying that the corporation was issued a Charter/Certificate of Authority on November 13, 2001. The document indicates that the business is incorporated in the State of Delaware; however, it is authorized by the Secretary of State to do business in Mississippi.

B. Project Description

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany operates a fourteen (14) station End Stage Renal Disease (ESRD) facility in New Albany.

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany (RCG Central New Albany) requests Certificate of Need (CON) authority to expand its existing facility located at 925 Denmill Road, New Albany, Mississippi 38652 by (11) ESRD stations, thus bringing the total to twenty-five (25) ESRD stations. The applicant states that due to the increase in patient volume, the proposed expansion to the existing facility by eleven (11) ESRD stations is necessary to provide access to more slot times to receive treatments, thus reducing the number of missed appointments.

The applicant states that there will be no renovation or construction on this project. The applicant affirms that the facility is readily equipped to accommodate the requested stations.

The applicant has provided a schematic drawing of the proposed ESRD facility expansion. The Mississippi State Department of Health, Bureau and Health Facilities, Division of Health Facilities Licensure and Certification has approved the site for the proposed project.

The applicant does not anticipate any additional FTE's (full-time equivalent) as a result of the proposed project. The applicant affirms that the capital expenditure for the project is \$216,635.00. The application includes a capital expenditure summary and consolidated financial statements for the proposed project. Renal

Care Group Tupelo, LLC d/b/a RCG of Central New Albany proposes to fund the project with cash reserves. The applicant anticipates the capital expenditure will be obligated within six (6) months of final CON approval. The applicant states the proposed expansion project will be complete within one (1) year of start date.

II. TYPE OF REVIEW REQUIRED

The Department reviews projects for the establishment of an end stage renal disease facility 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. The proposed project is for the expansion of an existing ESRD facility.

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 the publication of the Staff Analysis. The staff analysis is due online Sunday, March 18, 2018; therefore, the Staff Analysis will be posted on Monday, March 19, 2018. The opportunity to request a hearing expires on Thursday March 29, 2018.

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 facility; however the proposed project is for the expansion of an existing ESRD facility. This application is in substantial compliance with applicable criteria and standards.

Policy Statement No. 12 of the 2015 State Health Plan states that any "Existing ESRD facilities may add ESRD stations without Certificate of Need review, as long as the facility does not add, over a period of two (2) years, more than the greater of four (4) stations or 15% of the facility's current number of certified stations. The applicant proposes to add eleven (11) ESRD stations, which is seven more than the requirement listed under Policy Statement 12.

The Establishment of an ESRD Facility

SHP Criterion 1- Establishment of New ESRD Facility

State Health Plan Need Criterion 1 is not applicable to the proposed project. The proposed project is for the expansion of an existing ESRD facility.

SHP Criterion 2- Expansion of Existing ESRD Facilities

The *FY 2015 MSHP* states: "In the event that an existing ESRD facility proposes to add more than the greater of four (4) stations or 15% of the facility's current number of certified stations within a two-year period, then the facility must apply

for a certificate of need, and shall document that it has maintained a minimum annual utilization rate of 65% for the 12 months prior to the month of the submission of the CON application. NOTE: ESRD Policy Statements 2, 3, 4, 5 and 6, and Need Criterion 1, do not apply to applications for the expansion of existing ESRD facilities”.

The applicant provided verification to show that RCG of Central New Albany has maintained a minimum annual utilization rate of 65% for the 12 months (January 2017– December 2017) prior to the month of the submission of the CON application. Per the *FY 2015 MSHP* “Full Utilization” (100 percent) is defined as an average of 936 dialysis treatments per station per year. Based on the ESRD data provided, RCG Central New Albany’s application shows that the total number of dialysis treatments for the 12 months referenced above is 9,493.

Based on the *FY 2015 MSHP*, the applicant calculated the existing ESRD facility’s Utilization Rate as:

14 stations X 936 treatments per station per year = 13,104 treatments per year for 100 % utilization.

9,493 (Applicant’s treatments for 01/2017 - 12/2017)

13,104 (Applicant’s treatments per year for 100% utilization)

= 72.44% Utilization Rate

According to the data submitted by the applicant, RCG Central New Albany has a utilization rate of 72.44% for the 12 months referenced above. Thus, the applicant exceeds the minimum annual utilization rate of 65%.

The applicant states that the proposed project is seeking to expand the facility by eleven (11) ESRD stations. RCG of Central New Albany states because of its request for additional ESRD stations is greater than four (4) and 15% of the applicant’s current certified ESRD station number, the applicant filed a CON application.

SHP Criterion 3- Need for Establishment of ESRD Satellite Facilities

State Health Plan Need Criterion 3 is not applicable to the proposed project. The proposed project is for the expansion of an existing ESRD facility.

SHP Criterion 4 - Number of Stations

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany is an existing ESRD facility and it currently operates fourteen (14) hemodialysis ESRD stations.

SHP Criterion 5 - Minimum Utilization

The proposed project is not requesting to establish a new ESRD facility; thus, Policy Statement Number 10 is not applicable to the CON application.

SHP Criterion 6 - Minimum Services

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany affirms that the facility will provide, at a minimum, social, dietetic and rehabilitative services. The applicant asserts rehabilitative services will be provided on a referral basis.

SHP Criterion 7 - Access to Needed Services

The applicant affirms that Renal Care Group LLC d/b/a RCG of Central New Albany will provide reasonable access to equipment and facilities for such needs as vascular access and transfusions required by stable maintenance ESRD patients.

SHP Criterion 8 - Hours of Operation

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany affirms that it will operate Monday through Friday, 9:00 a.m. to 5:00 p.m. The applicant states alternate times are available by arrangement.

SHP Criterion 9 - Home Training Program

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany affirms that a home training program is available for medically eligible patients and that the facility counsels all patients on the availability of and eligibility requirements to enter the home/self-dialysis program.

SHP Criterion 10 - Indigent/Charity Care

The applicant affirms that Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany will provide a reasonable amount of indigent/charity care and that it will continue to provide a reasonable amount of indigent/charity care after the expansion take place.

SHP Criterion 11 - Facility Staffing

The applicant does not anticipate the need for any new staff. The applicant affirms that the facility has adequate staff currently to support the potential growth from the expansion.

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 in dialysis techniques for nurses and technicians at the satellite 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.

SHP Criterion 17 - Affiliation with a Renal Transplant Center

The applicant affirms that they have an existing Renal Transplant Agreement with North Mississippi Medical Center, Inc. will make their services available for either cadaveric or living related transplants for ESRD patients of the Renal Care Group -Tupelo, New Albany, MS.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017, 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 MS State Health Plan*.

GR Criterion 2 – Long Range Plan

The applicant states that RCG of Central New Albany's long range plan is to provide high quality, easy access ESRD services for those residents in need of dialysis services near New Albany and around the Union County area.

GR Criterion 3 – Availability of Alternatives

The applicant states the other alternatives to expansion would be to relocate the existing facility to a different location to accommodate its patient's growth or to open an additional satellite facility.

The applicant believes that the expansion of the ESRD stations at RCG of Central New Albany will be the most efficient, effective, and accessible alternative to meet the needs of the patients in Union County.

The applicant states the proposed eleven (11) ESRD station expansion would not be duplication of services; as the ESRD residents in and around Union County need accessibility to the dialysis treatment services provided by the applicant. The applicant further states that the utilization rate supports the increase in the station authority.

The applicant suggests that by increasing the number of ESRD stations, patients will be able to have access to more time slots to receive treatments. The applicant states that their goal is to reduce the number of missed appointments, so that the ESRD patients in the area are receiving the best quality of care possible.

GR Criterion 4 – Economic Viability

The applicant affirms that the proposed project to expand RCG of Central New Albany by eleven (11) stations will not increase dialysis costs for patients or Medicaid. The applicant states that RCG Central New Albany's affiliation with the Fresenius network and its integrated delivery system ensures that there will not be negative effect on the healthcare costs associated with this project.

Based on the applicant's three-year projections, this project will have a total operating revenue of \$2,481,789 the first year, \$3,274,910 the second year, and \$3,835,162 the third year of operation, respectively. A financial feasibility study is not required for the proposed project. In addition, the statement reflects net incomes for the first three years of operation for the project (see Attachment 1). The applicant asserts it has the financial strength to operate at a loss, if necessary.

GR Criterion 5 – Need for Project

The applicant states that dialysis services will be offered to all ESRD patients, low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups and the elderly. The applicant affirms that the proposed project is not for the relocation of a facility or services. The *FY 2015 MSHP* shows that there is a thirty (30) mile radius of an existing or proposed ESRD facility. This proposed project is not seeking to increase utilization but to increase the availability of treatment times for their ESRD patients. The applicant states with the additional eleven (11) ESRD stations, will result in more desirable treatment slot times. Furthermore, the applicant suggests that RCG of Central New Albany anticipates a slight increase in patients seeking more convenient treatment times and access to treatment. As previously stated, the applicant affirms this proposed project is not to increase utilization but to provide a better facility with additional time slots for the patients to receive necessary dialysis treatment at Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany. The application contained 31 letters of support for the proposed project from physicians and the patients who are serviced at Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany. No letters of opposition for the proposed project were received by the Department.

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 historical and projected estimated gross patient revenues of health care provided to charity/medically indigent patients for years one and two for the proposed project:

RCG New Albany	Medically Indigent *	Gross Patient Revenue
Historical Year 2016	2%	\$139.80
Historical Year 2017	2%	\$149.78
Projected Year 1	2%	\$192.56
Projected Year 2	2%	\$226.32

Patients without a payor source during a 90 day waiting period are considered medically indigent.

The applicant confirms that RCG of Central New Albany is conveniently located near Highway 15 in New Albany; which makes travel easily accessible for patients.

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany affirms that it will operate Monday through Friday, 9:00 a.m. to 5:00 p.m. The applicant states alternate times are available by arrangement.

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 affirms that there are three (3) ESRD facilities located in Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany's Service Area: RCG Tupelo and Lee County Dialysis. The applicant states that RCG of Central New Albany is located approximately thirty (30) miles from RCG Tupelo and approximately 27.7 miles from Lee County Dialysis. The applicant states that the proposed expansion will provide RCG of Central New Albany's ESRD patients with more access to receive necessary treatment.

The applicant states that while patients continue to receive life-saving dialysis treatments at RCG of Central New Albany, they also continue to deal with the effects of overcrowding on treatment times. The applicant believes that if the proposed expansion is not allowed, daily time slots will be limited resulting in fewer options for patients to receive treatment and more missed appointments. The applicant states that the failure to expand their existing facility will create unnecessary travel issues and missed appointments, which does not promote continuity of care.

GR Criterion 9 – Availability of Resources

The applicant states that RCG of Central New Albany has the personnel necessary for efficient operation of their facility. The applicant affirms RCG of Central New Albany's presence in the area has allowed them to establish relationships with nearby nephrologists who will support the proposed expansion at Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany.

GR Criterion 10– Relationship to Ancillary or Support Services

The applicant affirms that all necessary ancillary and support services will be available. The applicant states that due to the relationship with Fresenius and the surrounding medical community, all ancillary services will be sufficiently available including laboratory services, drugs, and any other necessary services related to the method in which patients choose to receive dialysis.

GR Criterion 11– Health Professional Training Programs

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany asserts the facility presently cooperates and coordinates with area health professional training programs in the surrounding area.

GR Criterion 12- Access by Health Professional Schools

The applicant states they will cooperate with the clinical needs of health professional training programs in the area.

GR Criterion 13 – Access to Individuals Outside Service Area

The applicant affirms that Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany is not proposing to provide access to individuals outside the allocated service area; therefore, Criterion 13 is not applicable.

GR Criterion 14– Construction Projects

The applicant is proposing to expand its ESRD facility by eleven (11) ESRD stations. The proposed project does not require construction to expand the existing ESRD facility; therefore, Criterion 14 is not applicable. .

GR Criterion 15 – Competing Applications

The applicant states that Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany is not aware of any competing applications.

GR Criterion 16– Quality of Care

The applicant states the proposed project expansion will enhance the quality of care currently provided at RCG of Central New Albany by offering more opportunities for dialysis treatment times at its facility.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage (%) of Total
Construction Cost - New	\$0	0%
Construction Cost - Renovation	\$0	0%
Capital Improvements	\$0	0%
Total Fixed Equipment Cost	\$15,400	7.11%
Total Non-Fixed Equipment Cost	\$186,000	85.86%
Land Cost	\$0	0%
Site Prep Cost	\$0	0%
Fees	0	0%
Contingency Reserve	0	0%
Capitalized Interest	\$0	0%
Other	\$15,235	7.03%
Total Proposed Expenditures	\$216,635	100.00%

The Department has determined that a financial feasibility study is not necessary for the proposed project.

B. Method of Financing

The applicant affirms that the project will be financed from cash reserves.

C. Effect on Operating Cost

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

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany provides the following gross patient revenue projections with the proposed project for each payor source category listed below.

Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany		
Payor Source	Utilization Percentage*	First Year Revenue
Medicare	77.00%	\$ 1,898,901.00
Medicaid	2.00%	\$ 55,426
Commercial	20.00%	\$ 495,507
Self Pay	1.00%	\$ 24,466
Charity	0.00%	\$ 0
Other	0.00%	\$ 7,489
Total	100%	\$ 2,481,789

*Utilization Percentages were rounded.

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 Division 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 April 9, 2017*; 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 Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany for expansion of ESRD stations by eleven (11) at its existing facility.

**Attachment 1
Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany
Three-Year Operating Statement with Project**

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$ 0	\$ 0	\$ 0
Outpatient Revenue	2,481,789	3,274,910	3,835,162
Gross Patient Revenue	\$ 2,481,789	\$3,274,910	\$ 3,835,162
Charity	\$ 0	\$ 0	\$ 0
Deductions from Revenue	0	0	0
Net Patient Care Revenue	\$ 2,481,789	\$ 3,274,910	\$ 3,835,162
Other Operating Revenue	\$ 0	\$ 0	\$ 0
Total Operating Revenue	\$ 2,481,789	\$ 3,274,910	\$ 3,835,162
Operating Expenses			
Salaries	\$ 595,053	\$ 788,994	\$ 928,641
Benefits	188,037	249,321	293,450
Supplies	496,139	651,391	759,166
Services	0	0	0
Lease Expenses	33,000	33,000	33,000
Depreciation	139,186	139,186	139,186
Interest	0	0	0
Other	343,342	450,780	525,364
Total Operating Expenses	\$ 1,794,756	\$ 2,312,672	\$ 2,678,807
Net Operating Income	\$ 687,033	\$ 962,238	\$ 1,156,354
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Procedures	15,225	16,023	16,530
Charge per Outpatient Day	\$ 0	\$ 0	\$ 0
Charge per Inpatient Day	\$ 0	\$ 0	\$ 0
Charge per Procedure	\$ 163	\$ 204	\$ 232
Cost per Inpatient Day	\$ 0	\$ 0	\$ 0
Cost per Outpatient Day	\$ 0	\$ 0	\$ 0
Cost per Procedure	\$ 118	\$ 144	\$ 162