

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
MAY 2009**

**CON REVIEW: HG-A-0409-0007
DELTA CANCER INSTITUTE AND DELTA REGIONAL MEDICAL CENTER
AMENDMENT TO CON # R-0783 (ESTABLISHMENT AND PROVISION OF MOBILE
POSITRON EMISSION TOMOGRAPHY (PET) SERVICES) TRANSFER OF CON
ORIGINAL APPROVED CAPITAL EXPENDITURE: \$67,000
CAPITAL EXPENDITURE: \$21,350
LOCATION: GREENVILLE, WASHINGTON COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Alliance Oncology, LLC d/b/a Delta Cancer Institute (Delta) is a limited liability company established September 25, 2007. The original CON application contains a copy of its certification of formation and a letter of good standing signed by the Mississippi Secretary of State. Delta is a freestanding health care facility operated by Alliance Oncology, LLC.

Delta Regional Medical Center is a community hospital owned by Washington County, Mississippi and operated by a board of trustees appointed by the Supervisors of Washington County. As such, it is a governmental subdivision authorized to do business pursuant to the pertinent statutes of Mississippi.

Delta Regional Medical Center has seven (7) directors and four (4) officers.

B. Project Background

Alliance Oncology, LLC d/b/a Delta Cancer Center Institute was issued CON No. R-0783, with an effective date of December 18, 2008, and an expiration date of December 18, 2009. The certificate authorized the applicant to establish positron emission tomography (PET) services at Delta.

According to the applicant, Delta would contract with Alliance Imaging, Incorporated, Alabaster, Alabama, to provide mobile PET services. Delta Cancer Institute planned to lease a General Electric Discover ST 4 PET/CT (unit #63) from Alliance Imaging. A tractor and a trailer will be used to transport the equipment once a week to Delta. The initial application contains a copy of the proposed service agreement between Alliance Oncology, LLC d/b/a Delta Cancer Institute and Alliance Imaging for the proposed project.

The applicant stated that Delta would create the concrete pad and electrical connections (capital improvement cost) necessary to accommodate the mobile PET/CT unit/services at Delta.

C. Project Description

Alliance Oncology, LLC d/b/a Delta Cancer Institute now requests an amendment to CON No. R-0783 approved in December 2008 for PET/CT service at Delta for an approved capital expenditure of \$67,000.

This amendment project will not establish any new institutional health services. It will change the provider of the CON approved PET/CT service from Delta to Delta Regional Medical Center (DRMC) and relocate services to DRMC's campus, which is a distance of less than a mile from Delta's originally approved proposed service location. DRMC will have its RAM license amended to include PET as a licensed service. DRMC will ultimately become the CON holder.

The applicant states that by locating and providing the service at DRMC, installation and design savings can be realized due to the fact that the hospital has a pad and electrical connections already in place for the location of mobile diagnostic equipment. The proposed capital expenditure, including a \$15,000 contingency component, will be \$21,350. The applicant suggests that this option is more service, cost, and resource efficient than alternatives considered by the applicants, such as leaving the service exactly as approved in CON No. R-0783. The original CON and the amendment application comply with all applicable criteria and standards.

II. TYPE OF REVIEW REQUIRED

The original project was reviewed in accordance with Section 41-7-191, subparagraph (1) (d) (xv) of the Mississippi Code of the 1972, Annotated, as amended.

The State Health Officer reviews all projects for amendment and cost overrun in accordance with duly adopted procedures 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 on June 16, 2009.

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

A. State Health Plan (SHP)

The FY 2009 State Health Plan addresses policy statements and service specific criteria and standards which an applicant is required to meet before receiving CON authority to provide PET services. The original application was in substantial compliance with the overall objectives of the *Plan* in effect at the time of submission. Delta Regional Medical Center has documented its compliance with the *State Health Plan*.

B. General Review (GR) Criteria

Chapter 8 of the Mississippi Certificate of Need Review Manual (February 23, 2008 as amended) addresses the general criteria by which all applications for Certificate of Need are reviewed. This project was in substantial compliance with general review criteria at the time of original submission. Delta Regional Medical Center documents that the project continues to be in substantial compliance with said criteria.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
New Construction Cost	\$0	\$0	\$0
Construction/Renovation	\$0	\$0	\$0
Land	\$0	\$0	\$0
Site Work	\$1,000	\$0	(\$1,000)
Fixed Equipment	\$0	\$0	\$0
Non-Fixed Equipment	\$0	\$0	\$0
Contingency	\$20,000	\$15,000	(\$5,000)
Fees (Architectural, Consultant, etc)	\$10,000	\$10,000	\$0
Capitalized Interest	\$0	\$0	\$0
Capital Improvement (pad and electrical connections)	\$27,500	\$0	(\$27,500)
Legal and Accounting Fees	\$7,500	\$5,350	(\$2,150)
CON Filing Fee	\$1,000	\$1,000	\$0
Total Capital Expenditure	\$67,000	\$21,350	(\$45,650)

Total capital expenditure for the project has decreased as a result of change in location of the delivery of service contemplated in the amendment of this project. The original CON application contemplated a \$67,000 capital expenditure for the project, whereas the amendment will reduce the total capital expenditure to \$21,650 as a result of decreased costs in professional fees and pad and electrical connection costs. The decline in cost is due to the relocation of the service from Delta to DRMC, a distance of approximately .2 miles. Fees will be \$5,350 instead of the \$7,500 originally contemplated at Delta in the original CON application for legal and accounting fees. The applicant projects a capital improvement cost of \$0 instead of the \$27,500 contemplated in the original CON application due to the fact that DRMC already has a trailer pad in place with electrical connections already installed, which can be used to park the PET/CT coach. Therefore, the site work originally estimated at \$1,000 will no longer be required.

The changes in contingency and fees included in this CON amendment application are all direct outgrowths of the changes in the project described above. Reduced professional services will be required due to the above described changes in the project. Therefore, professional fees will significantly reduce. The cumulative decrease in capital expenditure for this project is \$21,350, which is a decrease of 68.13% of the total CON approved capital expenditures for the project.

B. Method of Financing

The applicant intends to finance the proposed capital expenditure from accumulated cash reserves.

C. Effect on Operating Cost

	Year 1	Year 2	Year 3
Revenue			
Net Patient Revenue	\$119,019	\$120,209	\$121,411
Other Operating Revenue	\$1,302	\$1,315	\$1,328
Total Operating Revenue	\$120,321	\$121,524	\$122,740
Non Operating Revenue	\$525	\$600	\$650
Total Revenue	\$120,846	\$122,124	\$123,390
Expenses			
Operating Expenses	\$116,334	\$117,497	\$118,672
Interest Expenses	\$1,406	\$1,402	\$1,350
Total Expenses	\$117,740	\$118,899	\$120,022
Net Income	\$3,106	\$3,225	\$3,368
Procedures	45	220	224
■ Average Cost Per Procedure	\$2,585	\$534	\$530
■ Average Charge Per Procedure	\$2,645	\$546	\$542

- Note: Staff's calculations based on the projected net patient revenues and expenses indicate a decrease in costs and charges for years two and three. However, the applicant maintains that the charges do not constitute revenue and therefore projects the costs and charges as follows:

▲ Applicant's Calculations

▲ Applicant's Estimated Cost Per Procedure	\$870	\$870	\$870
▲ Applicant's Estimated Charge Per Procedure	\$2,300	\$2,300	\$2,300

D. Cost to Medicaid/Medicare

The impact of the project on third party payers is expected to be negligible.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid states that effective October 1, 2005, it changed the methodology by which the Division reimburses inpatient hospital services so that costs incurred subsequent to that date no longer affects per diem rates, and that any portion of the cost which may relate to outpatient service will be paid as outlined in the *Medicaid State Plan*. The Division takes no position on the proposed project.

VI. CONCLUSION AND RECOMMENDATION

The original project was in substantial compliance with the overall criteria and standards for the offering of mobile positron emission tomography (PET) services as contained in the *FY 2009 State Health Plan*; the *Mississippi Certificate of Need Review Manual, revised 2008*, and all adopted rules, procedures and plans of the Mississippi State Department of Health. This project continues to be in compliance with all applicable rules, procedures and plans.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Delta Cancer Institute and Delta Regional Medical Center for the amendment to CON No. R-0783 (establishment and provision of mobile positron emission tomography services) to transfer and relocate the CON to Delta Regional Medical Center.