

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
MAY 2012**

**CON REVIEW: ESRD-NIS-0312-005  
RENAL CARE GROUP TUPELO, INC D/B/A RCG OF CENTRAL NEW ALBANY  
ESTABLISHMENT OF A SATELLITE ESRD FACILITY  
CAPITAL EXPENDITURE: \$1,569,133  
LOCATION: NEW ALBANY, UNION COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**PROJECT SUMMARY**

**A. Applicant Information**

Renal Care Group Tupelo, Inc. d/b/a Renal Care Group of Central New Albany (RCG-Central New Albany) is a limited liability corporation. The applicant indicates that RCG-Central New Albany is governed by five-member board of officers and directors. The applicant further states that Fresenius Medical Care Holdings, Inc., d/b/a Fresenius Medical Care of North America, the applicant's parent organization ("Fresenius") is a seven-member Board of Directors and has eight officers.

The applicant provided a Certificate from the Secretary of State dated December 1, 2011, 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, Inc. d/b/a Renal Care Group of Central New Albany requests Certificate of Need (CON) authority to establish a ten (10 station), satellite End Stage Renal Disease ("ESRD") facility in Union County.

The applicant states that the proposed ten-station ESRD facility will be relocated from RCG-Tupelo, an affiliated facility. RCG-Tupelo is located at 2978 Mattox Street, Tupelo, Mississippi. The applicant indicates that the proposed facility will be located on the lot next to 915 Denmill Road, New Albany, Mississippi 38652. The applicant asserts that the proposed satellite ESRD facility will be located within 25 miles of RCG-Tupelo. The staff determined that RCG-Tupelo is located approximately 30 driving miles from the lot allocated above; however, it is within a 25 mile radius of the existing ESRD facility.

The applicant intends to lease 9,022 square feet of shelled medical office space in a to-be-constructed building and renovate the space in order to make necessary accommodations to provide ESRD services. The applicant provided a cost estimate from Granter Architecture which indicates a cost of \$115 per square foot totaling \$1,037,530 in new construction cost. The proposed renovation will include interior studs, drywall, floor, wall and ceiling finishes, interior doors, casework, specialty items, plumbing, HVAC and electrical systems.

The applicant states that there are no ESRD facilities located in Union County. The applicant affirms that ESRD patients from the New Albany (Union County) area travel to Tupelo and other Northeast Mississippi facilities in Oxford, Holly Springs and Corinth for dialysis treatment. The applicant suggests that the three closest facilities located near the proposed site are: RCG of Holly Springs – approximately 35 miles, RCG of Oxford – approximately 37 miles and RCG of Corinth which is located approximately 50 miles from the proposed site.

The applicant believes that the establishment of a satellite facility in New Albany, Mississippi will provide residents in Union County with a more convenient, accessible ESRD facility to receive dialysis services.

If the proposed project is CON approved, the applicant states that RCG-Central New Albany will enter a lease agreement with THN Real Estate, LLC. The applicant indicates that RCG-Central New Albany will lease 9,022 square feet at a lease cost of \$10.00-\$15.00 per square foot for a term of 10 years with the option to purchase the land for the proposed satellite facility. The MSDH Division of Health Facilities Licensure and Certification has approved the site for the proposed project.

During the first year of operation the applicant expects to employ 7.2 full-time equivalent employees at a total personnel cost of \$417,145. The total proposed capital expenditure for this project is \$1,569,133 and the applicant indicates cash reserves will be used to fund the project. The applicant anticipates that the construction of the Medical Office Building should begin within six (6) months of final approval and the proposed expenditure occurring near completion of the building. The applicant contemplates completion of the total proposed project within one year of the start date.

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

This project for the establishment of an end stage renal disease facility is reviewed 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.

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 the publication of the staff analysis. The opportunity to request a hearing expires on June 6, 2012.

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

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

The *FY 2012 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 a ten-station satellite ESRD facility. This application is in substantial compliance with applicable criteria and standards.

**Policy Statement No. 14 of the 2012 State Health Plan states** “Any existing ESRD facility which reaches a total of 30 ESRD stations, may establish a ten (10) station satellite facility. If a proposed satellite ESRD facility is to be located more than one (1) mile from the existing facility, a certificate of need must be obtained by the facility prior to the establishment of the satellite facility”.

According to the *FY 2012 State Health Plan*, RCG-Tupelo has 46 certified and CON approved stations. However, on February 7, 2012, the Department of Health Planning and Resource Development obtained documentation from Licensure verifying that the number of ESRD stations increased from 46 to 51 total stations and the facility site approval. The facility consists of 50 hemodialysis stations and one hemodialysis training station.

The applicant states that the proposed facility will be located within 25 miles from the existing Tupelo facility. The applicant states that the physical address for the proposed facility will not be issued until the property is fully constructed. However, the applicant verifies that the facility will be located on the lot next to 915 Denmill Road, New Albany, Mississippi 38652. The staff determined that RCG-Tupelo is located approximately 30 miles from the lot allocated above.

Therefore, the applicant is requesting CON approval for the establishment of a ten (10) station satellite ESRD facility in Union County.

### **SHP Criterion 3- Need**

**Need Criterion for Establishment of ESRD Satellite Facilities:** In order for a 30 station ESRD facility to be approved for the establishment of a ten (10) station satellite facility through the transfer and relocation of existing stations within a three mile radius or less from the existing facility, the facility must (a) 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; (b) justify the need for the project, which may include, but is not limited to, physical or space limitations at the existing facility; and (c) document that it is more cost effective to establish a satellite facility than to expand the existing facility. If the proposed satellite facility will be established at a location between a three and twenty-five mile radius of the existing facility, the facility must (a) 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; (b) justify the need for the project, which may include, but is not limited to, physical or space limitations at the existing facility; and (c) document that it is more cost effective to establish a satellite facility than to expand the existing facility; and (d) demonstrate that the proposed satellite facility's location is not within 30 miles of an existing facility without obtaining the existing facility's written support. NOTE: ESRD Policy Statements 2, 4, 5 and 6, and Need Criterion 1, do not apply to applications for the establishment of satellite ESRD facilities. An ESRD satellite facility established under this Need Criterion 3 shall not be used or considered for purposes of establishing or determining an ESRD Facility Service Area.

**(a) 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.**

The applicant indicates that RCG-Tupelo is currently experiencing 67.2% utilization. Staff requested additional ESRD data from the ESRD facility to calculate utilization for 03/2011 – 02/30/2012. Based on the 03/2011 – 02/30/2012 ESRD data, the staff projected an utilization rate of 67.3% for RCG-Tupelo.

**(b) Justify the need for the project, which may include, but is not limited to, physical or space limitations at the existing facility.**

Currently the applicant states that Fresenius affiliated facilities in the area treat over 80 patients from the New Albany area. These ESRD patients are traveling to Tupelo and other Northeast Mississippi facilities in Oxford, Holly Springs and Corinth for dialysis treatment. Furthermore, the applicant states that the expansion at the Tupelo facility would still result in patients driving from New Albany for required dialysis.

The applicant considered expanding the Tupelo facility but due to space constraints, the size of the current facility and the facility being landlocked, decided that the New Albany satellite facility would better serve patients and increase the number of day chairs at Tupelo. Therefore, the establishment of the satellite facility will best meet the needs of these patients and future patients in the most cost effective and efficient manner.

**(c) Document that it is more cost effective to establish a satellite facility than to expand the existing facility.**

The applicant affirms that RCG-Tupelo cannot be expanded to accommodate ten additional stations without taking in the already crowded parking lot. The applicant states that because of this issue the creation of a satellite facility in New Albany is the most cost effective option.

**(d) Demonstrate that the proposed satellite facility's location is not within thirty miles of an existing facility without obtaining the existing facility's written support.**

The application contained letters of support from RCG-Holly Springs, RCG-Oxford, and RCG-Corinth which are all located more than 30 miles from the proposed site. The applicant states that the proposed satellite facility will be located within 25 miles of existing RCG-Tupelo. The applicant states that the physical address for the proposed facility will not be issued until the property is fully constructed. However, the applicant states that the satellite facility will be located on the lot next to 915 Denmill Road, New Albany, Mississippi 38652. The staff determined that RCG-Tupelo is located approximately 30 driving miles from the lot allocated above; however it is within a 25 mile radius of the proposed satellite location.

**SHP Criterion 4 - Number of Stations**

RCG-Tupelo has 51 hemodialysis ESRD stations and will transfer ten ESRD hemodialysis stations to the proposed satellite facility. The applicant affirms that the satellite ESRD facility will contain ten hemodialysis stations in Union County. Therefore, the applicant is in compliance with this criterion.

**SHP Criterion 5 - Minimum Utilization**

The applicant projects 45 patients in year one, 50 patients in year two, and 55 patients in year three for the proposed ten-station satellite ESRD facility. Typically, an ESRD patient receives three treatments per week or 156 treatments per year. The following table compares the applicant's projections with the Department's requirements:

		Applicant's Projections		
Year	Stations	Patients	Treatments	Utilization Rate
1	10	45	6,120	65.3%
2	10	50	6,840	73.0%
3	10	55	7,560	80.7%

Based on MSDH's utilization requirements, the staff determined the number of treatments for the first through third year of operation will be 4,680, 6084, and 6,084.

		MSDH Projections	
Year	Stations	Treatments	Utilization Rate
1	10	4,680	50%
2	10	6,085	65%
3	10	6,084	65%

**SHP Criterion 6 - Minimum Services**

RCG-New Albany affirms that the facility will provide social, dietetic, and rehabilitative services.

**SHP Criterion 7 - Access to Needed Services**

RCG-New Albany affirms that the applicant will provide reasonable access to equipment/facilities for such needs as vascular access and transfusions required by stable maintenance ESRD patients.

**SHP Criterion 8 - Hours of Operation**

RCG-New Albany will operate Monday through Saturday between the hours of 6:00 a.m. to 5:00 p.m. The applicant affirms alternate arrangements will be made for those patients needing after-hours treatments.

### **SHP Criterion 9 - Home Training Program**

RCG-New Albany affirms that patients who would like to participate in the home training program will be counseled on the availability of the home-training program and the requirements to enter the home/self-dialysis program. The Home Training program will be coordinated through the Home Therapies Department located in Tupelo, Mississippi. The applicant provided a letter evidencing Tupelo's agreement to provide back-up home dialysis services.

### **SHP Criterion 10 - Indigent/Charity Care**

The applicant affirms that they will provide a reasonable amount of indigent/charity care and serve approximately 2% indigent/charity care patients. The applicant states it will serve all ESRD patients including Medicaid and Medicare recipients.

### **SHP Criterion 11 - Facility Staffing**

The applicant included a proposed list of staff by category, position qualification guidelines (minimum education and experience requirements), and specific duties. If the proposed project is CON approved, the applicant affirms that 7.2 full time equivalents will be utilized to operate the satellite ESRD facility.

### **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 program for nurses and technicians in dialysis techniques at the facility. Furthermore, the applicant states that specifically Fresenius and RCG-New Albany will offer a comprehensive training program for all direct patient care staff. The training includes didactic and clinical training with qualified preceptors to build clinical skills and includes mandatory Fresenius compliance training.

### **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. The applicant states that their affiliated facilities within the service area have existing relationships with nephrologists in the area who currently treat the applicant's patients and will continue to treat the patients at the proposed facility.

### **SHP Criterion 17 - Affiliation with a Renal Transplant Center**

The applicant affirms that they will enter into an affiliation agreement with a transplant center within one (1) year after the facility is opened and operating. The applicant provided an existing copy of a transfer agreement with the University of Mississippi Medical Center and the University of Alabama. The applicant anticipates this same agreement or a similar agreement will be applicable to the proposed facility.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2011, 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 2012 State Health Plan*.

### **GR Criterion 2 – Long Range Plan**

The applicant's long range plan is to provide high quality, easy access ESRD services for those residents in need of dialysis services near New Albany. The applicant states that the proposed facility will also help relieve the patient load at other Northeast Mississippi, affiliated facilities, and the smaller facility will offer a calmer environment for the patients.

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

The applicant considered the following alternatives:

- Not establishing a satellite ESRD facility in New Albany and continuing to service those patients through its existing facilities – the applicant states that this option wasn't feasible.
- Expansion of the Tupelo facility – the applicant states that the Tupelo facility cannot be expanded to accommodate ten stations due to space constraints, the size of the current facility, and the facility being landlocked. The applicant also states that the expansion of the Tupelo facility would still force patients in the New Albany area to travel to receive dialysis services.

The applicant suggests that the relocation of stations from RCG-Tupelo, will increase the availability of day chairs throughout Northeast Mississippi as New Albany area patients transfer to the satellite facility.

The applicant believes that the establishment of a ten-station satellite ESRD facility in New Albany will be the most efficient, effective, and accessible alternative to meet the needs of the patients in Union County.

#### **GR Criterion 4 – Economic Viability**

Based on the applicant's three-year projections, this project will have a net income of \$551,117 the first year, \$655,928 the second year, and \$760,958 the third year of operation, respectively.

- a. **Proposed Charge:** The applicant submits that the proposed project will not increase the cost of dialysis services to patients or Medicaid. The applicant believes that the experience gained by Fresenius in effectively operating other ESRD facilities in the service area and across the state will help ensure that there will not be a negative effect on the cost of health care. The applicant also believes that the charge for the services is comparable to other ESRD facilities' charges because Medicare sets an advanced composite rate per treatment for each geographic area.
- b. **Projected Levels of Utilization:** The applicant makes the following projections of dialysis treatments to be performed during the first three years of operation: 65.3%; 73.0%; and 80.7%, respectively.
- c. **Project's Financial Feasibility Study:** The capital expenditure for the proposed project is below \$2,000,000.

#### **GR Criterion 5 – Need for Project**

- a. **Access by Population Served:** The applicant submits that there are no ESRD facilities in Union County. The applicant affirms that currently patients from New Albany are traveling to Tupelo and other Northeast Mississippi facilities in Oxford, Holly Springs and Corinth for dialysis treatment. RCG-New Albany states that dialysis services will be offered to all ESRD patients, including without limitation, to the underserved population.
- b. **Relocation of Services:** The applicant states that while ten stations from Tupelo will be relocated to create the proposed satellite facility, services will continue to be provided at the existing location. Therefore, this application does not entail the relocation of services or replacement of an ESRD facility.
- c. **Probable Effect on Existing Facilities in the Area:** As previously stated, the applicant affirms that currently there are no ESRD facilities in Union County. The applicant states that currently there are three ESRD facilities located near the proposed service area: RCG of Holly Springs – approximately 35 miles, RCG of Oxford – approximately 37 miles and RCG of Corinth which is located approximately 50 miles from the proposed site. The application contained letters of support from the ESRD facilities stated above. For the applicant's projected utilization, refer to applicant's utilization table located under SHP Criterion 5.



- d. Community Reaction:** The application contained letters of support for the proposed project from the Mayor of New Albany, affiliated facilities, administrators, physicians and patients.

No letters of opposition for the proposed project were received.

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

<b>Projected Year</b>	<b>Total Dollar Amount of Gross Patient Revenue</b>
1	\$40,606.20 (2%)
2	\$45,837.24 (2%)

The applicant confirms that RCG-Central New Albany has no existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority/handicapped persons.

The proposed facility will operate Monday through Saturday from 7:00 a.m. to 6:00 p.m.

**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 no ESRD facilities in Union County. According to the applicant, residents currently travel to areas around Tupelo or other affiliated Northeast Mississippi facilities to receive ESRD services. The applicant states that RCG-Tupelo will cooperate to transfer patients to the New Albany facility to facilitate continuity of care.

The applicant believes that failure to implement the proposed project will result in ESRD patients residing near New Albany continuing to travel three times a week to other locations in Northeast Mississippi to receive necessary dialysis services.

**GR Criterion 9 – Availability of Resources**

The applicant states that its affiliates have successfully recruited, through advertising and word-of-mouth, and maintained the personnel necessary for the efficient operation of their current facilities. The applicant proposes to use the same method. Furthermore, the applicant states, that in the event of a shortage of staff at the new facility, the affiliation with the closest facility, will allow the applicant and the other facilities to supplement and share. The applicant affirms that due to its existing presence in the area, relationships with nearby nephrologists have been established.

**GR Criterion 10– Relationship to Ancillary or Support Services**

The applicant affirms that all necessary ancillary or support services will be available.

**GR Criterion 11– Health Professional Training Programs**

RCG-New Albany asserts the facility will coordinate with area health professional training programs in the surrounding area.

**GR Criterion 14– Construction Projects**

The applicant intends to lease 9,022 square feet of shelled medical office space in a to-be-constructed building and renovate the space in order to make necessary accommodations to provide ESRD services. The applicant states that a separate developer will construct a new, yet to be finished constructed shell building with the interior space unfinished. The applicant indicates that the developer's shell building does not yet exist. Assuming the CON is approved, the applicant states that the developer will work to have the new shell building constructed at the site proposed in the application. The applicant proposes to lease the shell building and make improvements (“build-out”/renovate) the unfinished interior space for use as a dialysis facility.

If the proposed project is CON approved, the applicant states that RCG-Central New Albany will enter a lease agreement with THN Real Estate, LLC. The applicant provided a copy of the proposed lease agreement between RCG-Tupelo and THN Real Estate, LLC. The applicant indicates that RCG-Central New Albany will lease 9,022 square feet at a lease cost of \$10.00-\$15.00 per square foot for a term of 10 years with the option to purchase the land for the proposed satellite facility.

The applicant provided a cost estimate from Granter Architecture which indicates a cost of \$115 per square foot totaling \$1,037,530 in new construction cost. The proposed renovation will include interior studs, drywall, floor, wall and ceiling finishes, interior doors, casework, specialty items, plumbing, HVAC and electrical systems.

The applicant states that the project complies with state and local building codes, zoning ordinances, and all appropriate regulatory authorities. The applicant has provided written assurance that FMC-Central New Albany will comply with state statutes and regulations for the protection of the environment.

The applicant provided a schematic drawing to show how the proposed project will look upon completion.

The RSMeans Building Construction Cost Data, 2012 Edition states that the cost per square foot for construction of a medical office building range from \$115-\$175. Therefore, RCG-Central New Albany estimated cost of \$115 per square foot of new construction is within the average cost when compared to medical office building construction projects listed in the RSMeans Building Construction Cost Data, 2012 Edition. Refer to Attachment 2 for the staff's calculation pertaining to construction and/or renovation costs.

**GR Criterion 16– Quality of Care**

The applicant states that their relationship with Fresenius will greatly benefit the proposed facility due to Fresenius' integrated delivery and service model. The applicant suggests this affiliation will help guarantee quality of care through delivery of health services, staff training and expectations.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

<b>Cost Item</b>	<b>Projected Cost</b>	<b>Percentage% of Total</b>
Construction Cost - New	\$1,037,530	66.13%
Construction Cost - Renovation	\$ 0	0%
Capital Improvements	\$ 0	0%
Total Fixed Equip Cost	\$ 0	0%
Total Non-Fixed Equip Cost	\$ 151,494	9.65%
Land Cost	\$ 0	0%
Site Prep Cost	\$ 0	0%
Fees – architectural/engineering	\$ 83,002	5.29%
Fees - legal and accounting	\$ 0	0%
Contingency Reserve	\$ 103,753	6.61%
Capitalized Interest	\$ 0	0%
Other –TV, phone, generator, etc;	\$ 193,357	12.32%
<b>Total Proposed Expenditures</b>	<b>\$1,569,133</b>	<b>100.00%</b>

Details regarding the cost of construction and/or renovation relating to the proposed project is listed in General Review Criterion 14.

The capital expenditure for this project is \$1,569,133; therefore, a financial feasibility study is not required since the capital expenditure does not exceed \$2,000,000.

**B. Method of Financing**

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

**C. Effect on Operating Cost**

Attachment 1 lists RCG-New Albany's projections of expenses, gross revenue, net income and utilization for the first three years of operation.

**D. Cost to Medicaid/Medicare**

ESRD treatment is a Medicare entitlement. As such, the Medicare program will absorb a majority of the costs associated with this project. The cost to the Medicaid program will be negligible.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment; however, the department received no response, as of the date of this staff analysis.

**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 2012 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised September 1, 2011*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The applicant indicates that RCG-Tupelo is currently experiencing 67.2% utilization. Staff requested additional ESRD data from the ESRD facility to calculate utilization for 03/2011 – 02/30/2012. Based on the 03/2011 – 02/30/2012 ESRD data, the staff projected an utilization rate of 67.3% for RCG-Tupelo.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Renal Care Group Tupelo, Inc. d/b/a Renal Care Group of Central New Albany for the establishment of a ten (10 station), satellite End Stage Renal Disease ("ESRD") facility in Union County

**Attachment I**

**Renal Care Group Tupelo, LLC  
 d/b/a  
 RCG of Central New Albany**

**Three-Year Operating Statement with Project**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Revenue</b>			
Inpatient Care Revenue	\$ 0	\$ 0	\$ 0
Outpatient Revenue	2,030,310	2,291,862	2,558,441
<b>Gross Patient Revenue</b>	<b>\$ 2,030,310</b>	<b>\$ 2,291,862</b>	<b>\$ 2,558,441</b>
Charity	\$ 0	\$ 0	\$ 0
Deductions from Revenue	0	0	0
<b>Net Patient Care Revenue</b>	<b>\$ 2,030,310</b>	<b>\$ 2,291,862</b>	<b>\$ 2,558,441</b>
Other Operating Revenue	\$ 0	\$ 0	\$ 0
<b>Total Operating Revenue</b>	<b>\$ 2,030,310</b>	<b>\$ 2,291,862</b>	<b>\$ 2,558,441</b>
<b>Operating Expenses</b>			
Salaries	\$ 345,813	\$ 390,629	\$ 437,823
Benefits	71,332	80,576	90,311
Supplies	551,106	620,768	691,499
Services	0	0	0
Lease Expenses	135,330	139,390	143,572
Depreciation	122,429	122,429	122,429
Interest	0	0	0
Other	253,183	282,142	311,849
<b>Total Operating Expenses</b>	<b>\$ 1,479,193</b>	<b>\$ 1,635,934</b>	<b>\$ 1,797,483</b>
<b>Net Operating Income</b>	<b>\$ 551,117</b>	<b>\$ 655,928</b>	<b>\$ 760,958</b>
	<b>Proposed Year 1</b>	<b>Proposed Year 2</b>	<b>Proposed Year 3</b>
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Number of ESRD Treatments	6,120	6,840	7,560
Charge per Outpatient Day	\$ 0	\$ 0	\$ 0
Charge per Inpatient Day	\$ 0	\$ 0	\$ 0
Charge per Procedure	\$ 332	\$ 335	\$ 338
Cost per Inpatient Day	\$ 0	\$ 0	\$ 0
Cost per Outpatient Day	\$ 0	\$ 0	\$ 0
Cost per Procedure	\$ 242	\$ 239	\$ 238

**Attachment 2**

**Renal Care Group Tupelo, LLC  
 d/b/a  
 RCG of Central New Albany**

**Computation of Construction and Renovation Cost**

	<b>Cost Component</b>	<b>Total</b>	<b>New Construction</b>	<b>Renovation</b>
A	New Construction Cost	\$1,037,530	\$1,037,530	
B	Renovation Cost	\$0		\$0
C	Total Fixed Equipment Cost	\$0	\$0	\$0
	Total Non-Fixed Equipment Cost	\$151,491	\$0	\$0
	Land Cost	\$0	\$0	
D	Site Preparation Cost	\$0	\$0	
E	Fees (Architectural, Consultant, etc.)	\$83,002	\$0	\$0
F	Contingency Reserve	\$103,753	\$103,753	\$0
G	Capitalized Interest	\$0	\$0	\$0
	Other	\$193,357	\$0	
	<b>Total Proposed Capital Expenditure</b>	<b>\$1,569,133</b>	<b>\$1,141,283</b>	<b>\$0</b>
	Square Footage	9,022	9,022	0
	Allocation Percent		0.00%	0.00%
	<b>Costs Less Land &amp; Non-Fixed Equipment</b>	<b>\$1,417,642</b>	<b>\$1,141,283</b>	<b>\$0</b>
	<b>Cost Per Square Foot</b>	<b>\$157.13</b>	<b>\$126.50</b>	<b>\$0</b>

Source: Mississippi Certificate of Need Review Manual, Revised September 1, 2011