

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
JANUARY 28, 2019**

**CON REVIEW: HG-NIS-1218-015
RIVER OAKS HOSPITAL, LLC D/B/A MERIT HEALTH RIVER OAKS
OFFERING OF PCI SERVICES IN A HOSPITAL WITHOUT ON-SITE
CARDIAC SURGERY
CAPITAL EXPENDITURE: \$89,751.00
LOCATION: FLOWOOD, RANKIN COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

The applicant, River Oaks Hospital, LLC d/b/a Merit Health River Oaks is a Mississippi Limited Liability Company located at 1030 River Oaks Drive, Flowood, Mississippi. The entity is one of five Merit Health facilities in the immediate metro-area. Merit Health River Oaks operates a 160-bed, full service acute care hospital with specialized services available including orthopaedic surgery, neurosurgery, general surgery, cardiology, diagnostic cardiac cath, and advanced radiology procedures in Flowood, Mississippi. According to the application, Merit Health River Oaks has over 200 physicians on staff and has had an average of 4,622 discharges per year over the past three years. The emergency department, which participates in the State's trauma program, has averaged 27,517 emergency department visits per year over the last three years. Merit Health River Oaks is controlled and operated by sixteen (16) officers and directors.

Merit Health River Oaks is certified to participate in the Medicare and Medicaid programs and is accredited by the Joint Commission. The application included a Certificate from the Secretary of State's Office dated December 7, 2018 indicating that River Oaks Hospital, LLC is a limited liability company incorporated in Mississippi and is in good standing with the State of Mississippi.

B. PROJECT DESCRIPTION

River Oaks Hospital, LLC d/b/a Merit Health River Oaks (the "Applicant" or "River Oaks") requests certificate of need (CON) authority to offer percutaneous coronary intervention (PCI) services in a hospital without on-site cardiac surgery.

The Applicant states that the *FY 2018 State Health Plan* recognizes that the state has seen a decrease in mortality attributable to heart disease, yet it remains the leading cause of death. The Applicant recognizes that

focusing on improving access to care for underserved populations has been and remains one of the concerns in the Plan. In regards to the offering of PCI services in a hospital without cardiac surgery, the Applicant states that the current Plan sets forth an additional goal to encourage the establishment of additional cardiac programs that serve the poor, minorities and the rural residents

The Applicant states that the lack of PCI services at River Oaks inhibits the comprehensiveness of care the hospital can provide to its patients. According to the Applicant, if a patient currently undergoing diagnostic cath needs a PCI intervention, the diagnostic cath must be stopped and the patient must be rescheduled for another procedure with another provider. The Applicant states that this delays cardiac care and results in rescheduling of the procedure for a patient that has to take off work, return to another hospital, see another physician, and receive another statement of services. River Oaks believes that the approval of its application to offer PCI services will eliminate this concern and also ensure PCI services are available to patients that arrive at the emergency department with cardiac concerns.

The project will require five (5) full-time equivalent (FTE) personnel at an annual estimated cost of \$333,172.52.

The total cost for the proposed project is \$89,751.00. River Oaks Hospital LLC, states that the facility currently has one diagnostic cath lab, as well as one special procedures room already in operation. The applicant suggests that with approval of the application, River Oaks will have the ability to utilize both labs for the provision of diagnostic and PCI services, while improving access to those patients seeking care at River Oaks.

The Applicant's final objectives for the project are providing PCI services at River Oaks so that Hospital patients can receive more thorough and less fragmented cardiology care and treatment; to provide River Oaks' affiliated physicians the ability to refer cardiology patients to a more comprehensive heart program at River Oaks; to help River Oaks more appropriately treat patients presenting to their emergency room in a timely manner; and to promote cost containment.

The proposed project will not involve any new construction, renovation or other expenses. The application included a capital expenditure summary, a three-year projected operating statement, and un-audited financial statements ending 2017.

The applicant received site approval for the proposed facility from the Mississippi State Department of Health, Division of Licensure and Certification. To fund the project, River Oaks Hospital, LLC will use cash reserves in the amount of \$89,751.00. The Applicant anticipates that the capital expenditure will be obligated within six months of the final CON

approval and the proposed project will be complete within one year of CON approval.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the offering of percutaneous coronary intervention (PCI) services in a hospital without cardiac surgery under the applicable statutory requirements of Sections 41-7-173, 41-7-191 (1)(d)(ii), and 41-7-193 of the Mississippi Code of 1972, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi 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 10 days of publication of the staff analysis. The opportunity to request a hearing expires February 7, 2019.

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

A. State Health Plan (SHP)

The *FY 2018 Mississippi State Health Plan (MSHP)* contains criteria and standards that an applicant must meet prior to the acquisition or otherwise control of therapeutic cardiac catheterization equipment for the performance or offering of PCI services in a hospital without on-site cardiac surgery. The applicant is in substantial compliance with applicable criteria and standards.

Policy Statement 1 (b) defines percutaneous coronary intervention (PCI) services in a hospital without on-site cardiac surgery as "...those therapeutic cardiac catheterization services involving primary and elective PCIs but not involving transseptal puncture, transthoracic left ventricular puncture, myocardial biopsy, and any other procedure that is currently defined as a structural heart disease procedure." *MSHP* at 137.

The Plan designates nine Cardiac Catheterization/Open-Heart Surgery Planning Areas (CC/OHSPAs). River Oaks is located in CC/OHSPA 5, which contains 15 counties; however, River Oaks identifies 13 counties as its primary service area which includes Neshoba County, located in CC/OHSPA VI. In addition, the Plan shows that CC/OHSPA 5 has five (5) providers of therapeutic cardiac catheterization and open-heart surgery and River Oaks as a provider of diagnostic cardiac catheterization service only.

River Oaks acknowledges review and consideration of each of the policy statements pertaining to the acquisition of equipment and/or provision of cardiac catheterization services contained in the Plan.

SHP Need Criterion 1 - Minimum Procedures

The Plan requires that an applicant proposing the establishment of PCI services in a hospital without on-site cardiac surgery shall demonstrate that the proposed equipment/service utilization will be a minimum of 300 cardiac catheterizations, both diagnostic and PCI, with at least 100 being total PCIs, per year by its third year of operation. Applicants must certify they will submit volume data to demonstrate and verify the utilization of the service at a minimum of every three (3) years.

As required by this criterion, the Applicant anticipates it will exceed 300 total cardiac catheterizations per year by its third year of operation which will include a minimum of 100 total PCIs. River Oaks also certifies that it will submit volume data to demonstrate and verify the utilization of the service at a minimum of every three (3) years.

In assessing the need and projecting the number of PCIs the hospital could perform, River Oaks indicates that it took into account a number of factors:

- Discussion with its primary care physicians and cardiologists regarding the impact cardiovascular disease had in their patient population and on patients' health;
- A review of demographics related to the Hospital Service Area;
- A review of the American Heart Association's (AHA) identification of risk factors for heart disease;
- A review of the Centers for Disease Control and Prevention (CDC) county specific data on hospitalizations from cardiovascular disease and on acute myocardial infarction;
- A review of the inpatient PCI utilization rate for Medicare beneficiaries;
- The goals of the Plan to reach and improve availability of cardiac resources for the poor, minorities and rural citizens; and
- A review of emergency department visits related to cardiac issues.

Based on its review of historical trends of the Hospital, emergency room visits, patients needing cardiac care, and impact experienced by the System's physicians, along with factors identified by the AHA and CDC, the Applicant believes that the following projections are reasonable.

Merit Health River Oaks
Projection of PCIs

Year	Total Procedures	PCIs
1	265	87
2	292	96
3	321	105*
*15 Primary PCIs		

SHP Need Criterion 2 – Staffing Requirements

The Applicant affirms that River Oaks currently employs staff that is appropriately trained and qualified to provide diagnostic cath services. Prior to offering PCI services, the applicant will develop protocols for staffing requirements. In order to accomplish this, River Oaks will work with Merit Health Central to coordinate with its PCI service to ensure quality protocols, standards, and training are established prior to implementing services so that only sufficiently trained and experienced professional staff provide the PCI service at River Oaks.

SHP Need Criterion 3 – Staff Residency

The Applicant certifies that the medical staff performing PCIs shall be onsite within thirty (30) minutes.

SHP Need Criterion 4 – Recording and Maintenance of Data

The Applicant certifies it shall record and maintain separate utilization data for diagnostic and PCI catheterization procedures (e.g., morbidity data, number of diagnostic cardiac catheterization and PCI procedures performed and mortality data, all reported by race, sex and payor status). The applicant further affirms that this data will be made available to the Mississippi State Department of Health annually.

SHP Need Criterion 5 – Open-Heart Surgery

River Oaks certifies that it has a formal emergency transfer agreement with Merit Health Central. Merit Health Central is located approximately twelve (12) miles from River Oaks. The applicant states that all transfers will be made in accordance with this criterion so that transfers will be done in a minimum of less than 120 minutes. The applicant further states that this is to accomplish transfer from the onset of PCI complications to cardiopulmonary bypass. The applicant, certifies that River Oaks will obtain an intra-aortic balloon pump (IABP) prior to provision of PCI services for use during ambulance transfers of the patient to the receiving hospital.

River Oaks projects its PCI program will annually perform a minimum of 100 total PCIs per year which will include at a minimum twelve (12) primary PCIs per year by the end of the third year of operation.

The Applicant states that River Oaks recognizes that this is a minimum volume and understands that if it fails to reach this volume after three (3) years the Department has the authority, with the available discretion to grant an exception, to close the program if the volume is not reached for the next two (2) consecutive years.

River Oaks certifies that the primary operators for the PCI service will have a life-time experience of greater than 150 PCIs with acceptable outcomes. River Oaks also certifies that these primary operators will have completed a cardiology fellowship. According to the Applicant, these primary operators will have over 150 PCIs and have completed an interventional cardiology fellowship.

River Oaks affirms that it will actively participate in the STEMI ("ST"-Segment Elevation Myocardial Infarction) Network, including, but not limited to, the submission of data to the STEMI databank.

The Applicant states that River Oaks will provide primary and elective PCIs.

The Applicant certifies that it will provide such educational programs with the goal of decreasing cardiac mortality rates in the stated underserved patient populations.

The Applicant confirms that it currently provides, and will continue to provide, a reasonable amount of charity care.

Furthermore, the applicant certifies that it currently conducts monthly multi-disciplinary meetings for other services, and will conduct such multi-disciplinary improvement meetings for the PCI service.

The Applicant affirms that it has the appropriate equipment referenced in Section 4.1.1, of The American College of Cardiology, American Heart Association, and the Society of Cardiovascular Angiography and Interventions Guideline for Percutaneous Coronary Intervention ("PCI Guideline), namely defibrillators, consoles for ancillary devices (Doppler wires, pressure-tipped sensor wires and IVUS catheters), point-of-care testing devices (for testing activate clotting time and arterial blood gas machines), digital cine images, and x-ray imaging equipment. According to the Applicant, this equipment is currently and will continue to be tested as required by Section 4.1.1. of the PCI Guideline. As set forth in the financial spreadsheets, River Oaks will purchase minimal additional equipment. This new equipment will be routinely tested as required above, and will also be in compliance with River Oaks' current policies.

River Oaks affirms that it will maintain adequate and qualified staff as required by Section 4.1.2. of the PCI Guideline, namely that an interventional cardiologist, qualified nursing personnel and technical personnel will be present in the cath lab for the duration of the procedure.

All personnel in the cath lab will be certified in basic life and advanced cardiovascular life support.

River Oaks certifies that currently the application contains “time-out” procedures at River Oaks and that it will continue to have “time-out” procedures that comply with Section 4.1.3. of the PCI Guideline.

River Oaks affirms that it currently operates a quality improvement program and that it will continue this program in line with Section 7.1 of the PCI Guideline, namely that there will be a routine review of: the quality and outcomes of the program; results of individual operators; risk adjustment; peer review of difficult or complicated cases; and random case review. According to the Applicant, a system for quality improvement is already in place at River Oaks for other service lines, and will be adopted for PCI services. In addition, River Oaks will participate in a national PCI registry for the purpose of benchmarking its outcomes compared to norms.

SHP Need Criterion 6 –Applicants for PCI Services in a Hospital without On-Site Cardiac Surgery Capabilities Currently Providing Diagnostic Catheterization Services.

River Oaks currently provides diagnostic cath services. The Applicant states that due to the inability of River Oaks to perform PCI services, the number of cath procedures performed at River Oaks is below the 300 procedure threshold. However, River Oaks certifies that its primary operators for the PCI service will have a life-time experience of greater than 250 total (diagnostic and PCI) cath procedures with acceptable outcomes, and will have completed an interventional cardiology fellowship. The application contains affidavits from interventional cardiologists who will perform PCI procedures at River Oaks along with their credentials.

SHP Criterion 7 - Regulatory Approval

The Applicant acknowledged the regulatory approval and has filed this application to seek approval.

B. General Review (GR) Criteria

GR Criterion 1 – State Health Plan

This application has been reviewed for compliance with the *FY 2018 State Health Plan*.

GR Criterion 2 – Long Range Plan

The Applicant believes that their ability to provide PCI services will enable River Oaks to help reach its long range plan of providing a full complement of acute services, including thorough cardiac care. The

Applicant states that because of limitations in previous *MS State Health Plans*, PCI services have not been offered despite the need for River Oaks to provide these services. The revised *FY 2018 MS State Health Plan* recognizes that in order to meet the stated goal of encouraging access to cardiac care, some of the prior restrictions pertaining to the offering of PCI services have been removed. The Applicant believes that approval of this application will enable River Oaks to meet its long range plan for improved cardiac care.

GR Criterion 3 – Availability of Alternatives

The Applicant states that River Oaks considered continuing to offer diagnostic only cath services; however, this limited cath service does not meet the needs of patients or physicians. By limiting the services to diagnostic cath only, the physician is prohibited from performing PCI services if it is determined that such is needed. The applicant states that this means that the procedure must stop, the patient must be rescheduled at another provider, and the patient must be re-catheterized. The applicant further states that if during a diagnostic cath the need for PCI becomes an emergency, the patient must be transferred on an emergency basis. The Applicant asserts that this process is unnecessarily invasive, inefficient, and time consuming. By providing a more thorough complement of cardiac services, River Oaks will be able to provide a patient's complete cardiac care whether the cath is elective or primary.

The Applicant affirms a full complement of services at River Oaks will enable a patient to receive all care at one location.

The Applicant states that the proposed project is not an unnecessary duplication of services because it seeks to enhance services already provided at River Oaks thereby improving patients' continuity of care.

The Applicant determined that the offering of PCI services is a more efficient solution to the identified need because River Oaks will be able to address the need immediately without delay, transfer, rescheduling and/or re-catheterization. Further, patients presenting to the emergency department in need of PCI services will no longer have to be transferred to another location, saving time and improving patient outcomes.

The Applicant submits that the *FY 2018 MS State Health Plan* language concerning PCI without on-site open-heart surgery backup was recently revised to increase the availability of cardiac care services. By expanding cardiac services at River Oaks to include PCI services, Mississippians will have increased access to potentially lifesaving care. In addition, River Oaks can begin providing the service with minimum additional capital expended as the labs are already in operation and the equipment need is minimal.

GR Criterion 4 – Economic Viability

The Applicant states that River Oaks determined its charges after reviewing Medicare and Medicaid reimbursement levels. The applicant affirms that expected profitability was determined by measuring expected reimbursement alongside expected supply costs, as well as human resource needs.

Currently, there are no hospitals in the service area that offers PCI without open-heart surgery. However, the Applicant states that it has based its projections on several sources, including: physician comments and support, patient requests for the service and the demographics of patients in the system, and patients presenting to River Oaks with cardiac problems. The Applicant believes based on its review of all of these sources that its projections are reasonable.

Although the Applicant believes its projections are reasonable, River Oaks states that in the event it fails to meet its projections, River Oaks and/or its parent company, Community Health Systems, Inc. will support the services.

The Applicant asserts that as the Department's policy statement and goals set forth, Mississippi has seen a decrease in cardiac related deaths however, heart disease remains the leading cause of death in Mississippi. The applicant states that in order to tackle heart disease's impact, improving the availability of cardiac care in Mississippi is necessary. Thus, the addition of PCI services at River Oaks should not impact the overall cost of healthcare as those patients should receive the service regardless of location. River Oaks does not anticipate any substantial impact on gross revenues or impact on Medicaid expenses per procedure.

GR Criterion 5 – Need for the Project

The Applicant states that River Oaks serves all patients seeking services at River Oaks including low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups, as well as the elderly. The revised *FY 2018 MS State Health Plan's* goals demonstrate the need to improve access to cardiac care by encouraging the establishment of additional cath programs. River Oaks proposes to make PCI services available to all patients, including these underserved groups, especially to those patients who already use the system for their care.

The Applicant submits that while CC/OHSPA 5 does contain existing cardiac cath equipment/services, the goal of the *FY 2018 MS State Health Plan's* changes is to "improve access to cardiac care and to encourage the establishment of additional cardiac catheterization and open-heart surgery programs within the state that can serve the poor,

minorities, and the rural population in greater numbers.” *FY 2018 MS State Health Plan* at 136.

The Applicant has received 23 letters of support including sixteen (16) from physicians.

In addition, the proposed project received 1 letter of opposition from St. Dominic-Jackson Memorial Hospital (St. Dominic).

St. Dominic states that according to the PCI Guidelines, low-volume centers are associated with worse outcomes and thus, the creation of new low-volume PCI programs should be limited and only permitted in underserved areas. St. Dominic affirms that the 2011, PCI Guidelines recommended, “an institution with a volume of fewer than 200 [PCI] procedures per year, unless in a region that is underserved because of geography, should carefully consider whether it should continue to offer this service.” The 2011 PCI Guideline labeled this type of practice as a Class III- offering no benefit to patients and should not be recommended. St. Dominic affirms that the facts and PCI guidelines have not changed. St. Dominic suggest that the proposed River Oaks’ PCI program will not only be a significantly low volume provider, but will also not be serving a geographically isolated area or underserved population.

There are four (4) hospitals located in the Jackson metropolitan area currently performing PCI services with on-site surgical backup. Those hospitals are St. Dominic’s, Mississippi Baptist Medical Center (“Baptist”), University of Mississippi Medical Center (“UMMC”) and Merit Health Central. River Oaks is located less than four to fifteen miles away from the allocated facilities listed above.

In December of 2014, River Oaks filed a proposed CON application for the establishment of a diagnostic catheterization and PCI services and acquisition of related equipment. However, on March 24, 2016, the presiding State Health Officer deemed the proposal to not be in compliance with the Mississippi State Department of Health’s adopted Plans, criteria and standards effective March 3, 2016. Therefore, the Final Order for the proposed CON application was disapproved.

The *FY 2018 MS State Health Plan* requires that an applicant proposing the establishment of PCI services in a hospital without on-site cardiac surgery demonstrate that the proposed equipment/service utilization will be a minimum of 300 cardiac catheterizations, both diagnostic and PCI, with at least 100 being total PCIs, per year by its third year of operation. Applicants must certify they will submit volume data to demonstrate and verify the utilization of the service at a minimum of every three (3) years.

As previously stated above, (see SHP Need Criterion 1 - Minimum Procedures) the Applicant anticipates it will exceed 300 total cardiac catheterizations per year by its third year of operation which will include a minimum of 100 total PCIs. River Oaks also certifies that it will submit

volume data to demonstrate and verify the utilization of the service at a minimum of every three (3) years.

River Oaks certifies that the primary operators for the PCI service will have a life-time experience of greater than 150 PCIs with acceptable outcomes. River Oaks also certifies that these primary operators will have complete a cardiology fellowship.

The Applicant suggests that failure to implement the proposed project will continue to have a negative impact on continuity of care for patients

GR Criterion 6 – Access to the Facility or Service

The Applicant affirms that all residents of the health planning service area, hospital service area or patient service area, including Medicaid recipients, charily/medically indigent patients, racial and ethnic minorities, women, handicapped person and the elderly currently have access to the services provided.

The Applicant affirms as described in the application, residents will continue to have access to the proposed services and/or facility.

The Applicant states the facility does not have existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority/handicapped persons.

The Applicant states that the facility will offer the same level of services to medically indigent patients as it does any other patient presented and admitted to its facility and that there will be no restrictions or advantages placed on care based on pay or source, race, creed, national origin, or disability with the PCI program.

The Applicant affirms the availability of PCI services at River Oaks will enable patients at River Oaks to receive diagnostic cath and PCI services at one location.

River Oaks is conveniently located to residents of the service area off of Lakeland Drive in Flowood.

The Applicant provided a copy of the Admissions and Discharge of Patients Policy in the application.

The Applicant states the hours per week for the proposed service and/or facility will be manned and operated at regular operational hours and elective services will be scheduled during traditional business hours, generally, 7am-5pm, 5 days per week.

The Applicant states primary/emergency PCI services will be available 24 hours per day, 7 days per week.

GR Criterion 7 – Information Requirement

The Applicant affirms it will record and maintain the required information regarding charity care, care to the medically indigent, and Medicaid populations and make it available to the Department with fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

There are currently no PCI services provided in a Hospital without open heart surgery in the Service Area. The Applicant asserts that allowing patients to remain at River Oaks or in the System where they choose to have care is important for the patient-physician relationship and will improve continuity and quality of care. Further, the Applicant submits that patients presenting to the emergency room in need of PCI services will receive those services in a more efficient and timely manner.

The Applicant submits that while CC/OHSPA 5 does contain existing cardiac cath equipment/services, the revised, overall goal of the Plan's changes is to "improve access to cardiac care and to encourage the establishment of additional cardiac catheterization and open-heart surgery programs within the state that can serve the poor, minorities, and the rural population in greater numbers." *FY 2018 MS State Health Plan* at 136. The Department has recognized that measuring "optimum capacity at existing provider, [is] not [an] accurate indicator of the needs of the underserved, nor do they address the accessibility of existing programs to the underserved." *FY 2018 MS State Health Plan* at 136. As these same changes state, the Department "shall interpret and implement all standards in this Plan in recognition of the stated [policy] findings and so as to achieve the stated goal." *FY 2018 MS State Health Plan* at 136. River Oaks seeks to expand its already existing cardiac care program to improve access to interventional cardiac care to all patients in compliance with the Plan's requirements and goals.

As stated earlier, River Oaks submits that it is an existing provider of health care services to the poor, minorities, and rural populations. Through expanding its cardiac care capabilities, River Oaks prepares to provide additional access to these underserved populations. The Applicant asserts that the availability of PCI services at River Oaks will help to improve quality and continuity of care for all patients.

The Applicant states the project proposes to improve the thoroughness of cardiac care at River Oaks by adding PCI services to its existing diagnostic cath capabilities.

The Applicant submits that approval of this application will result in the only facility in the Service Area to offer PCI without onsite open-heart backup. According to the Applicant, many States already allow this

service and expansion in Mississippi will improve patient health in a State where heart disease is the leading cause of death.

The Applicant affirms patients with heart disease or other heart health issues in the service area and System will have another access point into the system to receive cardiac services. For those patients which present at River Oaks' emergency department, the establishment of PCI services at River Oaks will improve efficiency and decrease unnecessary delays in treatment.

The Applicant asserts that River Oaks' and the System's patients and those patients presenting at River Oaks in need of PCI services currently must be treated at another provider. This disrupts the patient's continuity of care and leads to unnecessary delays in treatment. Approval of this project will eliminate these issues.

The Applicant states failure to implement this project will continue to have a negative impact on continuity of care for patients who desire to have their healthcare provided and followed by River Oaks, the System and their physicians, and those patients who present to River Oaks' emergency room with cardiac issues. There will continue to be an unnecessary loss of critical time in the delivery of care and a disruption to the patients' continuity of care.

The Applicant has provided a list of Emergency Patient Transfer Agreement with Merit Health Central.

GR Criterion 9 – Availability of Resources

The Applicant states current staff is able to provide cath services and assist in more invasive hospital procedures. River Oaks' affiliation with Merit Health Central in Jackson will enable its staff to learn from the interventional cardiologists, nurses and technical personnel at the Central cath lab.

River Oaks Hospital submits that the Applicant is a full service general acute care hospital and will provide any necessary service for the proposed service.

The Applicant states River Oaks successfully and efficiently staffs its current service line and will continue to do so.

The Applicant states River Oaks will provide additional training to its existing cardiac cath personnel regarding interventional procedures and will utilize staff from Central until additional qualified staff can be recruited or trained. The interventional cardiologists that will perform PCI procedures at River Oaks are existing members of River Oaks medical staff.

The following table shows the actual and projected percentage of estimated gross patient revenue and dollar amount of health care provided to medically indigent patients for the past two fiscal years at Merit Health River Oaks.

	Medically Indigent (%)	Charity Care (%)	Medically Indigent (\$)	Charity Care (\$)
Historical Year 2016	N/A	1%	N/A	\$11,431,240
Historical Year 2017	N/A	1%	N/A	\$12,204,708
Projected Year 1	N/A	1%	N/A	\$12,814,935
Projected Year 2	N/A	1%	N/A	\$13,370,624

GR Criterion 10 – Relationship to Ancillary or Support Services

The Applicant states as a full service general acute care hospital, all necessary support and ancillary services are available to the proposed services and that there is no significant change in costs or charges that is anticipated as a result of this proposed project.

GR Criterion 11 – Health Professional Training Programs

The Applicant affirms River Oaks does, and will continue to work with University Mississippi Medical Center and other programs to support health training programs in the area and to provide clinical and hospital experience for students.

GR Criterion 12 – Access by Health Professional Schools

The applicant asserts it currently works with health professional training programs in the area (See GR 11).

GR Criterion 13 – Service to Residents Outside Service Area

The Applicant states that it does not anticipate providing services to those residents outside the service area. However, in the event such a person presents to River Oaks with cardiac problems, services will be available.

GR Criterion 14 – Construction Projects

The proposed project does not require construction; therefore, Criterion 14 is not applicable.

GR Criterion 15 – Competing Applications

There are no competing applications for PCI services in CC/OHSPA 5 filed with the Department.

GR Criterion 16 – Quality of Care

The Applicant states the addition of the proposed services at River Oaks will improve patient care by enhancing patient’s continuity of care and increasing the services available at River Oaks as a more thorough cardiac program will be established.

The Applicant affirms River Oaks is accredited by the Joint Commission.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage% of Total
Construction Cost - New	\$ 0	0.00%
Construction Cost - Renovation	\$ 0	0.00%
Capital Improvements	\$ 0	0.00%
Total Fixed Equip Cost	\$ 0	0.00%
Total Non-Fixed Equip Cost	\$ 89,751	100.00%
Land Cost	\$ 0	0.00%
Site Preparation and improvement	\$ 0	0.00%
Fees (Legal and Accounting)	\$ 0	0.00%
Fees (Architectural/Consultant/etc.)	\$ 0	0.00%
Contingency Reserve	\$ 0	0.00%
Capitalized Interest	\$ 0	0.00%
Other	\$ 0	0.00%
Total Proposed Expenditures	\$ 89,751.00	100.00%

As stated previously, no new construction or renovation is associated with the proposed project.

B. Method of Financing

To fund the project, River Oaks Hospital, LLC will use cash reserves in the amount of \$89,751.00.

C. Effects on Operating Costs

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

Merit Health River Oaks provides the following revenue source projections for each payor category listed below (Project Only):

Payor	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	25.00%	\$2,160,074.00
Medicaid	15.00%	\$1,296,995.00
Commercial	51.00%	\$4,454,713.00
Self Pay	4.00%	\$ 313,371.00
Charity Care	1.00%	\$ 86,784.00
Other	4.00%	\$ 366,392.00
Total	100.00%	\$8,678,329.00

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application and the Department received written comments from the agency. The Division states that effective September 1, 2012, the Division changed the methodology by which it reimburses outpatient services so that the cost incurred, subsequent to that date, will no longer affect outpatient payments.

In addition, effective October 1, 2012, the Division changed the methodology by which it reimburses inpatient services so that the cost incurred, subsequent to that date, will only affect cost outlier payments. Based on the Division of Medicaid's analysis, the estimated increase in cost outlier payments resulting from this project cannot be determined at this time. The Division of Medicaid opposes this project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for Offering of PCI Services in a Hospital without on-site Cardiac Surgery as contained in the *FY 2018 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017 Revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by River Oaks Hospital, LLC d/b/a Merit Health River Oaks for the offering of PCI in a hospital without on-site cardiac surgery.

ATTACHMENT 1

River Oaks, LLC d/b/a Merit Health River Oaks Offering of PCI Services in a Hospital without On-Site Cardiac Surgery

Three-Year Projected Operating Statement (Project Only)

Merit Health River Oaks Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$3,376,257	\$3,713,883	\$4,085,271
Outpatient	\$5,302,072	\$5,832,279	\$6,415,507
Gross Patient Revenue	\$8,678,329	\$9,546,162	\$10,500,778
Charity Care	\$86,784	\$95,462	\$105,009
Deductions	\$7,516,795	\$8,268,474	\$9,095,322
Net Patient Revenue	\$1,074,750	\$1,182,225	\$1,300,448
Other Operating Revenue	\$ 0	\$ 0	\$ 0
Total Operating Revenue	\$1,074,750	\$1,182,225	\$1,300,448
Expenses			
Operating Expenses:			
Salaries	\$333,172.52	\$366,489.77	\$403,138.75
Benefits	\$69,966	\$76,963	\$84,659
Supplies	\$171,960	\$189,156	\$208,072
Services	\$64,485	\$70,934	\$78,027
Lease	0	0	0
Depreciation	\$17,950	\$17,950	\$17,950
Interest	0	0	0
Other	\$10,000	\$30,000	\$30,000
Total Expenses	\$667,534	\$751,492	\$821,847
Net Income (Loss)	\$407,216	\$430,733	\$478,601
Inpatient days	0	0	0
Outpatient visits	0	0	0
Procedures	265	292	321
Charge/outpatient day	0	0	0
Charge per inpatient day	0	0	0
Charge per procedure	\$ 32,748	\$ 32,692	\$ 32,713
Cost per inpatient day	0	0	0
Cost per outpatient day	0	0	0
Cost per procedure	\$2,519	\$2,574	\$2,560

*Figures may be off by \$1 due to rounding.