

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
JUNE 14, 2019**

**CON REVIEW NUMBER: ESRD-NIS-0419-007  
BIO-MEDICAL APPLICATIONS OF MISSISSIPPI, INC.  
D/B/A FRESENIUS KIDNEY CARE-NORTH JACKSON  
ESTABLISHMENT OF SATELLITE ESRD FACILITY  
CAPITAL EXPENDITURE: \$4,004,426.00  
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**PROJECT SUMMARY**

**A. Applicant Information**

Fresenius Kidney Care - North Jackson ("FKC North Jackson") is a Business Corporation. The applicant indicates that FKC North Jackson is governed by a two (2) member Board of Directors and has fourteen (14) Officers.

The applicant provided a Certificate from the Secretary of State, verifying that the corporation was issued a Charter/Certificate of Authority on August 02, 1990. 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**

FKC North Jackson requests Certificate of Need (CON) authority to establish a ten (10) station, satellite End Stage Renal Disease ("ESRD") facility in Hinds County.

The applicant states that the proposed ten (10) stations will be located at 5722 I-55 North in Jackson. The proposed satellite location is less than four (4) miles from Fresenius Medical Care – Jackson (the "Host Facility"), located at 381 Medical Drive in Jackson.

The applicant indicates that the Host Facility cannot be expanded due to its location. The applicant further states that the Host Facility is experiencing crowding issues, with a current utilization rate of eighty-one percent (81%) as of March 2019. In order to address the issue at the Host Facility, as well as improve access for patients in Jackson, the applicant proposes to establish a satellite facility for patients to receive necessary dialysis services at a second Jackson location.

The proposed capital expenditure of \$4,004,426.00 includes land cost - \$1,850,000.00, building cost - \$1,683,017.00, fixed and non-fixed equipment - \$456,159.00, and project development cost - \$15,250.00 (see the Financial Feasibility Section of this Staff Analysis for a complete breakdown of expenditures). The applicant foresees that the anticipated date for obligation of the capital expenditure of the proposed project will be within six (6) months of

final CON approval. The applicant expects the proposed project to be complete within one (1) year of CON approval.

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

The applicant states their final objective is to provide dialysis patients in Jackson and the Hinds County area with an additional access point to receive necessary dialysis treatment and to relieve the patient load at other Fresenius-affiliated facilities in the area.

The applicant affirms the proposed satellite facility will be placed in an existing building. The applicant states that approximately half of the building will be renovated to accommodate the treatment floor and offices necessary to provide dialysis services. The applicant confirms that the proposed build-out will include removing the interior walls currently in the building and replacing the walls with interior studs, drywall, floor, wall and ceiling finishes, interior doors, casework, specialty items, plumbing, HVAC and electrical systems. The total square footage of the allocated building is 15,226 square feet. The applicant anticipates renovating and using 8,431 square feet of the proposed building.

The applicant affirms that FKC North Jackson will comply with building codes, zoning ordinances and other appropriate regulatory authority.

The applicant confirms they will comply with all applicable State statutes and regulations for the protection of the environment, including: 1) approved water supplies; 2) sewage and water disposal; 3) hazardous waste disposal; 4) water pollution control; 5) air pollution control; and 6) radiation control.

FKC North Jackson projects that the project will require 12.1 full time equivalent personnel at an estimated annual cost of \$503,225.00.

**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(1)(a) -(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 (MSDH). MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revision*.

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 opportunity to request a hearing expires on June 24, 2019.

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

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

The *FY 2018 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. 11 of the 2018 State Health Plan states** “Any existing ESRD facility which reaches a total of thirty (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”.

According to the *FY 2018 State Health Plan*, FKC North Jackson, an affiliated facility has thirty-eight (38) certified and CON approved ESRD stations.

The applicant declares that the proposed satellite ESRD facility will be located less than four (4) miles from Fresenius Medical Care-Jackson (FMC-Jackson) (the “Host Facility”) located at 381 Medical Drive, Jackson, Hinds County, MS. The applicant states that the proposed satellite facility will be located 5722 I-55 North, Jackson, Hinds County, MS. The application contained a map demonstrating the distance between the proposed facility and FMC-Jackson.

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

**SHP Criterion 1- For Establishment of New ESD Facilities**

The applicant affirms that SHP Criterion 1 is not applicable for the proposed project.

**SHP Criterion 2- For Expansion of Existing ESRD Facilities**

- a. **Expansion of Existing ESRD Facilities – Non-Satellite:** The applicant affirms that SHP Criterion 2(a) is not applicable for the proposed project.
- b. **Expansion of Existing ESRD Facilities – Satellite:** The applicant affirms that SHP Criterion 2(b) is not applicable for the proposed project.

**SHP Criterion 3- Establishment of ESRD Satellite Facilities**

In order for a thirty (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 five mile radius or less from the existing facility, the facility must (a) document that it has maintained a minimum annual utilization rate of fifty-five percent (55%) for the twelve (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 five and twenty-five mile radius of the existing facility, the facility must (a) document that it has maintained a minimum annual utilization rate of fifty-five percent (55%) for the twelve (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 thirty (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 fifty-five percent (55%) for the twelve (12) months prior to the month of the submission of the CON application.**

The applicant indicates the Host Facility is currently experiencing eighty-one percent (81%) utilization on its thirty-eight (38) ESRD stations.

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

The applicant states that the satellite facility will provide ESRD patients an additional access point for dialysis services. The applicant also states that the facility will help reduce utilization at the host facility and nearby affiliated facilities, which will enable patients to have flexibility with appointment times, thereby, improving patient care and stability. The applicant asserts that, the proposed project will also improve the efficiency of services provided to patients utilizing the Host Facility.

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

The applicant states that the host facility is located on St. Dominic's campus in leased space with no opportunity for expansion, either by construction or leasing additional space. Therefore, the applicant confirms that the satellite facility is the only available alternative and most cost effective to accommodate the proposed improved access.

- 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 applicant affirms that the proposed satellite facility is located within a four (4) mile radius of the host facility. According to the *FY 2018 MS State Health Plan*, there were nine (9) ESRD Facilities located in Hinds County. The applicant confirmed that there are thirteen (13) facilities located less than thirty (30) miles from the proposed facility; which includes the Host Facility. The thirteen (13) ESRD facilities listed are FMC Jackson (Host Facility, 4.0 miles), NRI-Brandon (17.1 miles), DaVita Jackson South fka NRI-Jackson South (9.9 miles), University Pediatric & ESRD Adult Outpatient Clinic (5.6 miles), FMC Southwest Jackson (14.1 miles), University

MS Medical Center and Clinics Outpatient Dialysis-Jackson (6.7 miles), DaVita Jackson Southwest fka NRI-Jackson Southwest (16.5), DaVita Jackson North fka NRI-Jackson North (.06 miles), FMC Canton (24.2 miles), DaVita Canton renal care Center (22.3 miles), Fresenius West Hinds (18.7 miles), Fresenius Mid-Mississippi (7.1 miles), and Fresenius Rankin County (17.4 miles). The application enclosed support from the host facility but did not contain letters of support from the allocated twelve (12) ESRD facilities. The application contained letters of support from various physicians at Central Nephrology Clinic and patients from Fresenius Medical Care. The applicant states that the satellite facility will improve access for patients and relieve pressure on existing facilities within the service area. Furthermore, the applicant states that the proposed facility will also allow other ESRD facilities in the service area to offer more convenient appointment times for their patients. No letter of opposition was received for the proposed project.

**SHP Criterion 4 - Number of Stations**

The applicant affirms, FMC-Jackson has thirty-eight (38) hemodialysis ESRD stations and is proposing a ten (10) station satellite ESRD facility. The applicant is in compliance with this criterion.

**SHP Criterion 5 - Minimum Utilization**

The applicant projects forty (40) patients in year one, forty-nine (49) patients in year two, and fifty-seven (57) patients in year three for the proposed ten-station satellite ESRD facility. The applicant estimates that each patient would receive 144 treatments per year. Typically, an ESRD patient receives three (3) treatments per week or 156 treatments per year. The following table compares the applicant's projections with the Department's requirements:

Year	Stations	Applicant's Projections	
		Treatments	Utilization Rate
1	10	5,760	62%
2	10	7,056	75%
3	10	8,208	88%

The *FY 2018 MSHP* recognizes that an applicant may not meet optimum utilization, sixty-five percent (65%), of ten (10) stations by the end of the first year; however, it requires an applicant to show that it will meet fifty percent (50%) utilization by the end of the first year and sixty-five percent 65% utilization by the end of its third year. As demonstrated above, the applicant has met this requirement.

**SHP Criterion 6 - Minimum Services**

The applicant affirms that the facility will provide at a minimum, social, dietetic, and rehabilitative services. Rehabilitative services may be provided on a referral basis.

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

The applicant affirms the minimum services are a part of the patients' care plan and are an integral part of their services. The applicant also affirms, they will provide at a minimum, social, dietetic, and rehabilitative services. Rehabilitative services may be provided on a referral basis.

#### **SHP Criterion 8 - Hours of Operation**

The applicant states that the normal facility hours will be 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**

The applicant affirms that a home-training program will be made available, and they will counsel all patients on the availability of and eligibility requirements to enter the home/self-dialysis program.

The applicant states Fresenius provides a treatment options program for all pre-ESRD patients. Modality choices, including CAPD, CCPD, and home hemodialysis, are presented by staff to patients in a classroom or individual setting and in physician offices.

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

The applicant affirms that the proposed facility will not have admission policies which adversely affect access to care by indigents and will provide indigent/charity care. Furthermore, the applicant states that if FKC North Jackson determines that a patient does not have insurance coverage, steps will be taken to determine whether viable coverage options exist.

The applicant states, all dialysis patients not otherwise covered by insurance qualify for Medicare or Medicaid after an initial ninety (90) day waiting period. Therefore, indigent/charity care provided is calculated by estimating the percentage of patients who will be subject to the ninety (90) day qualification period. The applicant does not anticipate receiving any reimbursement for those patients within this ninety (90) day period.

The applicant states it will serve all ESRD patients, including Medicaid and Medicare recipients and approximately two percent (2%) indigent/charity care patients.

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

The applicant proposes to hire the following: 3.0 FTE registered nurses, 6.0 FTE aides, 0.8 FTE technical/paramedical, 0.8 FTE social worker, 0.5 FTE dietician, and 0.5 FTE administrative management. The applicant included a proposed list of staff by category, position qualification guidelines (minimum education and experience requirements), and specific duties.

#### **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.

**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. The applicant further states it already has established physician relationships in the area so a physician will be available to supplement the services of the medical director if needed.

The applicant affirms, when the unit is not in operation, the medical director or designated physician and a registered nurse will be on call.

**SHP Criterion 14 - Data Collection**

The applicant affirms that it shall record and maintain utilization data and data regarding services provided to indigent patients and shall make such information available 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. Specifically, the applicant states that Fresenius and FKC North Jackson will offer comprehensive training program for all direct patient care staff. The allocated training includes didactic and clinical training with qualified preceptors to build clinical skills and includes OSHA and mandatory 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 FKC North Jackson will enter into an affiliation agreement with a transplant center within one (1) year of commencing operation. The applicant states they understand and agree that failure to comply with this criterion may, after due process, result in revocation of the CON.

**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 2018 MS State Health Plan* pertaining to the establishment of a ten (10) station satellite ESRD facility.

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

The applicant states their long range plan is to provide high quality, easy to access care for Mississippi residents in need of dialysis services in Jackson and the surrounding area. The proposed satellite facility will offer a less congested, non-hospital campus environment for patients to receive dialysis services. By redistributing stations between the Host Facility and the Satellite, the applicant determined better and more efficient care could be provided to its patients if the Satellite facility is established. The Satellite will provide greater accessibility for ESRD patients to receive necessary dialysis services at more flexible times that are convenient to their schedules in Jackson and the Hinds County area.

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

- a. **Advantages and Disadvantages:** The applicant affirms they considered continual treatment to its patient census at its existing Host Facility, but determined expansion at the Host Facility was not the best option. The Satellite will create another access point, close enough to the Host Facility, to not significantly disrupt patients' weekly schedules. Thus, the applicant states creation of the Satellite is a more efficient and cost-effective solution for meeting patient demands.
- b. **New Construction Projects:** The applicant states the selected site for the satellite facility is close to the host facility so patients' weekly schedule will not be significantly disrupted. The applicant also states the selected site will provide an additional access point for treatment.

As stated above, the applicant affirms they considered continuing to treat its patient census at its existing Host Facility but determined expansion at the Host Facility was not the best option.

- c. **Beneficial Effects to the Health Care System:** The applicant states that the establishment of a ten (10) station satellite ESRD facility along I-55 in Jackson will be the most efficient, effective, and accessible alternative to meet the needs of the patients in Hinds County.
- d. **Effective and Less Costly Alternatives:**
  - i. **Unnecessary Duplication of Services:** The applicant states, currently, the Host Facility is experiencing high utilization. However, the applicant believes their patients will be provided more opportunity to receive necessary dialysis treatment with the establishment of the Satellite.
  - ii. **Efficient Solution:** The applicant affirms the proposed Satellite will increase the availability of more desirable appointment times both at the Satellite and Host Facility.

- e. **Improvements and Innovations:** The applicant states their relationship with Fresenius will greatly benefit the proposed Satellite due to Fresenius' integrated delivery and service model. The applicant further states that this association will ensure quality of care to the residents of Hinds County and the surrounding area. The applicant affirms that each dialysis patient will benefit from the expertise and experience of the nation's largest dialysis provider and its extensive clinical network. Furthermore, the affiliation also helps provide and promote the delivery of health care services in a cost-effective manner.
- f. **Relevancy:** The applicant states the Host Facility cannot expand due to its existing location. The applicant further affirms that the host facility is experiencing crowding issues, with a current utilization rate of eighty-one percent (81%) as of March 2019. The applicant affirms that the establishment of a ten (10) station satellite ESRD facility along I-55 in Jackson will be the most efficient, effective, and accessible alternative to meet the needs of the patients in Hinds County.

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

Based on the applicant's three-year projections, this project will have a net income of \$2,045,395 the first year, \$2,698,848 second year, and \$3,214,972 the third year of operation, respectively.

- a. **Proposed Charge:** The applicant states the charges will be substantially the same as the applicant's affiliates in the 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: 50%; 65%; and 65%, respectively.

The applicant states, projected utilization was determined by reviewing current ESRD patients receiving treatment at the Host Facility. The applicant confirms that dialysis patients receive on average three (3) treatments per week.

- c. **Financial Feasibility Study:** The application contained a letter attesting to the financial feasibility of the proposed project.
- d. **Financial Forecasts:** The applicant affirms that GR Criterion 4 (d) is not applicable to the proposed project.
- e. **Covered Expenses:** The applicant states that the ESRD reimbursement environment and patient population of any area are ever changing. However, the applicant affirms that they have the financial strength to operate the facility at a loss, if necessary.
- f. **Impact of Proposed Project on Health Care Cost:** The applicant affirms the project will not increase the cost of dialysis services to patients or Medicaid. 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 as it is associated with this project. The applicant also states,

its affiliation with the Fresenius network and its integrated delivery system also helps to control health care costs.

**GR Criterion 5 – Need for Project**

- a. **Access by Population Served:** The applicant states that dialysis services will continue to be offered to all ESRD patients including the traditionally underserved population. The applicant believes that the Satellite will help improve the health of Mississippians, increase accessibility, quality of health, prevent unnecessary duplication of health services, and provide some cost containment.
- b. **Relocation of Services:** The applicant affirms that; relocation of a facility or service is not applicable to the proposed project.
  - i. **Replacement Facility:** The applicant states, that the proposed disposition for the existing facility is not applicable to the proposed project.
  - ii. **Utilization of Existing Space Post Relocation of Services:** The applicant states, relocation of services is not applicable to the proposed project.
- c. **Current and Projected Utilization of Comparable Facilities:** FKC North Jackson’s proposed satellite facility will be located in Hinds County. According to the *FY 2018 MS State Health Plan*, there were nine (9) ESRD Facilities located in Hinds County and thirteen (13) facilities including the Host Facility is located less than thirty (30) miles from the Host Facility. The applicant states that dialysis is not an elective service but a service required for ESRD patients. Therefore, the proposed project is not adding a facility to increase utilization but to provide dialysis patients with another access point in Hinds County.
- d. **Probable Effect on Existing Facilities in the Area:** The applicant believes the establishment of the Satellite facility will slightly decrease the utilization at other surrounding affiliated facilities, as those Fresenius dialysis patients in the area may choose to seek services at the Satellite. The applicant affirms that the proposed facility will be more accessible for certain patients and not as crowded. The applicant further states the Satellite facility will improve access for those patients in Jackson and will also relieve pressure on existing facilities. FKC North Jackson believes the Satellite will allow other affiliated facilities to offer more convenient appointment times to their additional patients.
- e. **Community reaction to service:** The application contains 15 letters of support for the project.

**GR Criterion 6 – Access to the Facility or Service**

- a. **Access to Services:** 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>Gross Patient Revenue</b>			
	Medically Indigent (%)	Charity Care (%)	Medically Indigent (\$)	Charity Care (\$)
Historical Year 2017	--	--	--	--
Historical Year 2018	--	--	--	--
Projected Year 1	--	2%		\$7,065.00
Projected Year 2	--	2%		\$9,118.00

The applicant states that patients without a payor source will receive benefits after a 90-day waiting period. The 90-day waiting period results in what is considered by the applicant as medically indigent/charity care.

**b. Existing Obligations:** The applicant confirms there are no existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority and handicapped persons.

**i. Remaining Obligations:** The applicant affirms there are no remaining obligations. Therefore, this Criterion is not applicable to the proposed project.

**c. Unmet Needs of Medicare, Medicaid, and Medically Indigent Patients:** The applicant affirms all patients with ESRD needs must receive dialysis services. The applicant believes that the establishment of the Satellite will make these life-saving services more accessible and convenient for Medicare, Medicaid, and medically indigent ESRD patients residing in Jackson and the metro area.

**d. Access to the Proposed Facility:** The applicant states, the proposed facility will operate Monday through Saturday from 6:00 a.m. to 5:00 p.m. six (6) days per week. In addition, Medicaid recipients can receive transportation assistance for travel to dialysis appointments.

**e. Access Issues:**

**i. Transportation and Travel:** The applicant states, the proposed facility will be located on Frontage Road, conveniently located off I-55 North.

**ii. Restrictive Admission Policy:** The applicant states their policy applies to in-center, home and transient patients. The applicant also states where medically appropriate and consistent with this policy, facilities shall admit and treat patients needing dialysis without regard to race, creed or religion, color, age, sex, disability, national origin, marital status, diagnosis and or sexual orientation.

**iii. Access to Care:** The applicant states they will provide care to medically indigent patients. All patients not otherwise covered by

insurance qualify for Medicare or Medicaid after an initial 90-day waiting period. Therefore, indigent/charity care provided is calculated by estimating the percentage of patients who will be subject to the 90-day qualification period. The applicant does not anticipate receiving any reimbursement for those patients within this 90-day period.

- iv. **Regular Operation:** The applicant affirms the facility will provide services at times accessible to its dialysis patients. The regular operational hours are 6:00 a.m. to 5:00 p.m., six (6) days per week. However, alternate times will be available by arrangement. The applicant states, emergency only operation is not applicable to the proposed project.

#### **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 fifteen (15) days of request.

#### **GR Criterion 8 – Relationship to Existing Health Care System**

- a. **Comparable Services:** FKC North Jackson's proposed satellite facility will be located in Hinds County. According to the *FY 2018 MS State Health Plan*, there were nine (9) ESRD Facilities located in Hinds County and thirteen (13) facilities located less than thirty (30) miles from the Host Facility. The applicant states that dialysis is not an elective service but a service required for ESRD patients. Therefore, the proposed project is not adding a facility to increase utilization but to provide dialysis patients with another access point in Hinds County. The applicant states their target population currently accesses dialysis treatment services at the applicant's Host Facility.
- b. **Effects on Existing Health Services:**
  - i. **Complement existing services:** The applicant states existing health services will not be affected by the proposed project considering their target population.
  - ii. **Provide alternative or unique service:** The applicant states the establishment of the proposed satellite facility is the best alternative considering their target population.
  - iii. **Provide a service for a specific target population:** The applicant states that the target population currently accesses dialysis treatment services at the applicant's Host Facility. Establishing the Satellite facility will provide an additional access point for FKC North Jackson's target population and relieve congestion at the Host Facility.
  - iv. **Provide services for which there is an unmet need:** The applicant believes the addition of their satellite will help improve the health of Mississippians, increase accessibility, and quality of health for their target population.
- c. **Adverse Impact:** The applicant states, if the project is not implemented, current and future ESRD patients residing in the area will continue to travel to the Host Facility three (3) times a week to receive necessary

dialysis services. Furthermore, the applicant believes that this would not address the congestion issues and the availability of day chairs.

- d. **Transfer/Referral/Affiliation Agreements:** The applicant states, new transfer, referral, and affiliation agreements will be entered into with local hospitals upon the establishment of the satellite ESRD facility. The application contained a copy of a transfer agreement between UMMC and Fresenius Medical Care – Bio-Medical Applications of Mississippi, Inc.

#### **GR Criterion 9 – Availability of Resources**

- a. **New Personnel:** The applicant states that its affiliates have successfully recruited physicians and professional staff members through advertising and word of mouth, as well as maintained the personnel necessary for the efficient operation of its current facilities. The applicant affirms the allocated service area has sufficient nephrologists to support the proposed satellite facility. The applicant further affirms that due to the applicant's existing presence in the area, relationships with nearby nephrologists who will support the proposed facility have been established.
- b. **Clinical Contractual Services:** The applicant states this item is not applicable to the proposed project.
- c. **Staffing History:** As previously stated, the applicant mentions ESRD facilities affiliated with the applicant 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.
- d. **Alternative Uses of Resources:** The applicant states this item is not applicable to the proposed project. However, the proposed satellite will require staffing as discussed above.

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

- a. **Support and Ancillary Services:** The applicant affirms its affiliates have the necessary support and ancillary services for their facilities. The applicant further states FKC North Jackson will likewise provide all necessary support and ancillary services.

The applicant also states due to their relationship with both Fresenius and the surrounding medical community, all ancillary services will be sufficiently available including laboratory services, drugs and any necessary services, related to the method in which a patient chooses to receive dialysis services.

- b. **Changes in Costs or Charges:** The applicant states this item is not applicable to the proposed project.
- c. **Accommodation in Costs or Charges:** The applicant states this item is not applicable to the proposed project.

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

The applicant asserts that the proposed facility will cooperate with area health professional training programs in the surrounding area.

**GR Criterion 12– Access by Health Professional Schools**

The applicant affirms that the proposed facility will cooperate to meet the clinical needs of health professional training programs in the surrounding area.

**GR Criterion 13 – Access to Individuals Outside Service Area**

The applicant affirms that GR Criterion 13 is not applicable to the proposed project.

**GR Criterion 14– Construction Projects**

The applicant asserts that the proposed project does not involve any new construction. However, the applicant affirms that the satellite facility will consist of 8,431 square feet of renovation.

**GR Criterion 15 – Competing Applications**

The applicant states FKC North Jackson is not aware of any competing applications.

**GR Criterion 16– Quality of Care**

- a. **Past Quality of Care:** The applicant states that while this application does not concern an existing ESRD facility, the applicant affirms its affiliates provide quality care to their patients.
- b. **Improvements of Quality of Care:** The applicant affirms that each dialysis patient will benefit from more convenient treatment times and the expertise and experience of the nation's largest dialysis provider and its extensive clinical network. The applicant suggests that this affiliation will also help to ensure quality of care delivery of health care services and staff training and expectations.
- c. **Accreditation and/or Certificates:** The applicant affirms that there are no accreditation and/or certificates for the proposed project.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

<b>Cost Item</b>	<b>Projected Cost</b>	<b>Percentage(%) of Total</b>
Land Cost	\$1,850,000.00	46.2%
Construction Cost - Renovation	\$1,377,000.00	34.4%
Fees (Architectural/Consultant/etc.)	\$110,160.00	2.8%
Contingency Reserve	\$195,857.00	4.9%
Fixed Equipment	\$276,500.00	6.9%
Non-Fixed Equipment	\$179,659.00	4.5%
Other	\$15,250.00	0.4%
<b>Total Proposed Expenditures</b>	<b>\$4,004,426.00</b>	<b>100.00%</b>

The applicant provided a letter attesting to the feasibility of the proposed project.

**B. Method of Financing**

The applicant proposes that the project will be financed from cash reserves and the remaining balance of \$1,850,000.00 will occur from land cost by landlord.

**C. Effect on Operating Cost**

Attachment 1 lists FKC North Jackson'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.

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	69.00%	\$1,415,166.00
Medicaid	3.00%	\$53,865.00
Commercial	26.00%	\$535,011.00
Self Pay	0.00%	\$6,029.00
Charity Care	0.00%	\$0.00
Other	2.00%	\$35,324.00
<b>Total</b>	<b>100.00%</b>	<b>\$2,045,395.00</b>

**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 2018 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 Fresenius Medical Care-North Jackson, for the establishment of a ten (10) station, satellite End Stage Renal Disease ("ESRD") facility in Hinds County.

**Attachment 1**  
Fresenius Kidney Care-North Jackson  
Establishment of Satellite ESRD Facility in Hinds County

**Three-Year Operating Statement with Project**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$ 0	\$ 0	\$ 0
Outpatient Revenue	\$ 2,045,395	\$ 2,698,848	\$ 3,214,972
<b>Gross Patient Revenue</b>	<b>\$2,045,395</b>	<b>\$ 2,698,848</b>	<b>\$ 3,214,972</b>
Charity	\$ 0	\$ 0	\$ 0
Deductions from Revenue	\$ 0	\$ 0	\$ 0
<b>Net Patient Care Revenue</b>	<b>\$ 2,045,395</b>	<b>\$ 2,698,848</b>	<b>\$ 3,214,972</b>
Other Operating Revenue	\$ 0	\$ 0	\$ 0
<b>Total Operating Revenue</b>	<b>\$2,045,395</b>	<b>\$ 2,698,848</b>	<b>\$ 3,214,972</b>
<b>Operating Expenses</b>			
Salaries	\$ 390,755	\$ 518,165	\$ 609,760
Benefits	112,470	149,142	175,506
Supplies	474,183	622,631	725,509
Services	0	0	0
Lease Expenses	223,913	223,913	223,913
Depreciation	227,228	227,228	227,228
Interest	0	0	0
Other	237,147	311,388	362,839
<b>Total Operating Expenses</b>	<b>\$ 1,665,696</b>	<b>\$ 2,052,467</b>	<b>\$ 2,324,755</b>
<b>Net Operating Income (Loss)</b>	<b>\$ 379,699</b>	<b>\$ 646,381</b>	<b>\$ 890,217</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 Procedures	5,760	7,056	8,208
Charge per Outpatient Day	\$ 0	\$ 0	\$ 0
Charge per Inpatient Day	\$ 0	\$ 0	\$ 0
Charge per Procedure	\$ 355	\$ 382	\$ 392
Cost per Inpatient Day	\$ 0	\$ 0	\$ 0
Cost per Outpatient Day	\$ 0	\$ 0	\$ 0
Cost per Procedure	\$ 289	\$ 291	\$ 283