

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
SEPTEMBER 2015**

**CON REVIEW NUMBER: ESRD-A-0615-010
AMENDMENT TO CON #R-0877 (CON REVIEW NUMBER: ESRD-NIS-1213-016)
BIO-MEDICAL APPLICATIONS OF MISSISSIPPI, INC.
D/B/A FRESENIUS MEDICAL CARE – WEST HINDS COUNTY
ESTABLISHMENT OF A SATELLITE ESRD FACILITY
LOCATION: CLINTON, HINDS COUNTY, MISSISSIPPI
CAPITAL EXPENDITURE: \$3,815,643**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Bio-Medical Applications of Mississippi, Inc. d/b/a Fresenius Medical Care-West Hinds County (FMC-West Hinds County) is a business corporation. The applicant indicates that FMC-West Hinds County is governed by a two member Board of Directors and has thirteen officers.

The applicant provided a Certificate from the Secretary of State, verifying that the corporation was issued a Charter/Certificate of Authority on August 2, 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 Background

Bio-Medical Applications of Mississippi, Inc. d/b/a Fresenius Medical Care-West Hinds County (FMC-West Hinds County) received Certificate of Need (CON) authority to establish a ten (10 station), satellite End Stage Renal Disease (“ESRD”) facility in Hinds County.

The ten-station ESRD facility was set to be relocated from Bio-Medical Applications of Mississippi, Inc. d/b/a FMC-Southwest Jackson (FMC-Southwest), an affiliated facility thirty-one (31) station ESRD facility. FMC-West Hinds County is located at 1856 Hospital Drive, Jackson, Mississippi. The initial proposed facility location is to be on a 1.2 acre tract in the city of Clinton, Mississippi, currently identified as:

Parcel Number: 2860-834-700

Deed Information:

Deed Book: 4004 at page 0399 in the land records of the First Judicial District of Hinds County, Mississippi

Location:

Located near 109 Wood Chase Park Drive;
Jackson, MS 39056

The applicant asserts that the satellite ESRD facility will be located within 5 miles of FMC-Southwest Jackson.

The applicant intended to lease 10,648 square feet of shelled medical office space in a to-be-constructed building by GFR, LLC and renovate the space in order to make necessary accommodations to provide ESRD services. The proposed renovation would include interior studs, drywall, floor, wall and ceiling finishes, interior doors, casework, specialty items, plumbing, HVAC and electrical systems. Brian Brown & Associates, PLLC Architecture Firm provided a cost estimate of \$110 per square foot totaling \$1,171,280 in renovation/construction cost. GFR, LLC attested that the proposed land acquisition and building site construction cost would be \$2,135,120.

Upon CON approval, FMC-West Hinds County entered a lease agreement with GFR, LLC. FMC-Southwest will lease 10,648 square feet at a lease cost for a term of 10 years for the proposed satellite facility. The MSDH Division of Health Facilities Licensure and Certification approved the site for the project.

During the first year of operation the applicant expected to employ 5.9 full-time equivalent employees at a total personnel cost of \$454,063. The total capital expenditure for this project is \$3,815,643, which includes \$2,135,120 for land and building site new construction by GFR, LLC, and \$1,171,280 in renovation cost for FMC-West Hinds County. The applicant indicates cash reserves will be used to fund the project.

The applicant anticipated that the construction of the project would begin within six (6) months of final approval and the expenditure occurring near completion of the building. The completion date for the total project was scheduled to be within one year of the start date.

C. Project Description

On August 26, 2014, the Mississippi State Department of Health granted CON authority to Bio-Medical Applications of Mississippi, Inc. d/b/a Fresenius Medical Care-West Hinds County (FMC-West Hinds County) to establish a ten (10 station), satellite End Stage Renal Disease (“ESRD”) facility in Hinds County (CON No. R-0877). FMC-West Hinds County filed a Determination of Reviewability (DR) application on March 2, 2015, requesting approval to relocate to a “physical location” different from the CON approved project authorized by the Department. On April 2, 2015, the Department ruled that a CON will be required.

The ruling letter stated that shortly after FMC-West Hinds received CON approval, a soil and foundation study was performed in December 2014 by Soil Tech Consultants, Geotechnical Engineering and it verifies that the company found problems with the soil where FMC-West Hinds County will be located; however, the issues could be mediated by moving dirt outside the building footprint and outside of the edge of the parking lot but there is a great potential for settlement.

FMC-West Hinds County also asserted that the dirt removal will increase the expense and cause the original capital expenditure to exceed the authorized amount of \$3,815,643. The applicant indicated that the initial soil problems will turn into worse problems, which will lead to ongoing maintenance issues. To counter act the problem, FMC-West Hinds stated that the engineer began searching for another location/site for the authorized satellite facility to be

constructed on and found property that will within a five (5) mile radius from the satellite's host or main ESRD facility.

The DR and the amendment application contain verification of the consultant's findings. You assert that if the proposed new location/site is approved, the remaining details of the original approved CON listed above will not change nor will FMC-West Hinds County's capital expenditure be modified from the original approved amount listed in the application referenced on page one of this document.

All specifics regarding the original site was approved by the Division of Licensure and Certification. The number of full-time equivalent employees and personnel cost; the total capital expenditure, which includes the cost for the land and building site new construction by GFR, LLC, and the renovation cost for FMC-West Hinds County are referenced above under *B. Project Background*. The applicant indicates cash reserves will be used to fund the project. The purpose of the CON amendment filed is to relocate to a new site that is one (1) mile from the existing approved site still within five miles from the currently approved location. The new site is referenced below:

Parcel Number: 2860-834-770

Map Reference Number: 80.11 1 90.00

Located on: Near 0 SPRINGRIDGE RD

Legal Description:

BEG SE COR LOT 4 JOHNSTON PLACE BUSINESS
PARK PH 1 E 620 FT N 160 FT TO S/L I 20 WLY
ALG I 20 679.9 FT SLY TO POB IN NW 1/4 SEC
32 T6 R1W CITY OF CLINTON LESS TO CITY FOR
STREET

Deed Info: Book & Page 5052 at Page 0008

Date: 01/28/1999

FMC-West Hinds County requested site approval for the new proposed site shown above from the Mississippi State Department of Health, Bureau of Health Facilities, Licensure and Certification (Licensure). On June 8, 2015, Licensure granted site approval to FMC-West Hinds County to relocate on Springridge Road.

The applicant anticipates starting the proposed project three to six months after CON approval and expects to complete the proposed project nine to twelve months.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviewed the original project in accordance with Section 41-7-191 (1)(b) (e) and (j), Mississippi Code of 1972, Annotated, as amended, and duly adopted rules, procedures, plans, criteria and standards of the Mississippi State Department of Health.

The State Health Officer reviews all projects for amendment and cost overruns in accordance with 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 or 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of this staff analysis. The opportunity to request a hearing expires on October 22, 2015.

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

A. State Health Plan (SHP)

The *FY 2014 Mississippi State Health Plan (MSHP)* was in effect at the time the original application was submitted to the Department and the original application was found to be in substantial compliance with the *FY 2014 MSHP*. The amendment project continues to be in substantial compliance with the *FY 2015 Mississippi State Health Plan*.

B. General Review (GR) Criteria

The *Certificate of Need Review Manual, 2011 Revision (CON Review Manual, 2011)* was in effect at the time the original application was submitted to the Department. The original project was in substantial compliance with the *CON Review Manual, 2011* and the CON amendment application continues to be in compliance with applicable General Review Criteria and Standards contained in the *CON Review Manual, 2011*.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost (by Debloper)	\$1,094,923.00	\$0.00	\$0
2. Construction/Renovation (by Applicant)	\$1,171,280.00	\$0.00	\$0
3. Land (by Debloper)	\$258,746.00	\$0.00	\$0
4. Site Work (by Debloper)	\$413,777.00	\$0.00	\$0
5. Fixed Equipment (by Applicant)	\$166,000.00	\$0.00	\$0
6. Non-Fixed Equipment (by Applicant)	\$90,400.00	\$0.00	\$0
7. Contingency (\$117,128 by Applicant and \$15,000 by Developer)	\$132,128.00	\$0.00	\$0
8. Fees (Architectural, Consultant, etc) (\$105,415.00 by Applicant and \$352,674 by Developer)	\$458,089.00	\$0.00	\$0
9. Capitalized Interest	\$0.00	\$0.00	\$0
10. Capital Improvement	\$0.00	\$0.00	\$0
11. Other (TV, Phone, IT and Other Equipment (by Applicant)	\$30,300.00	\$0.00	\$0
12. Legal and Accounting Fees	\$0.00	\$0.00	\$0
Total Capital Expenditure	\$3,815,643.00	\$0.00	\$0

The following are the specifics relating to the initial CON project authorized by the Department and relate to the CON amendment filed:

- ⊕ applicant will lease 10,648 square feet of shelled medical office space in a to-be-constructed building
- ⊕ applicant will renovate the space in order to make necessary accommodations to provide ESRD services
- ⊕ Cost estimate from Brian Brown & Associates, PLLC Architecture Firm \$110 per square foot for construction (interior build-out) - total renovation/construction cost: \$1,171,280 cost.
NOTE: FMC-West Hinds County estimated a cost as \$130.90 per square foot of renovated construction for the proposed project.
- ⊕ Renovation - interior studs, drywall, floor, wall and ceiling finishes, interior doors, casework, specialty items, plumbing, HVAC and electrical systems.
- ⊕ GFR, LLC attests - proposed land and building site construction cost for their site build out is \$2,135,120.
- ⊕ FMC-West Hinds County will enter a lease agreement, if not already, with GFR, LLC.
- ⊕ Proposed lease agreement between FMC-Southwest and GFC, LLC – included in initial application.
- ⊕ FMC-West Hinds County will lease approximately 10,648 square feet for a term of 10 years for the proposed satellite facility.

The applicant states that the project will continue to comply with state and local building codes, zoning ordinances, and all appropriate regulatory authorities. The applicant has provided written assurance that FMC-West Hinds County will comply with state statutes and regulations for the protection of the environment. The applicant provided a schematic drawing of the proposed project.

As a note, The *RSMMeans Building Construction Cost Data, 2014* publication did not compare costs for renovation projects. However, the renovation formula in the *Plan* was used by FMC-West Hinds County to show how much the proposed project will cost per square foot.

B. Method of Financing

The capital expenditure will remain the same and the project will be financed from cash reserves.

C. Effect on Operating Cost

The cost for the first full year of operation after completion of the proposed project is shown within this staff analysis (see Attachment 1).

D. Cost to Medicaid/Medicare

As stated previously, FMC-West Hinds does not anticipate an increase in FTEs associated with the proposed amendment. ESRD treatment is a Medicare entitlement. As such, the Medicare program will absorb a majority of the costs associated with the proposed amendment project. The cost to the Medicaid program will continue to be negligible.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided an opportunity to review and comment on this project. The Division asserts that no foreseeable increase in allowable costs to Medicaid will result as it relates to the proposed project. The Department of Medicaid does not oppose this project.

VI. CONCLUSION AND RECOMMENDATION

This project continues to be in substantial compliance with the overall objectives of the *FY 2015 Mississippi State Health Plan; Certificate of Need Review Manual, Revision 2011*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of approval. The Division of Health Planning and Resource Development recommends approval of the amendment application submitted by FMC-West Hinds County to relocate to a new site (located on Springridge Road) that is one (1) mile from the existing approved site, within five miles from the currently approved location.

Thus, the approval amends CON No. R-0877 granted on August 26, 2014 to Bio-Medical Applications of Mississippi, Inc. d/b/a Fresenius Medical Care-West Hinds County (FMC-West Hinds County) to establish a ten (10 station), satellite End Stage Renal Disease (“ESRD”) facility in Hinds County near 109 Wood Chase Park Drive, Jackson, MS 39056.

ATTACHMENT I

Bio-Medical Applications of Mississippi, Inc. d/b/a Fresenius Medical Care-West Hinds County

Three-Year Operating Statement with Project (First Full Year of Operation after Completion of the Project)

	Year 1
Revenue	
Inpatient Care Revenue	\$ 0
Outpatient Revenue	1,505,466
Gross Patient Revenue	\$ 1,505,466
Charity	\$ 0
Deductions from Revenue	0
Net Patient Care Revenue	\$ 1,505,466
Other Operating Revenue	\$ 0
Total Operating Revenue	\$ 1,505,466
Operating Expenses	
Salaries	\$ 326,664
Benefits	127,399
Supplies	364,572
Services	0
Lease Expenses	166,246
Depreciation	175,220
Interest	0
Other	312,003
Total Operating Expenses	\$ 1,472,104
Net Operating Income	\$ 33,362
	Proposed Year 1
Inpatient Days	0
Outpatient Visits	0
Number of ESRD Procedures	4,681
Charge per Outpatient Day	\$ 0
Charge per Inpatient Day	\$ 0
Charge per Procedure	\$ 332
Cost per Inpatient Day	\$ 0
Cost per Outpatient Day	\$ 0
Cost per Procedure	\$ 314