

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
FEBRUARY 2016**

**CON REVIEW ESRD-ES-1115-025
RENAL CARE GROUP. TUPELO, LLC D/B/A RCG OF TUPELO
EXPANSION OF AN EXISTING ESRD FACILITY
CAPITAL EXPENDITURE: \$66,800
LOCATION: TUPELO, LEE COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Renal Care Group Tupelo, Inc. d/b/a RCG of Tupelo is a Delaware limited liability corporation certified to conduct business in the State of Mississippi. RCG of Tupelo is governed by a 16-member Board, in which two of the members serve as directors and one as the president. On December 11, 2011 the Secretary of State issued a Certificate indicating that the State of Mississippi issued a Charter/Certificate of authority to Renal Care Group Tupelo, LLC and that the Delaware Corporation has authority to transact business in Mississippi.

B. Project Description

Renal Care Group Tupelo, LLC d/b/a RCG of Tupelo requests Certificate of Need (CON) authority to expand its existing End Stage Renal Disease (ESRD) facility. The facility is located at 2978 Mattox Street, Tupelo, Mississippi. The applicant proposes to add four (4) stations to its existing RCG of Tupelo (host/main) facility, which will help increase its original capacity back to 50 hemo-dialysis stations.

The applicant indicates that on June 28, 2012 Renal Care Group Tupelo, Inc. d/b/a RCG of Tupelo was granted CON approval (CON # R-0854) to establish a ten (10) station satellite ESRD facility, RCG of Central New Albany. The applicant states that RCG of Tupelo transferred ten (10) hemo-dialysis stations to RCG of Central New Albany, which opened on October 23, 2015. The satellite facility is now utilizing the transferred ten (10) hemo-dialysis stations.

RCG-Tupelo is located at 2978 Mattox Street, Tupelo, Mississippi. In the approved June 28, 2012 CON project the applicant asserts that the satellite ESRD facility is within 25 miles of RCG-Tupelo and located at 915 Denmill Road, New Albany, Mississippi 38652. Also staff determined that RCG-Tupelo is located approximately 30 driving miles from the lot allocated above; however, it is within a 25 mile radius of the existing ESRD facility.

On March 31, 2015 RCG of Tupelo was approved through a Determination of Reviewability ruling to expand the facility by six (6) stations in order to provide enough time slots for its patients to receive dialysis treatment at convenient times. The applicant states that after the 10-station removal per CON R-0854 and the 6-station addition per the March 31, 2015 Determination of Reviewability, RCG of Tupelo now operates forty-six (46) stations.

Furthermore, Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany (RCG Central New Albany) submitted a Determination of Reviewability application to the Department on November 25, 2015 requesting to add four hemo-dialysis stations to its existing 10 stations at their satellite facility. The Determination of Reviewability application was approved on January 22, 2016 by the Department to allow RCG Central New Albany to add four hemo-dialysis stations to their existing satellite facility to increase the number of hemo-dialysis stations from 10 to 14 stations.

The applicant asserts that although the 6-station addition helped alleviate some of the stress caused by the 10-station removal, it was not enough to ensure that RCG of Tupelo's patients have adequate time slots options to receive necessary dialysis treatment. Therefore, the applicant believes to improve accessibility for its patients, RCG of Tupelo seeks approval to add back four (4) stations to return its facility to the fifty (50) station facility as it was prior to the establishment of RCG Central New Albany. The applicant affirms that no renovation will be necessary for the proposed project because the facility already has pre-existing space allotted for the addition of four (4) stations.

The MSDH Division of Health Facilities Licensure and Certification approved the site for the project on October 22, 2015.

The total proposed capital expenditure is \$66,800 and the proposed project will not require any additional full-time equivalent employees. The applicant indicates the proposed capital expenditure will be obligated within six-months after CON approval and the proposed project will be complete within one year of CON approval.

The applicant indicates that the proposed capital expenditure will be funded from cash reserves.

II. TYPE OF REVIEW REQUIRED

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

In accordance with Section 41-7-197(2) of the Mississippi Code 1972, Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on February 24, 2016.

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

A. State Health Plan (SHP)

The *FY 2015 State Health Plan* contains policy statements, criteria and standards, and service specific criteria and standards, which the applicant is required to meet before receiving CON authority for the expansion of an existing ESRD facility. This application requests a 6-station expansion of its existing facility. This application is in substantial compliance with applicable criteria and standards.

The *FY 2015 MSHP* state under the headings below:

Policy Statement Regarding Certificate of Need Applications for the Establishment of End Stage Renal Disease ESRD Facilities

PS (12) - Expansion of Existing ESRD Facilities: Existing ESRD facilities may add hemo-dialysis stations without Certificate of Need review, as long as the facility does not add, over a period of two (2) years, more than the greater of four (4) stations or 15% of the facility's current number of certified stations.

As previously mentioned in this application, RCG of Tupelo filed a Determination of Reviewability (DR) application requesting to expand its facility by four hemo-dialysis stations, according to PS (12) as contained in the *FY 2015 MSHP*. The mentioned DR was approved by the Department on January 22, 2016.

Establishment of an End Sate Renal Disease (ESRD) Facility

SHP Criterion 1 – Establishment of New ESRD Facilities

The proposed application is not for the establishment of a new ESRD facility. Therefore, Criterion 1 is not applicable.

SHP Criterion 2 – Expansion of Existing ESRD Facilities

Projects in the event that an existing ESRD facility proposes to add more than the greater of four (4) stations or 15% of the facility's current number of certified stations within a two-year period, then the facility must apply for a Certificate of Need, and shall document that it has maintained a minimum annual utilization rate of 65% for the 12 months prior to the month of the submission of the CON application.

NOTE: ESRD Policy Statements 2, 4, 5 and 6, and Need Criterion 1, do not apply to applications for the expansion of existing ESRD facilities.

The applicant submitted the proposed project to request authority for the expansion of an existing ESRD facility. Since the proposed application will add four (4) hemo-dialysis stations and is within the two (2) year period, the facility is required to comply with this **SHP Criterion 2** as contained in the *FY 2015 MSHP*.

Based on an ESRD Survey conducted by the Mississippi State Department of Health for FY 2014, RCG of Tupelo reported the number of treatments from July 2013 through June 2014 as 35,519, the number of existing hemo-dialysis stations operating was 50, and the utilization rate was 76%.

The *FY 2015 MSHP* shows that RCG of Tupelo is the only ESRD facility in Tupelo, Lee County, Mississippi and the applicant asserts its utilization is increasing. RCG of Tupelo' application shows that the number of treatments from October 2014 through September 2015 is 38,830 and the number of existing hemo-dialysis stations operating was 50, which equates to 82.97%.

The applicant states that the Grand Opening of RCG of Tupelo's satellite facility (RCG of Central New Albany) was on October 23, 2015. See Attachment 2 for the time line to show the number of ESRD station additions for RCG of Tupelo & RCG New Albany.

The applicant asserts that October 23, 2015 was also the date that the 10 ESRD stations were transferred from RCG of Tupelo to RCG of Central New Albany. RCG of Tupelo states that the 10 ESRD stations ceased to operate at their facility on October 23, 2015.

SHP Criterion 3- Need Establishment of ESRD Satellite Facilities

The proposed application is not for the establishment of a new ESRD facility therefore Criterion 3 is not applicable.

SHP Criterion 4 - Number of Stations

The applicant currently operates a 46 hemo-dialysis stations and is proposing to add 4 stations. Therefore, Criterion 4 is not applicable to the proposed project.

SHP Criterion 5 - Minimum Utilization

The applicant states that ESRD Policy Statement #10 regarding minimum utilization does not apply to the proposed project. The applicant further states that RCG of Tupelo is not proposing the establishment of a new facility but only to expand their existing facility (host/main facility).

SHP Criterion 6 - Minimum Services

RCG of Tupelo affirmed that the facility will provide at a minimum of social, dietetic, and rehabilitative services.

SHP Criterion 7 - Access to Needed Services

RCG of Tupelo affirmed that the applicant will provide reasonable access to equipment/facilities for such needs as vascular access and transfusions required by stable maintenance ESRD patients.

SHP Criterion 8 - Hours of Operation

RCG of Tupelo will operate six days per week between the hours of 7:00 a.m. to 6:00 p.m. The applicant affirmed that alternate arrangements will be made for those patients needing after-hours treatments.

SHP Criterion 9 - Home Training Program

RCG of Tupelo affirmed that a home-training program will be made available and it will counsel all patients on the availability of and eligibility requirements to enter the home/self-dialysis program.

SHP Criterion 10 - Indigent/Charity Care

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

SHP Criterion 11 - Facility Staffing

The applicant included a proposed list of staff by category, position qualification guidelines minimum education and experience requirements, and specific duties. The applicant indicates that the proposed project will not require any additional full-time equivalent employees.

SHP Criterion 12 - Staffing Qualifications

The applicant asserts that the staff of the facility will meet, at a minimum, all requirements and qualifications as stated in 42 CFR, Subpart D, Section 494.140 as listed under SHP Criterion 12.

SHP Criterion 13 - Staffing Time

The applicant affirmed that when the unit is in operation, at least one (1) R.N. will be on duty and at least two (2) persons will be present for each dialysis shift, one of which will be an R.N. In addition, the applicant affirms that the medical director or a

designated physician will be on site or on call at all times when the unit is in operation. When the ESRD facility is not in operation, the applicant states that the medical director or a designated physician and one R.N. will be on call.

SHP Criterion 14 - Data Collection

The applicant affirmed that it shall record and maintain all required data listed under SHP Criterion 14 and shall make it available to the Mississippi State Department of Health as required by the Department.

SHP Criterion 15 - Staff Training

The applicant affirmed that it will provide an ongoing training program for nurses and technicians in dialysis techniques at the facility.

SHP Criterion 16 -Scope of Privileges

The applicant affirmed 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.

SHP Criterion 17 - Affiliation with a Renal Transplant Center

The applicant affirmed that they have an affiliation agreement with the University of Alabama at Birmingham Renal Transplant Center. The applicant provided an existing copy of the Renal Transplant Agreement between RCG Tupelo, LLC and with the University of Alabama at Birmingham Renal Transplant Center.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2011*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria contained in the manual.

GR Criterion 1- Consistency with the *State Health Plan*

The application was reviewed for compliance with the *FY 2015 Mississippi State Health Plan* as discussed above.

GR Criterion 2 – Long Range Plan

The applicant states that its long range plan is to continue to provide high quality, easy to access ESRD services for those residents in need of dialysis services near Tupelo. The applicant asserts it was CON approved on June 28, 2012 (CON # R-0854) to establish a ten (10) station satellite ESRD facility, RCG of Central New Albany. The applicant states that RCG of Tupelo transferred ten (10) hemodialysis

stations to RCG of Central New Albany, which is now open and utilizing the transferred ten (10) hemo-dialysis stations. As previously mentioned above, Renal Care Group Tupelo, LLC d/b/a RCG of Central New Albany (RCG Central New Albany) was approved on January 22, 2016 by the Department to allow RCG Central New Albany to add four hemo-dialysis stations to their existing satellite facility to increase the number of hemo-dialysis stations from 10 to 14 hemo-dialysis stations.

The applicant states that (CON #R-0854) for the establishment of a 10-station satellite ESRD facility in New Albany, reduced Renal Care Group Tupelo, LLC d/b/a RCG of Tupelo's existing ESRD facility from 50 to 40 hemo-dialysis stations. RCG of Tupelo was granted a Determination of Reviewability on March 31, 2015 with the authority to expand by six (6) stations in order to provide enough time slots for its patients to receive dialysis treatment at convenient times. The applicant states that after the 10-station removal per CON R-0854 and the 6-station addition per the March 31, 2015 Determination of Reviewability, RCG of Tupelo now operates forty-six (46) stations.

The applicant asserts that the proposed project will allow RCG of Tupelo to expand back to 50 stations, which will improve its ability to effectively and efficiently provide high quality ESRD services to residents in and around Tupelo. Also, approval of the project will relieve some of the stress caused by the removal of its stations and will address the increase in utilization at RCG of Tupelo.

GR Criterion 3 – Availability of Alternatives

The applicant asserts that the only feasible alternative was to not file the proposed application for the addition of hemo-dialysis stations, however; the applicant suggests that their patients would lose options for daily time slots if the proposed application wasn't submitted. The applicant states that utilization is increasing in the area, and without the ability to add the needed four (4) stations, the applicant affirms that RCG of Tupelo will be unable to offer its' patients the best opportunity to choose convenient time slots to receive necessary dialysis treatment. The applicant therefore, decided that expanding RCG of Tupelo's hemo-dialysis stations was the best option to continue providing dialysis services in the most effective and efficient manner.

GR Criterion 4 - Economic Viability

The applicant provided a three-year projected operating statement and it indicates that the total operating revenue over a projected three year period shows an increase from \$10,132,073 to \$10,693,653. In addition, the statement reflects net incomes for the first three years of operation for the project (see Attachment 1).

The applicant asserts that the proposed project will expand RCG of Tupelo by adding four (4) hemo-dialysis stations and the project will not increase the cost of dialysis services for patients or Medicaid. In addition, the applicant's affiliation with the Fresenius network and its integrated delivery system helps to control healthcare costs.

GR Criterion 5 - Need for the Project

According to RCG of Tupelo, dialysis services will continue to be provided to underserved patients, including low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly.

RCG of Tupelo states that its utilization has increased. The proposed project will allow RCG of Tupelo to offer its patients the best opportunity to choose convenient time slots to receive the necessary dialysis treatment. The expansion of four (4) hemo-dialysis stations will improve accessibility for ESRD patients to receive dialysis treatment three (3) times per week and provide assurance that RCG of Tupelo's continuity, quality of care needs are met.

The application contains 26 letters of support supporting the proposed project.

The Department received no letters of opposition concerning the proposed project.

GR Criterion 6 - Access to the Facility or Service

According to RCG of Tupelo, all patients of the service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly have access and will continue have access to the services of the of its ESRD dialysis services. The proposed project will ensure that Medicare, Medicaid and medically indigent patients residing in and around Tupelo will have quality access to care. The applicant states that the hours of operation for the existing ESRD facility is as follows:

RCG of Tupelo asserts that the facility's normal business hours will be from 7:00 a.m. to 6:00 p.m., six days per week. However, alternate time arrangements will be available and Medicaid recipients can receive transportation assistance for travel to dialysis appointments.

The applicant submits the following percentage of gross patient revenue (GPR) and actual dollar amount of health care provided to medically indigent care patients for the last two years as well as the projected amounts for the two years following completion of the proposed project:

**Medically Indigent Care Patients
Gross Patient Revenue**

	GPR %	GPR Dollar Amount
Historical Year 2014	2%	\$203,048
Historical Year 2015	2%	\$186,398
Projected Year 1	2%	\$202,641
Projected Year 2	2%	\$207,821

According to the applicant, patients without a payor source receive benefits after a 90-day waiting period. The 90 day waiting period results in what is considered medically indigent/charity care at RCG of Tupelo.

GR Criterion 7 - Information Requirement

The applicant affirms that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

RCG of Mississippi, Inc. d/b/a RCG of Tupelo is the only existing ESRD facility in Lee County, Mississippi. The applicant submits that the target population currently access dialysis services at RCG of Tupelo. The nearest existing, comparable services are provided at RCG of Aberdeen, located over 27-miles from RCG of Tupelo.

The applicant believes that if the proposed expansion is not allowed, daily time slots will be limited, leaving less options for patients to receive treatment and will result in more missed appointments.

The application contained a copy of the Support Agreement between RCG of Tupelo and North Mississippi Medical Center.

The Department received no letters of opposition concerning the proposed project.

GR Criterion 9 - Availability of Resources

RCG of Tupelo submits that it currently has the following required personnel for the proposed project: registered nurses, nephrologists, technical/paramedical, administrative/managerial employees at its existing facility. The applicant states that the proposed project will not require any additional full-time equivalent employees.

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant states that it currently has all necessary support and ancillary services for RCG of Tupelo and there will be no change in cost or charges as a result of the proposed project.

GR Criterion 11 - Delivery of Health Services

The applicant asserts that RCG of Tupelo participates in health training programs in the area to meet the clinical needs in the surrounding area.

GR Criterion 12 – Access by Health Professional Schools

As mentioned in GR Criterion 11, the applicant asserts that RCG of Tupelo participates in health training programs in the area to provide clinical experience for students in the surrounding area.

GR Criterion 14 - Construction Projects

The applicant confirms that the proposed project does not involve any new construction or renovations.

GR Criterion 16 - Quality of Care

The applicant affirms that as of March 31, 2015, RCG of Tupelo currently operates forty-six (46) stations. The applicant states that in order to meet the needs of the increased utilization and patient base, the facility will need to operate at its original station authority of fifty (50) stations.

The applicant asserts that the proposed project will improve accessibility of ESRD patients who must receive dialysis treatment three (3) times per week. The facility is certified for participation in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

	Item	Cost (\$)	Percent (%) of Total
a.	Construction Cost – New	0	0%
b.	Renovation Cost	0	0%
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	62,000	92.81%
e.	Total Non-Fixed Equipment Cost	4,800	7.19%
f.	Land Cost	0	0%
g.	Site Preparation Cost	0	0%
h.	Fees (Architectural, Consultant, etc.)	0	0%
i.	Contingency Reserve	0	0%
j.	Capitalized Interest	0	0%
k.	Other Cost	0	0%
	Total Proposed Capital Expenditure	\$66,800	100.00%

Note: Due to rounding the percentages may be off by 1%

B. Method of Financing

The applicant indicates that cash reserves will be used to fund the proposed capital expenditure.

C. Effect on Operating Cost

The applicant's three-year projected operating statement is presented in Attachment 1.

D. Cost to Medicaid/Medicare

The applicant projects the cost to third party payors as follows:

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	76%	\$ 7,673,021
Medicaid	1%	\$ 69,182
Commercial	17%	\$ 1,687,716
Self Pay	0%	\$ 2,073
Charity Care	0%	\$ 14,002
Other	7%	\$ 668,079
Total	100%	\$10,132,073

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application and the Department received written comments from the agency. For the expansion of an existing ESRD facility, the Division of Medicaid does not foresee any increase in allowable costs to Medicaid as a result of the project and does not oppose the transaction.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the expansion of an existing ESRD facility as contained in the *FY 2015 Mississippi State Health Plan*; the *Mississippi Certificate of Need Review Manual, 2011 Revision*; and duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends conditional approval of the application submitted by Renal Care Group Tupelo, LLC d/b/a RCG of Tupelo for the expansion of an existing ESRD facility.

The four (4) Hemo-dialysis stations are conditioned upon the satellite facility operating at 55 percent or more after the first full year of the satellite facility becoming operational, with the host facility having a utilization rate of 65 percent or more for its first year of operation.

Attachment 1

Renal Care Group Tupelo, LLC d/b/a RCG of Tupelo Three-Year Operating Statement (with Project)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	0	0	0
Outpatient	10,132,073	10,391,034	10,693,653
Gross Patient Revenue	\$10,132,073	\$10,391,034	\$10,693,653
Charity Care	0	0	0
Deductions from Revenue	0	0	0
Net Patient Revenue	\$10,132,073	\$10,391,034	\$10,693,653
Other Operating Revenue	0	0	0
Total Operating Revenue	\$10,132,073	\$10,391,034	\$10,693,653
Expenses			
Operating Expenses:			
Salaries	\$2,119,599	\$2,207,206	\$2,305,089
Benefits	760,563	791,999	827,121
Supplies	2,211,054	1,721,057	1,770,707
Services	1,472,532	1,408,902	1,449,933
Lease	330,755	330,755	330,755
Depreciation	426,045	426,045	426,045
Interest	0	0	0
Other	0	0	0
Total Expenses*	\$7,320,549	\$6,885,963	\$7,109,650
Net Income (Loss)	\$2,811,524	\$3,505,070	\$3,584,003
Assumptions			
Inpatient days*	0	0	0
Outpatient days*	313	312	312
Procedures	34,250	34,935	35,620
Charge per outpatient day	\$32,371	\$33,305	\$34,275
Charge per inpatient day	0	0	0
Charge per procedure	\$ 296	\$ 297	\$ 300
Cost per inpatient day	0	0	0
Cost per outpatient day	\$23,388	\$22,070	\$22,787
Cost per procedure	\$ 214	\$ 197	\$ 200

*Note: Due to rounding the amounts may be off by \$1.00

Attachment 2

Renal Care Group Tupelo, LLC d/b/a RCG of Tupelo Addition of ESRD Stations

Approval of ESRD Stations	RCG of Tupelo (Main Facility)	RCG of Tupelo (Main Facility)	Approval of ESRD Stations	RCG of Central New Albany (Satellite Facility)	RCG of Central New Albany (Satellite Facility)
	ESRD Stations Added	ESRD Stations		ESRD Stations Added	ESRD Stations
6-28-2012 - CON project (R-0854) approved for the Establishment of a 10 Station ESRD Facility in Central New Albany.		50			
03-31-2015 - Approved through a Determination of Reviewability ruling for the additon of 6 ESRD stations.	6	56*			
10/23/2015 - 10 ESRD stations were transferred from RCG Tupelo (Main Facility) to RCG of Central New Albany (Satellite Facility).		46**			10**
11-19-2015 - CON Application filed to request CON authority for the additon of 4 ESRD stations.	4*** (Pending CON Approval)	50*** (Pending CON Approval)			
			01-22-2016 - Approved through a Determination of Reviewability ruling for the additon of four ESRD stations (DR Application received on 11-20-2015).	4	14

*RCG of Tupelo requested to add 6 ESRD stations to the facility. Fifty (50) ESRD were in operation instead of 46.

** RCG of Central New Albany RCG of Central New Albany opened October 23, 2015 and RCG of Tupelo officially transferred 10 ESRD Stations to RCG of Central New Albany on October 23, 2015.

***RCG of Tupelo filed a CON Application to request CON authority for the addition of 4 ESRD stations at their host/main facility.