

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
APRIL 10, 2017**

**CON REVIEW NUMBER: C-CO-0217-003  
HATTIESBURG CLINIC, PROFESSIONAL ASSOCIATION  
COST OVERRUN TO CON #R-0897 (C-NIS-0615-011)  
OFFERING OF DIAGNOSTIC IMAGING SERVICES OF AN  
INVASIVE NATURE, INCLUDING DIGITAL SUBTRATION ANGIOGRAPHY (DSA)  
ORIGINAL CAPITAL EXPENDITURE: \$584,344.00  
ADDITIONAL CAPITAL EXPENDITURE: \$24,895.34  
REVISED CAPITAL EXPENDITURE: \$609,239.34  
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Hattiesburg Clinic Professional Association (HCPA) is a Mississippi corporation, and the largest multispecialty medical clinic in the state of Mississippi. Hattiesburg Clinic Professional Association is a physician-owned group practice with over 300 physicians and providers caring for more than 500,000 residents of South Mississippi. HCPA is governed by a fourteen-member Board of Directors and has a Certificate of Good Standing from the State of Mississippi's Secretary of State Office.

**B. Project Background**

Hattiesburg Clinic, Professional Association (HCPA) was granted Certificate of Need (CON) #R-0897 and the effective date of the CON was September 24, 2015, with an expiration date of September 24, 2016. The clinic received CON authority to establish diagnostic imaging services of an invasive nature, including digital subtraction angiography at its main clinic in Hattiesburg. The applicant states that vascular surgery department of HCPA was approved to expand its second floor clinical office space to create an office-based endovascular lab. This project will involve the renovation of 2,256 square feet of existing office space to accommodate patient preparation, procedural and recovery areas in comfort and privacy.

The applicant asserts that the physicians perform diagnostic imaging procedures of an invasive nature, utilizing a C-arm fluoroscopy with ultrasound capabilities, and to treat anomalies and blockages of the peripheral vascular system. HCPA's patients will either be given local anesthetics or IV conscious sedation drugs. The DSA procedures will be done by physicians of the HCPA as an extension of their practice. The following will remain the same as the original application: the number of FTEs of 5.0 at an estimated cost of \$362,086 and cash reserves used to fund the project. Also, the applicant still has site approval from the MSDH, Division of Licensure and Certification.

**B. Project Description**

Hattiesburg Clinic Professional Association requests CON authority for a Cost Overrun of \$24,895.34 to CON No. R-0897. Through a Resolution, the officers consented to request approval from the Department for an additional capital expenditure of \$24,895.34 regarding the original Certificate of Need (CON) application. The cost overrun application filed with the Department requests CON authority to increase the capital expenditure of CON No. R-0897 from \$584,344.00 to \$609,239.34.

The applicant asserts the project has commenced; however there is a small increase in the capital expenditure, due to the purchase of an intravascular ultrasound device and a reduction in the renovation process than originally anticipated. The applicant states that the device can be inserted into an artery through a catheter and it examines the strength and composition of the blood vessel. As a note, it was not in the original budget for the proposed project. The applicant states the purchase of this equipment and other adjustments explained in the application added \$24,895.34 to the total project cost.

The applicant asserts that the proposed project only involves the purchase of the equipment listed and all other specifics related to staffing, funding and site approval remain the same.

**II. TYPE OF REVIEW REQUIRED**

The Mississippi State Department of Health (MSDH) reviewed the original project for the relocation of an end stage renal disease facility in accordance with Section 41-7-191, subparagraph (1)(b)(e) and (j) 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.

The State Health Officer reviews all projects for 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 of 1972, Annotated, as amended, any affected person may request a public hearing on this project within 10 days of publication of this staff analysis. The opportunity to request a hearing expires on April 20, 2017.

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

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

The *FY 2015 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 2015 MSHP*. The cost overrun project continues to be in substantial compliance with the *FY 2015 MSHP*.

**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 cost overrun application continues to be in substantial compliance with applicable General Review Criteria and Standards contained in the *CON Review Manual, 2011*.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

	<b>Original Approved Amount</b>	<b>Revised Amount</b>	<b>Increase/ (Decrease)</b>
1. New Construction Cost	0	0	0
2. Construction/Renovation	\$104,012.00	\$54,751.00	(\$49,261.00)
3. Land	0	0	0
4. Site Work	0	0	0
5. Fixed Equipment	\$426,808.00	\$508,446.00	\$81,638.00
6. Non-Fixed Equipment	\$35,842.00	\$42,209.00	\$6,367.00
7. Contingency*	\$35,842.00	\$42,209.00	\$6,367.00
8. Fees (Architectural, Consultant, etc.)	262,480.00	\$307,626.60	\$45,145.00
9. Capitalized Interest	0	0	0
10. Other	0	0	0
<b>Total Capital Expenditure</b>	<b>\$584,344.00</b>	<b>\$609,239.00</b>	<b>\$24,895.00</b>

The above table represents approximately a 4% increase in the capital expenditure by Hattiesburg Clinic Professional Association. Based on the information provided by Hattiesburg Clinic Professional Association, the capital expenditure increase is due to the purchase of new equipment. The square feet of renovation is 2,256 and the applicant affirms the project is 100% percent complete.

**B. Method of Financing**

The original project was financed with cash reserves and the type of financing will remain the same.

**C. Effect on Operating Cost**

The applicant's projections of gross revenues for the first, second, and third year

of operation, expenses, net income, utilization, cost, charges depreciation schedule and Three-Year Projected Operating Statement are shown in the original application under Attachment 1. The applicant asserts the first year of the operating statement will be revised and is shown in Attachment 1 of the staff analysis. Also, the applicant asserts the depreciation schedule will change.

**D. Cost to Medicaid/Medicare**

The applicant projects the cost to third party payors will remain the same as shown in the table below:

<b>Payor Mix</b>	<b>Utilization Percentage (%)</b>	<b>First Year Revenue (\$)</b>
<b>Medicare</b>	78	\$ 2,043,888
<b>Medicaid</b>	15	392,000
<b>Commercial</b>	8	199,015
<b>Self Pay</b>	0	0
<b>Charity Care</b>	0	<u>0</u>
<b>Other</b>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>100*</b>	<b>\$ 2,634,903</b>

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided an opportunity to review and comment on this project; however, the Division of Medicaid has not provided a comment on the proposed project as of the date of this staff analysis.

**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.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Hattiesburg Clinic Professional Association for a cost overrun to CON No. R-0887. The cost overrun project will allow Hattiesburg Clinic Professional Association to increase the authorized capital expenditure from \$584,344.00 to \$609,239.34 by \$24,895.34 for Offering of Diagnostic Imaging Services of An Invasive Nature, Including Digital Subtraction Angiography (DSA).

**Attachment 1**

**Hattiesburg Clinic Professional Association Offering of Diagnostic Imaging Services of an Invasive Nature, Including Digital Subtraction Angiography**

**Revised Projected Operating Statement (First Year)**

Gross Patient Care Revenue	\$2,634,903.00
Deductions from Revenue	-1,458,903.00
Net Patient Care Revenue	\$1,176,000.00
<b>Operating Expenses</b>	
Salaries	\$282,880.00
Benefits	79,206.00
Supplies	266,000.00
Services	28,288.00
Depreciation	73,120.00
Other	235,200.00
Total Operating Expenses	\$964,694.00
Net Operating Income	\$211,306.00

Revenue	<u>Projected Operating Statement (First Year)</u>
<b>Patient Revenue:</b>	
<b>Inpatient</b>	
<b>Outpatient</b>	<b>\$2,634,903</b>
<b>Gross Patient Revenue</b>	<b>\$2,634,903</b>
<b>Charity Care</b>	<b>0</b>
<b>Deductions</b>	<b>1,458,903</b>
<b>Net Patient Revenue</b>	<b>\$1,176,000</b>
<b>Other Operating Revenue</b>	<b>0</b>
<b>Total Operating Revenue</b>	<b>\$1,176,000</b>
<b>Expenses</b>	
<b>Operating Expenses:</b>	
<b>Salaries</b>	<b>\$282,880</b>
<b>Benefits</b>	<b>79,206</b>
<b>Supplies</b>	<b>266,000</b>
<b>Services</b>	<b>28,288</b>
<b>Lease</b>	<b>0</b>
<b>Depreciation</b>	<b>68,141</b>
<b>Interest</b>	<b>0</b>
<b>Other</b>	<b>235,200</b>
<b>Total Expenses</b>	<b>\$959,715</b>
<b>Net Income (Loss)</b>	<b>\$216,285</b>