

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

February 9, 2024

**CON REVIEW: MC-NIS-1223-015
SOUTHERN MISSISSIPPI HEART CENTER, PROFESSIONAL ASSOCIATION
OFFERING OF CARDIAC-ONLY POSITRON EMISSION TOMOGRAPHY (PET) SERVICES
CAPITAL EXPENDITURE: \$390,000.00
LOCATION: OCEAN SPRINGS, JACKSON COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Southern Mississippi Heart Center, Professional Association (P.A.) d/b/a Southern Mississippi Heart Center ("SMHC" or Applicant), a Mississippi business corporation established in 1995. The Applicant states SMHC is one (1) of the Mississippi Gulf Coast's premier groups of cardiologists, offering the highest level of comprehensive cardiac care available. The entity is managed by three (3) officers and directors. The Applicant affirms SMHC has cardiologists Southern Mississippi Heart Center that cover all realms of specialties, including general and interventional cardiology, nuclear cardiology, and electrophysiology.

The application includes a Certificate of Good Standing from the Office of the Secretary of State indicating that as of November 29, 2023, Southern Mississippi Heart Center, P.A. is in good standing with the State of Mississippi.

B. Project Description

Southern Mississippi Heart Center requests Certificate of Need ("CON") authority for the offering of cardiac-only PET services. The Applicant affirms the proposed PET services will be located at the 3704 Bienville Blvd, Suite B, Ocean Springs, Mississippi 39564. The Applicant states Southern Mississippi Heart Center proposes to lease the cardiac-only PET/CT equipment from CDL Nuclear Technologies, a leading innovator of advanced cardiology equipment and accessible cardiology solutions. The Applicant states SMHC currently has existing clinics located in Ocean Springs, Pascagoula, and Gulfport, Mississippi.

The Applicant submits that Southern Mississippi Heart Center will enter into a five (5) year lease agreement with CDL Nuclear Technologies, through an operating lease for a Siemens Biograph Horizon (16 slice) PET/CT Scanner. The application contained a lease agreement pertaining to the equipment related to the proposed project.

The Applicant affirms the proposed project will involve a build-out renovation of approximately 1,759 square feet of space for the cardiac-only PET/CT equipment to be installed at an estimated cost of \$221.72 per square feet. The Applicant affirms the total proposed estimated capital expenditure cost is \$390,000.00, which will be funded by cash reserves.

The Applicant expects to employ two (2) full-time equivalent (FTE) employees at a total personnel cost of \$166,400.00 during the first year of operation.

The application contains a cost estimate signed by J. Scott Eddy, AIA, ACHA from Eley Guild Hardy Architects, P.A. In addition, the application included a letter from the Division of Fire Safety and Construction, Bureau of Health Facilities Licensure and Certification, approving the site for the project on November 23, 2023. The Applicant states the anticipated date to meet the obligation of the capital expenditure is by February 2024, and completion date for the proposed project is by May 2024.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-173, 41-7-191 (1)(d)(xv), and 41-7-193 of the Mississippi Code of 1972, Annotated, as amended. MSDH will also review applications for a CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, November 11, 2023*; all adopted rules, procedures, plans, criteria, and standards of MSDH; and the specific criteria and standards listed below.

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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on February 19, 2024.

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

A. State Health Plan (SHP)

The *FY 2022 State Health Plan, Third Edition* contains policy statements, criteria and standards that the applicant is required to meet before receiving CON authority for the offering of fixed or mobile PET services including Cardiac Only PET services. This application is in substantial compliance with the applicable policy, criteria and standards stated in the *Plan as follows*:

SHP Policy Statement 1 – CON Review Requirements

SMHC affirmed it will enter into an operating lease for the cardiac PET/CT equipment. The Applicant states there is no capital expenditure associated with the proposed project.

SHP Policy Statement 2 – Indigent/Charity Care

Southern Mississippi Heart Center affirms to provide a reasonable amount of indigent/charity care.

SHP Policy Statement 3 – Service Areas

The Applicant states SMHC is proposing to provide cardiac-only PET services in Ocean Springs, Jackson County, Mississippi, which is in General Hospital Service Area (“GHSA”) nine (9).

SHP Policy Statement 4 – Equipment to Population Ratio

The Applicant states SMHC is proposing to provide cardiac-only PET services, therefore, the proposed project is not applicable to this policy.

SHP Policy Statement 5 – Access to Supplies

Southern Mississippi Heart Center states it will have direct access to appropriate radiopharmaceuticals.

SHP Policy Statement 6 – Services and Medical Specialties Required

The Applicant submits that the proposed project will arrange to have these modalities available through its relationship with Singing River Health System.

SHP Policy Statement 7 – Hours of Operation

Southern Mississippi Heart Center’s PET services will be available during office hours 8:00 A.M.- 5:00 P.M. Monday through Thursday and 8:00 A.M to. -12:00 P.M. on Friday.

SHP Policy Statement 8 – CON Approval Preference

The Applicant affirms this application does not propose a joint venture utilizing mobile or shared equipment.

SHP Policy Statement 9 – CON Requirements

Southern Mississippi Heart Center proposes a fixed PET/CT scanner.

SHP Policy Statement 10 – CON Exemption

The Applicant states this policy does not apply to the proposed project.

SHP Policy Statement 11 – Addition of a Health Care Facility

The Applicant states this policy does not apply to the proposed project.

SHP Policy Statement 12 – Equipment Registration

The Applicant affirms to provide the Mississippi State Department of Health (MSDH) with the registration/serial number of the CON-approved PET/CT scanner prior to commencing operations.

SHP Policy Statement 13 – Certification

The Applicant states this proposal does not involve a mobile PET scanner; therefore, this policy does not apply to the proposed project.

SHP Policy Statement 14 – Conversion from Mobile to Fixed Service

The Applicant states this application does not involve conversion from mobile to fixed PET services, therefore, this policy does not apply to the proposed project.

SHP Policy Statement 15 – Applicants with Accredited Cancer Center:

The Applicant states this policy does not apply to the proposed project.

Criteria and Standards for Acquisition or Otherwise Control of a PET Scanner including Cardiac only PET Scanner

SHP Need Criterion 1 – Minimum Procedures/Population

- a. **The entity desiring to acquire or to otherwise control the PET scanner must project a minimum of 1,000 clinical procedures per year and must show the methodology used for the projection.**

The Applicant states SMHC projects a volume of 1,246 cardiac PET procedures in Year 1 of operations. The Applicant further states SMHC applied a ten percent (10%) year-over-year growth rate in Years 2 and 3, which yields 1,371 procedures in Year 2, and 1,508 procedures in Year 3. In addition, the application contains an affidavit from Mahmoud H. Zayed, M.D., FACC, FSCAI, verifying the number and methodology for the projections.

- b. **The applicant shall document a minimum of 300,000 per PET scanner unit. The Division of Health Planning and Resource Development population**

projections shall be used. In the case of a Cardiac only PET scanner, this criterion will not apply.

The Applicant states Southern Mississippi Heart Center is proposing a cardiac-only PET scanner; therefore, this criterion does not apply.

SHP Need Criterion 2 – Business Registration

The Applicant states Southern Mississippi Heart Center is properly registered with the Mississippi Secretary of State and is in good standing, as evidenced by the Certificate of Good Standing contained in the application.

SHP Need Criterion 3 – Approval of Additional PET Equipment

The Applicant confirms there are no existing providers of cardiac-only PET services in General Hospital Service Area (“GHSA”) nine (9), therefore, additional approval of PET equipment is not needed.

SHP Need Criterion 4 – Division of Radiological Health Approval

The Applicant affirms that Southern Mississippi Heart Center hereby affirms that it shall receive approval from the Division of Radiological Health for the proposed site, plans and equipment before service begins.

SHP Need Criterion 5– Data Requirements

Southern Mississippi Heart Center affirms that the required data regarding the PET equipment will be kept and made available to the Mississippi State Department of Health upon request.

SHP Need Criterion 6 - Fixed/Minimum Volume Requirement

The application contains a confidential equipment lease agreement with CDL Nuclear Technologies to the Department of Health. The lease does not contain a fixed or minimum volume.

SHP Need Criterion 7 – CON Approval/ Extension for PET Equipment

The Applicant submitted a CON application to the Department of Health requesting CON approval for the offering of cardiac-only PET services.

SHP Need Criterion 8 – Applicants with an Accredited Cancer Center

The Applicant states this policy does not apply to the proposed project.

Certificate of Need Criteria and Standards for Offering of Fixed or Mobile Positron Emission Tomography (PET) Services including Cardiac only PET Scanner

SHP Criterion 1 – Minimum Procedures

Southern Mississippi Heart Center consulted with CDL Nuclear Technologies in the development of a methodology to project the annual volume of cardiac PET procedures. The Applicant states CDL examined historical patient data for calendar year 2022 in order to establish how many cardiac nuclear stress tests were performed by SMHC and approved by the various payers.

Southern Mississippi Heart Center asserts when the use rate is applied to the population base of 508,522 in General Hospital Service Area Nine (9), the result is that General Hospital Service Area (“GHSA”) nine (9) can produce 1,627 cardiac PET procedures on an annual basis. SMHC states that it will be the only provider of cardiac PET services in its General Hospital Service Area (“GHSA”) and will capture most of those procedures. The applicant submits based on this analysis, CDL concluded that 864 patients would qualify for a cardiac PET procedure, by payer as follows: Medicare (739), Medicaid thirty-six (36), Commercial forty-two (42), Charity twenty-five (25) and Other twenty-two (22). The Applicant states of the forty-two (42) commercial patients, twelve (12) were covered by Aetna and the remaining thirty (30) were covered by Blue Cross/Blue Shield of Mississippi. The Applicant further states Aetna currently has a specific policy that if a patient meets the criteria for a cardiac nuclear stress test, they will also qualify for a cardiac PET procedure. SMHC affirms having established a projected volume of 1,246 cardiac PET procedures in Year one (1) of operations, SMHC then applied a ten percent (10%) year-over-year growth rate in Years two (2) and three (3), which yields 1,371 procedures in Year two (2) and 1,508 procedures in Year three (3).

In addition, the application contains an affidavit from Mahmoud H. Zayed, M.D., FACC, FSCAI confirming the number and methodology for the projections.

SHP Criterion 2 – PET Equipment Utilized by Multiple Providers

The Applicant affirms the application does not involve a mobile PET scanner; therefore, this criterion is not applicable to the proposed project. SMHC affirms it is the only entity authorized in the lease to use the PET equipment.

SHP Criterion 3 – Quality Control and Environmental Requirements

Southern Mississippi Heart Center affirmed that the cardiac PET services will be offered in a physical environment that conforms to federal standards, manufacturer’s specifications and licensing agencies’ requirements, including the areas listed in this criterion.

SHP Criterion 4 – Division of Radiological Health Approval

Southern Mississippi Heart Center affirmed that it will receive approval from the Division of Radiological Health for the proposed site, plans and equipment before cardiac PET services begin.

SHP Criterion 5 – Provision of On-Site Medical Cyclotron

The Applicant affirmed that it will have access to a supply of cyclotron-produced radiopharmaceuticals within a two (2) hour air transport.

SHP Criterion 6 – Staffing Requirements

Southern Mississippi Heart Center affirms that it will have the necessary qualified staff available to operate the proposed cardiac PET scanner, and that the staff will include all of the personnel described by this criterion with the required experience and qualifications.

SHP Criterion 7 – Management of Medical Emergencies

The Applicant states that Southern Mississippi Heart Center will maintain a transfer agreement with Singing River Health-Services for the emergency transfer of patients.

SHP Criterion 8 – Accommodating Referred Patients

Southern Mississippi Heart Center affirmed that it would accept appropriate referrals for cardiac-only PET procedures from other local providers and that these patients will be accommodated, to the extent possible, by extending hours of service and by prioritizing patients according to standards of need and appropriateness rather than source of referral.

SHP Criterion 9 – Medical Necessity

Southern Mississippi Heart Center affirmed that protocols will be established to assure that all clinical PET procedures performed are medically necessary and cannot be performed by other less expensive established modalities.

SHP Criterion 10 –Notification of Procedures Offered

Southern Mississippi Heart Center affirmed that it would maintain current listings of appropriate PET procedures for use by referring physicians.

SHP Criterion 11 – Data Requirements

The Applicant affirmed that the data regarding the cardiac PET service will be maintained and made available to the Mississippi State Department of Health upon request.

SHP Criterion 12 – CON Approval/Exemption for PET Equipment

The Applicant affirms Southern Mississippi Heart Center proposes to lease the Cardiac PET/CT equipment through an operating lease. The Applicant further states that the equipment does not require CON review because the capital expenditure does not exceed \$1,500,000.00.

The Applicant submits in the applicant a physician affidavit of Mahmoud H. Zayed, M.D., FACC, FSCAI regarding the projected number of procedures to be performed on the cardiac PET equipment.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised November 11, 2023*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with the general review criteria contained in the manual.

GR Criterion 1- State Health Plan

The Applicant states in this application, Southern Mississippi Heart has addressed the proposed project's compliance with the Criteria and Standards for the Offering of Cardiac Only PET Services, as set forth in the *FY 2022 Mississippi State Health Plan (Third Edition)*.

GR Criterion 2 – Long Range Plan

The Applicant states that the proposed project is consistent with SMHC's mission and long-range plan of offering a comprehensive cardiovascular health program to the residents of the Mississippi Gulf Coast. The Applicant further states that prior to submitting the proposed project, SMHC engaged CDL Nuclear Technologies to advise and develop plans for the offering of cardiac-only PET services.

GR Criterion 3 – Availability of Alternatives

- a. **Advantages and Disadvantages of Alternatives:** The Applicant states that at this present time, cardiac-only PET services are not available in General Hospital Service Area nine (9), which consists of the six (6) southernmost counties in the state, including the Gulf Coast. The Applicant further states the only alternative to the proposed project is to maintain the status quo. The Applicant submits this

alternative was rejected because the establishment of cardiac PET services at SMHC's Ocean Springs location will make this important diagnostic imaging technology available to the residents of the service area.

- b. New Construction Projects:** The Applicant states this proposal does not involve new construction; therefore, this policy does not apply to the proposed project.
- c. Beneficial Effects to the Health Care System:** The Applicant states this project will benefit the health care system by making cardiac-only PET services available for the first time in General Hospital Service Area nine (9), in a convenient and accessible setting.
- d. Effective and Less Costly Alternatives:**
 - i. Unnecessary Duplication of Services:** The Applicant states the proposed project is not a duplication of services. The Applicant submits cardiac-only PET services are not currently available in General Hospital Service Area nine (9).
 - ii. Efficient Solution:** The Applicant states SMHC's Ocean Springs location will be a highly efficient and convenient setting for the provision of cardiac PET services. The Applicant asserts that by establishing this service on-site, the Clinic will offer its patients an additional diagnostic tool as part of their continuum of care.
- e. Improvements and Innovations:** The Applicant states provision of cardiac PET services in a physician clinic is a very cost-effective alternative to hospital outpatient departments and other facilities. The Applicant affirms Southern Mississippi Heart Center's cardiologists will be directly involved in the provision of this service, thereby assuring the quality of care.
- f. Relevancy:** The Applicant states there is a clear trend favoring the provision of health services in accessible and cost-effective settings. The Applicant projects this on-site diagnostic service will be readily available to the SMHC's patients, resulting in greater convenience and reduced costs for the patients.

GR Criterion 4 - Economic Viability

a. Proposed Charge: The Applicant asserts that its proposed charges for cardiac-only PET services are based on consultations with CDL Nuclear Technologies and independent research and evaluation.

b. Projected Levels of Utilization: The Applicant states at the current time, no other facilities in General Hospital Service Area nine (9) offer cardiac-only PET services.

c. Financial Feasibility Study: The Applicant affirms the capital expenditure for the proposed project does not exceed \$2,000,000.00, therefore, this policy statement is not applicable to the proposed project.

d. Financial Forecasts: The Applicant states Southern Mississippi Heart Center does not anticipate that the forecasts set forth in the financial tables submitted with the application will deviate significantly from the prior historical three (3) year period.

e. Covered Expenses: The Applicant states SMHC does not expect the proposed project will fail to meet projected revenues. However, the Applicant affirms SMHC would cover expenses, if necessary, through cash reserves.

f. Impact of Proposed Project on Health Care Cost: The Applicant states this proposed project will reduce the cost of health care by offering this diagnostic service to patients in an office-based setting.

GR Criterion 5 - Need for the Project

a. Access by Population Served: The Applicant asserts that the approval of this project will improve access to cardiac dedicated PET services by making those services available for the first time in General Service Area nine (9), which has a population in excess of 500,000. The Applicant confirms services will be accessible to low-income persons, racial and ethnic minorities, women, handicapped persons, the elderly and other underserved groups.

b. Relocation of Services/Facility:

i Replacement Facility: The Applicant states the proposed project is not for the relocation of services; therefore, this criterion is not applicable to the proposed project.

ii Relocation of Services: The Applicant states the proposed project is not for the relocation of services; therefore, this criterion is not applicable to the proposed project.

c. Current and Projected Utilization of Like Facilities: The Applicant states cardiac PET services are not currently available in General Service Area nine (9), which consists of six (6) counties and has a population in excess of 500,000. The Applicant further states the proposed project will allow patients to have access to this diagnostic service, consistent with the goals and priorities of the MSDH and the Mississippi Board Health.

- d. Probable Effect on Existing/Similar Facilities:** The Applicant states Southern Mississippi Heart Center does not anticipate that this project will have an adverse impact on any other provider, including hospitals which currently offer PET services. Furthermore, the Applicant states the clinic is requesting this service in order to provide its patients with a superior diagnostic test for detecting heart-related disease. The Applicant states Southern Mississippi Heart Center does not expect the project to impact other providers.
- e. Community Reaction to Service:** The application contained one (1) letter of support from the Southern Mississippi Heart Center cardiologists.

GR Criterion 6 - Access to the Facility or Service

a. Access to Services:

1. The Applicant affirms that all residents of the health planning service area, hospital service area or patient service area, including Medicaid recipients, charity/medically indigent patients, racial and minorities, women, handicapped persons, and the elderly have access to the services of the existing facility.
2. The Applicant affirms that the above-listed residents will continue to have access to the proposed services and/or facility as described in the application.
3. The Applicant asserts that Southern Mississippi Heart Center's charity/indigent care is approximately two (2) to three (3) percent %. The applicant states this project will meet the needs of Medicare, Medicaid and medically indigent patients by making a superior clinical tool available to them in the diagnosis and treatment of heart disease.

b. Existing Obligations: The Applicant affirms that Southern Mississippi Heart Center does not have any existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority or handicapped persons.

c. Unmet Needs of Medicare, Medicaid, and Medically Indigent Patients: The Applicant asserts the project will meet the needs of Medicare, Medicaid, and medically indigent patients by making a superior clinical tool available to them in the diagnosis and treatment of heart disease.

d. Access to Proposed Facility: The Applicant asserts that Southern Mississippi Heart Center is a Medicaid and Medicare certified provider.

e. Access Issues:

- i. **Transportation and Travel:** The Applicant states Southern Mississippi Heart Center is easily accessible via Interstate ten (10) and U.S. Highway ninety (90).
- ii. **Restrictive Admissions Policies:** The Applicant included a copy of Southern Mississippi Heart Center's non-discrimination policy is included in the application.
- iii. **Access to Care by Medically Indigent Patients:** The Applicant states Southern Mississippi Heart Center serves medically indigent patients and is Medically certified.
- iv. **Operational Hours of Service:**
 1. **Regular Operation.** The Applicant states Southern Mississippi Heart Center will offer cardiac PET services at its new location from 8:00 am until 5:00 pm, Monday through Thursday, and from 8:00 am to 12:00 pm on Friday.
 2. **Emergency Operation.** The Applicant states that Southern Mississippi Heart Center will maintain a transfer agreement with Singing River Health-Services for the emergency transfer of patients.

GR Criterion 7 - Information Requirement

Southern Mississippi Heart Center affirmed to record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

a. Comparable Services: The Applicant states cardiac-only PET services are not currently available in the General Hospital Service Area ("GSHA") nine (9). The Applicant asserts Southern Mississippi Heart Center proposes a convenient location for its patients in need of this diagnostic service.

b. Effects on Existing Health Services:

- i. **Complement Existing Services:** The Applicant states Southern Mississippi Heart Center's cardiac PET services will complement existing health services in the service area by making this important diagnostic technology available in the area for first time.

- ii. **Provide Alternative or Unique Services:** The Applicant states the initiation of cardiac-only PET services will offer a convenient setting for heart patients who will benefit from this superior technology.
- iii. **Provide Services for a Specific Target Population:** The Applicant states Mississippi continues to have the highest rate of heart disease in the nation and this proposed project will significantly and directly benefit Mississippi residents in need of diagnosis and treatment of heart disease.
- iv. **Provide services for Which There is an Unmet Need:** The Applicant asserts cardiovascular disease is the leading cause of death in Mississippi, accounting for over a third of all deaths in the state, and the Mississippi cardiovascular disease mortality rate remains the highest in the nation. The Applicant states the establishment of additional resources for the diagnosis and treatment of heart disease is clearly beneficial to the needs of Mississippi's population.

c. **Adverse Impact:** The Applicant states if this proposed project is not implemented, the most direct adverse impact will be to the residents of General Hospital Service Area ("GHSA") nine (9), who will clearly benefit from the establishment of this diagnostic technology.

d. **Transfer/ Referral/ Affiliation Agreements:** The Applicant states not applicable to the proposed project.

GR Criterion 9 - Availability of Resources

a. **New Personnel:** The Applicant asserts that the cardiologists, nurse practitioners and other staff of Southern Mississippi Heart Center are highly trained and skilled in all aspects of cardiology services.

b. **Contractual Services:** The Applicant states Southern Mississippi Heart Center does not have any clinically related contractual services.

c. **Existing Facilities or Services:** The Applicant asserts Southern Mississippi Heart Center is certified for Medicare and Medicaid participation, and its cardiologist is board-certified and licensed by the Mississippi State Board of Medical Licensure.

d. **Alternative Uses of Resources:** The Applicant states the proposed project represents the best and most desirable use of resources in making this diagnostic service available to the residents of General Hospital Service Area nine (9).

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. Support and Ancillary Services:** The Applicant states that Southern Mississippi Heart Center's team includes cardiologists, nurse practitioners, and other clinical and support staff that will implement and operate the proposed project.
- b. Changes in Costs or Change:** The Applicant states that costs and charges for the proposed project are set forth in the accompanying financial tables.
- c. Accommodation of Changes in Costs or Charges:** The Applicant states the financial section of this application reflects projected costs and charges in implementing this service.

GR Criterion 11 – Health Training Programs

The Applicant states this is not applicable to the proposed project.

GR Criterion 12 - Access by Health Professional Schools

The Applicant states this is not applicable to the proposed project.

GR Criterion 13 Access to Individuals Outside Service Area

The Applicant states this is not applicable to the proposed project.

GR Criterion 14 - Construction Projects

The SMHC's proposed charges for cardiac-only PET services, as submitted in the financial projections, are based on consultations with CDL Nuclear Technologies and independent research and evaluation. The applicant states Southern Mississippi Heart Center has projected utilization of cardiac PET services in General Hospital Service Area nine (9), and it is currently not offered at any other facilities. The applicant confirms the capital expenditure for the proposed project does not exceed \$2,000,000, and Southern Mississippi Heart Center does not anticipate that the project will fail to meet projected revenues but will cover any necessary expenses through cash reserves. The applicant asserts this project will reduce the cost of healthcare by offering this diagnostic service to patients in an office-based setting.

GR Criterion 15 – Competing Applications

The Applicant states there are no competing applications on file with the Department for cardiac-only PET services.

GR Criterion 16 - Quality of Care

a. Past Quality of Care: The Applicant states not applicable to the proposed project. The Applicant submits the proposed project involves the initiation of a new service.

b. Improvement of Quality of Care: The Applicant states the establishment of Cardiac-only PET services in General Service Area ("GHSA") nine (9), which has a population in excess 500,000, will directly respond to the need for additional resources to combat cardiovascular disease, Mississippi's No. 1 killer.

c. Accreditation and/or Certificates: The Applicant states Southern Mississippi Heart Center is certified for participation in the Medicare and Mississippi 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.	Construction Cost -- Renovation	360,000	*92.00
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	0	0
e.	Total Non-Fixed Equipment Cost	0	0
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	30,000	*8.00
i.	Contingency Reserve	0	0
j.	Capitalized Interest	0	0
j.	Legal and accounting fees	0	0
k.	Other	0	0
	Total Proposed Capital Expenditure	\$390,000.00	100.00%

The proposed project involves 1,759 square feet of space at approximately \$221.72 (\$390,000.00/1,759) per square foot.

B. Method of Financing

The Applicant proposes to finance the proposed capital expenditure with cash reserves. The application contains a letter from the President of Southern Mississippi Heart Center confirming that Southern Mississippi Heart Center has sufficient cash reserves to fund the project.

C. Effect on Operating Cost

Southern Mississippi Heart Center's three (3) 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	85%	\$4,474,080
Medicaid	4%	\$224,640
Commercial	5%	\$262,080
Self Pay	0%	\$0
Charity Care	3%	\$149,760
Other	3%	\$137,280
Total	100%	\$5,247,840

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment; 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 is in substantial compliance with the policy statements, criteria, and standards for acquisition or otherwise control of cardiac-only PET equipment and provision of cardiac-only PET services contained in the *FY 2022 Mississippi State Health Plan (Third Edition)*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2023 Revision*; and duly 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 Southern Mississippi Heart Center for the offering of cardiac-only PET Services.

Attachment 1

Southern Mississippi Heart Center, P.A. Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	-	-	-
Outpatient	<u>\$7,568,204.00</u>	<u>\$8,325,024.00</u>	<u>\$9,157,527.00</u>
Gross Patient Revenue	\$7,568,204.00	\$ 8,325,024.00	\$ 9,157,527.00
Charity Care	158,932.00	174,825.00	192,308.00
Deductions from Revenue	5,433,970.00	5,977,367.00	6,575,104.00
Net Patient Revenue	\$1,975,302.00	\$2,172,832.00	\$2,390,115.00
Other Operating Revenue	-	-	-
Total Operating Revenue	\$1,975,302.00	\$2,172,832.00	\$2,390,115.00
Expenses			
Operating Expenses:			
Salaries and Benefits	166,400.00	171,392.00	176,534.00
Supplies	1,087,758.00	1,214,706.00	1,357,200.00
Services	-	-	-
Lease	178,800.00	178,800.00	178,800.00
Depreciation	-	-	-
Interest	-	-	-
Other	-	-	-
Total Expenses	\$1,432,958.00	\$1,564,898.00	\$1,712,534.00
Net Income (Loss)	\$542,344.00	\$607,934.00	\$677,581.00
Assumptions			
Inpatient days	0	0	0
Outpatient days*	0	0	0
Procedures	1,246	1,371	1,508
Charge/outpatient day	N/A	N/A	N/A
Charge per inpatient day	N/A	N/A	N/A
Charge per procedure	\$ 6,074.00	\$ 6,072.00	\$ 6,073.00
Cost per inpatient day	N/A	N/A	N/A
Cost per outpatient day	\$ 0	\$ 0	\$ 0
Cost per procedure	\$ 1,150.00	\$ 1,141.00	\$ 1,136.00

*Calculations may differ due to rounding.