

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
FEBRUARY 19, 2019**

**CON REVIEW NUMBER: ASC-CO- 0119-002  
COLUMBUS ORTHOPAEDIC OUTPATIENT CENTER, LLC  
AMENDMENT/COST OVERRUN ON CON REVIEW: ASC-NIS-0816-019; CON NO. R-0940  
CONVERSION OF A SINGLE-SPECIALTY ASC TO A MULTI-SPECIALTY ASC  
ORIGINAL CAPITAL EXPENDITURE: \$855,961.77  
ADDITIONAL CAPITAL EXPENDITURE: \$370,497.00  
REVISED CAPITAL EXPENDITURE: \$1,226,459.00  
LOCATION: COLUMBUS, LOWNDES COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Columbus Orthopaedic Outpatient Center, LLC is a limited liability company formed on May 27, 2003. The entity has four members and one manager. Columbus Orthopaedic Outpatient Center, LLC provided a Certificate of Good Standing with the State of Mississippi dated August 16, 2016, indicating that the applicant was in good standing at the time of original application.

**B. Project Background**

Columbus Orthopaedic Outpatient Center, LLC ("Columbus Orthopaedic"), was granted Certificate of Need (CON) No. R-0940 on August 6, 2018 to convert a single specialty ambulatory surgery center (ASC) to a multi-specialty ASC. The \$855,962.77 capital expenditure authorized the replacement of certain items of surgical equipment, the replacement of the facility's sterilizer with another model and modification of plumbing and electrical service to the unit as required.

The applicant asserts the original CON would allow Columbus Orthopaedic to provide certain surgical treatments that were currently unavailable in the center's geographic region. Those services include nerve stimulation procedures, advanced pain management surgical services, sympathetic block surgical procedures, advanced RSD (reflex sympathetic dystrophy syndrome) treatments and general surgery related to orthopaedic spine surgical cases. In the past, the applicant states it has been necessary for patients in need of these types of surgical procedures to travel to Jackson, Birmingham or Tuscaloosa. If approved, the proposed project will eliminate travel time and related expenses for those patients.

**B. Project Description**

Columbus Orthopaedic Outpatient Center, LLC requests Certificate of Need (CON) authority for a Cost Overrun of \$370,497 to CON No. R-0940. The applicant states that the MSDH Division of Fire Safety and Construction, Bureau of Health Facilities

Licensure and Certification inspected the facility and required that certain changes to the physical facility be completed before a multi-specialty license may be issued. In addition, Columbus Orthopaedic states that a contractor authorized to do business in Mississippi estimates that the cost of these changes will be \$1,058,759, plus architectural/engineering fees of \$67,700.

Instead of utilizing the authorized expenditure for the purchase and modification of equipment, the applicant proposes to make the physical changes to the facility required by MSDH Licensure. The applicant states that the project will require renovation of approximately 4,270 square feet of space. The applicant submits the proposed changes would be *de minimis* to the project and does not represent a substantial change in the scope of the project.

The application contains an estimate prepared by Brasfield & Gorrie, General Contractors, along with estimates supplied by subcontractors. The application also contained an estimate from Dean and Dean, an Architect licensed in Mississippi. The applicant estimates that construction of the changes will begin as soon as possible, not more than 30-days after final approval of the cost overrun.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health (MSDH) reviewed the original project for the establishment of multi-specialty ambulatory surgical services under the applicable statutory requirements of Section 41-7-173, 41-7-191(1)(d)(xi), 41-7-193 and 41-7-195, 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 overrun 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 March 1, 2019.

## 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 amendment and 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 amendment and cost overrun application is in substantial compliance with applicable General Review Criteria and Standards contained in the *CON Review Manual, 2017 Revision*.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

	<b>Original Approved Amount</b>	<b>Revised Amount</b>	<b>Increase/ (Decrease)</b>
1. New Construction Cost	\$40,000	\$0	\$(40,000)
2. Construction/Renovation	0	1,058,759	1,058,759
3. Land	0	0	0
4. Site Work	0	0	0
5. Fixed Equipment	188,247	0	(188,247)
6. Non-Fixed Equipment	\$627,715	\$0	(\$627,715)
7. Contingency*	0	100,000	100,000
8. Fees (Architectural, Consultant, etc.)	\$0	\$67,700	\$67,700
9. Capitalized Interest	0	0	0
10. Capital Improvement	0	0	0
<b>Total Capital Expenditure</b>	<b>\$855,962</b>	<b>1,226,459</b>	<b>370,497</b>

The above table represents a 43.28% increase in the capital expenditure by Columbus Orthopaedic Outpatient Center, LLC. The applicant proposes to renovate approximately 4,270 square feet of space at a cost of \$247.95 per sq. ft. The *2018 Building Construction Costs with RSMeans Data* does not compare renovation projects.

**B. Method of Financing**

The applicant states the original project was to be financed by a loan. However, the applicant submits that all improvements will be financed through operating revenues. Profit and loss statements submitted by the applicant indicate that sufficient funds are available for the project.

**C. Effect on Operating Cost**

The applicant's projections of gross revenues and expenses for the first year of operation are shown in Attachment 1. The applicant indicated in the original application that the ASC will have 260 outpatient days at a cost of \$1,038 and a

charge of \$14,485 per patient day and it will perform 1,100 procedures at a cost of \$245 and charge of \$3,424 per procedure the first year of operation.

**D. Cost to Medicaid/Medicare**

The applicant asserts that the cost overrun for this project will have no impact on Medicare, Medicaid or other payers.

**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, in effect at the time of original approval; Certificate of Need Review Manual, 2017 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of approval. In addition, the project continues to be in compliance with the FY 2018 Mississippi State Health Plan.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Columbus Orthopaedic Outpatient Center, LLC for an Amendment/Cost Overrun to CON No. R-0940 for the Conversion of a Single Specialty ASC to a Multi-Special ASC.

**Attachment 1**

**Columbus Orthopaedic Outpatient Center  
 Cost Overrun to CON No. R-0940  
 Conversion of Single Specialty ASC to Multi-Specialty ASC**

**Projected Operating Statement**

Revenues and Expenses	First Year
Gross Revenues	\$11,194,999.12
Operating Expenses	
Salaries and Benefits	1,925,000.00
Medical and Office Supplies	4,148,968.00
Outside Services	360,000.00
Rent/Lease	264,000.00
Repairs & Maintenance	22,000.00
Depreciation, Amortization. & Interest	64,000.00
Other Expenses	810,790.00
Total Operating Expenses	<u>\$ 7,594,758.00</u>
<b>Total Income</b>	<b>\$ 3,600,241.12</b>