

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND
RESOURCE DEVELOPMENT
JUNE 2009**

**CON REVIEW: HG-R-0209-004
UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
ACQUISITION OF STEREOTACTIC RADIOSURGERY EQUIPMENT AND
OFFERING OF STEREOTACTIC RADIOSURGERY SERVICES
CAPITAL EXPENDITURE: \$6,733,862
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

The University Hospitals and Clinics (Adult, Critical Care, Blair E. Batson, and Winfred L. Wiser) of the University of Mississippi Medical Center (UMMC) is a state owned not-for-profit acute care teaching inpatient hospital with full emergency and outpatient services. The facility is the only designated Level I trauma center in the state. The hospital has a management service agreement with Quorum Health Resources of Nashville, Tennessee. The full authority and ultimate control of the hospital remains with the Board of Trustees of State Institutions of Higher Learning, with administrative authority delegated to the Chancellor and Vice Chancellor for Health Affairs of the University of Mississippi Medical Center. The facility is accredited through the Joint Commission on Accreditation of Healthcare Organizations. The hospital is currently licensed to operate 664 medical/surgical beds, 21 adult psychiatric beds, 12 pediatric psychiatric beds, and 25 rehabilitation beds. The total licensed bed capacity is 722.

The University Hospitals and Clinics' occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for the three most recent years are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2006	60.81	6.42	51.72
2007	56.57	6.33	51.62
2008	61.38	6.57	50.97

Source: The Division of Health Facilities Licensure and Certification, Mississippi State Department of Health

B. Project Description

The University of Mississippi Medical Center seeks Certificate of Need (CON) authority for the acquisition or otherwise control of stereotactic radiosurgery equipment and/or the offering of stereotactic radiosurgery services. The applicant states that the proposed stereotactic radiosurgery equipment will be located at UMMC's main campus, 2500 North State Street, Jackson, Mississippi. The applicant further states that the proposed project consists of renovating the now vacant Radiation Oncology space in the basement of the original adult hospital to accommodate the new Elekta Synergy Platform System. The space proposed to be renovated formerly housed two linear accelerators which are now located in the Cancer Institute at the Jackson Medical Mall; as a result, no new construction is needed because the existing vaults can be utilized to house the equipment.

According to the applicant, the project will encompass 4,120 square feet of renovation. The space shall include a patient waiting area, treatment rooms, and office space for medical staff, equipment, and mechanical areas. The applicant states that this project will involve placing a Synergy S Elekta Linear Accelerator as is currently housed at the Jackson Medical Mall to provide like services primarily to inpatient adults and children and outpatient children requiring anesthesia services for their treatments. The applicant further states that outpatients requiring services in this location will have access to the existing on campus parking. They will be able to self-park in parking garages A and B or utilize UMMC's valet parking from 5:30 a.m. through 5:30 p.m. As this is re-opening an existing location, outpatient parking is easily accommodated and no new parking is required.

The applicant states that UMMC established a comprehensive approach to cancer treatment in 2002 and seeks NCI Cancer Center designation by the National Cancer Institute. Thus, the primary requirement for such designation is the quality and quantity of research that is being conducted to support the clinical and teaching activities for cancer care. As a result, it was determined through internal strategic planning led by the newly appointed Chairman of the Department of Radiation Oncology that the Elekta Synergy Platform will complement and greatly enhance the facility's current state-of-the-art treatment modalities. The applicant further states that it will not only be a vitally important aspect of the facility's planned Radiation Oncology Residency Program, as they must ensure training programs maintain the latest technology for the education of the Residents and Fellows, but it will also provide access to technology currently not available in Mississippi.

In addition to patient care, UMMC proposes to utilize the Elekta Synergy Platform to conduct research and for teaching purposes. The proposed Elekta Synergy Platform is the base line System for Image Guided RadioTherapy (IGRT). The system offers all the benefits of the Elekta Digital Linear Accelerator with the added benefits of being designed to offer IGRT through the Elekta X-ray Volume Imaging System (XVI).

The Mississippi State Department of Health, Division of Licensure and Certification, issued a site approval to UMMC on September 23, 2008, for the renovation of the old Radiation and Oncology Department, and the Division of

Radiological Health approved the plans for provision of radiation therapy services and other services by letter dated March 24, 2009.

The applicant anticipates obligating the capital expenditure upon approval of the Certificate of Need and estimates completion shortly thereafter.

II. TYPE OF REVIEW REQUIRED

Projects which propose the acquisition of radiation therapy equipment and provision of radiation services are reviewed in accordance with Section 41-7-191, subparagraphs (1) (d)(vi) and (f) Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health.

Additionally, the Mississippi State Department of Health has policy set forth in the *State Health Plan* that states nothing contained in the CON criteria and standards shall preclude the University of Mississippi Medical Center School of Medicine from acquiring and operating stereotactic radiosurgery equipment, provided the acquisition and use of such equipment is justified by the School's teaching and/or research mission. However, the requirements listed under the section regarding the granting of "appropriate scope of privileges for access to the stereotactic radiosurgery equipment to any qualified physician" must be met.

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 July 8, 2009.

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

A. State Health Plan (SHP)

The *FY 2009 State Health Plan* contains policy statements, criteria, and standards which an applicant is required to meet before receiving CON authority for the acquisition or otherwise control of stereotactic radiosurgery equipment and/or the offering of stereotactic radiosurgery.

Policy Statement for the Acquisition or Otherwise Control of Stereotactic Radiosurgery Equipment and/or the Offering of Stereotactic Radiosurgery

PS1 – Service Area: UMMC is the only teaching institute and children's hospital in the state. However, UMMC is located in GHSA 3 wherein Central Mississippi Medical Center (CMMC) currently offers Gamma Knife and Mississippi Baptist Medical Center (MBMC) offers Cyberknife stereotactic radiosurgery.

PS3 – Accessibility: Nothing contained in the CON criteria and standards shall preclude the UMMC School of Medicine from acquiring and operating stereotactic radiosurgery equipment, provided the acquisition and use of such equipment is justified by the School's teaching and/or research mission. UMMC estimates that 20% of the patients treated stereotactically, will be utilized for research and 30% for teaching cases.

PS4 – Expansion of Existing Services: UMMC asserts that the hospital does not currently have a stereotactic unit.

PS5- Program Requirement: UMMC asserts that the hospital has a well-established neurosurgery program headed up by Dr. L. Harkey, and Dr. S. Vijayakumar is Gamma Knife certified.

PS6 – Written Assurance for Procedures/Policies: UMMC asserts that all stereotactic radiosurgery services will have written policies and procedures for discharge planning and follow up care for the patients and family as a part of the institution's overall discharge planning program.

PS7- Referral Protocol: UMMC asserts that all stereotactic radiosurgery will have established protocols for referring physicians to assure adequate post-operative diagnostic evaluations for radiosurgery patients.

PS8 – UMMC states that the cost of providing stereotactic radiosurgery by the hospital is market competitive and comparable to the cost of other similar services provided in the state.

PS9 – UMMC affirms that they will comply with this policy statement.

Acquisition or Otherwise Control of Stereotactic Radiosurgery Equipment

SHP Criterion 1 - Need

The equipment proposed by the applicant is of dual purpose, capable of performing both traditional radiation therapy services as well as stereotactic radiosurgery. The applicant is a current provider of traditional radiation services but does not currently provide stereotactic radiation surgery. Policy Statement 3 for Acquisition or Otherwise Control of Stereotactic Radiosurgery Equipment and/or Offering of Stereotactic Radiosurgery provides that "Nothing contained in these CON criteria and standards shall preclude the University of Mississippi School of Medicine from acquiring and operating stereotactic radiosurgery equipment, provided the acquisition and use of such equipment is justified by the School's teaching and/or research mission."

As the state's only teaching institution and the only Level I Trauma Center, UMMC submits that it is a logical applicant to add this treatment technology to the service area and specifically locate it in the existing vaults in the basement of the old adult hospital. UMMC also houses the state's only children's hospital and as such has all the multifaceted, integrated capabilities which provide an ideal platform for the addition of the Elekta Synergy Platform Linear Accelerator.

According to the applicant, the equipment will:

1. Treat patients previously untreatable because of tumor location.
2. Improve existing treatment techniques.
3. Provide such finely tuned radiation delivery that even previously irradiated areas may be treated safely, giving new hope to patients with recurrent disease (recurrent head/neck patients can now be retreated whereas previously re-treatment was not possible).

The Elekta Synergy Platform is expected to not only complement but greatly enhance UMMC's current treatment modalities and aid in its efforts to be designated as the state's NCI Cancer Center by the National Cancer Institute.

The applicant states that the primary requirement for such designation is the quality and quantity of research that is being conducted to support the clinical and teaching activities for cancer care. The equipment will be a vitally important aspect of the facility's planned Radiation Oncology Residency Program as well as ensure training programs maintain the latest technology for the education of Residents and Fellows.

The applicant contends that the acquisition of the proposed Elekta Synergy Platform (Linear Accelerator) will enable the Department of Radiation Oncology to continue to provide a comprehensive array of services. The applicant expects that the equipment will be utilized 50% of the time for clinical use, 20% for research, and 30% for educational activities for the State of Mississippi as it initiates its Residency Program this summer. The applicant further contends that the department has two Fellows with Residents entering this summer. UMMC believes that the state of Mississippi will benefit as medical students, residents, and fellows will be able to remain in the state to train on the most up-to-date equipment and technologies in the country.

In addition, the applicant offers the following facts for consideration:

- Mississippi currently does not have an NCI designated Cancer Center.
- Mississippi currently does not have any Radiation Oncology training programs.
- Mississippi currently does not have a specialized training program for pediatric radiation oncology.
- Mississippi currently does not have a Center of Excellence for Stereotactic Radiotherapy; UMMC will be designated as a Center of Excellence for Stereotactic Radiotherapy by Elekta.
- UMMC is the only program that provides Total Body Irradiation (TBI); the new technology will potentially enable UMMC to deliver Total Bone Marrow Irradiation as an alternate to TBI and thus spare more normal tissue. This can help avoid second malignancies as a consequence to TBI.

SHP Criterion 2 – Staffing of Services

- a. The applicant asserts that the Department of Radiation Oncology currently has two board-certified radiation oncologists (one being the Chairman of the Department) and two additional board-certified radiation oncologists beginning employment in July 2009. The Chairman, Dr. Srinivasan Vijayakumar, who is also gamma knife certified, will serve as the one director credentialed as the board certified radiation oncologist. Dr. Louis Harkey, board certified in neurosurgery, will serve as the co-director for neurosurgery.
- b. The applicant states that the department currently has three PhD level radiation physicists with more than three years experience working under the direction of a radiation oncologist, three masters' level physicists working under the direction of the aforementioned PhD physicists, and two radiation oncologists. UMMC will hire a registered nurse who will be present for each stereotactic radiosurgery performed.
- c. The applicant certifies that they will grant an appropriate scope of privileges for access to the stereotactic radiosurgery equipment to any

employed qualified physician who applies for privileges through the institution's credentialing process.

SHP Criterion 3 – Equipment

- a. The applicant states that the department has state-of-the-art treatment planning systems – Pinnacle and Ergo ++. Ergo ++ is recently acquired specifically to perform Stereotactic Radiosurgery (SRS) and Fractionated Stereotactic Radiosurgery Therapy (FSRT) as well as Stereotactic Brain Radiosurgery Therapy (SBRT). These systems are also capable of 3D treatment planning as well as IMRT. These systems provide the hospital with the capability of evaluating individual plans using DVHs and multiplanar projections in addition to NTCP module. An additional module to be added to Pinnacle will further UMMC to do VMAT; however, Ergo++ is already equipped with planning and executing VMAT.
- b. The applicant contends that all required diagnostic services are located in the hospital where the proposed unit is to be housed.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, 2008 Revision, addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

GR Criterion 2 - Long Range Plan

According to the applicant, UMMC established a comprehensive approach to cancer treatment in 2002 and seeks NCI Cancer Center designation by the National Cancer Institute. The primary requirement for such designation is the quality and quantity of research that is being conducted to support the clinical and teaching activities for cancer care. It was determined through internal strategic planning led by the newly appointed Chairman of the Department of Radiation oncology that the Elekta Synergy Platform will not only complement but greatly enhance the facility state-of-the-art treatment modalities. It will be a vitally important aspect to UMMCs planned Radiation Oncology Residency Program and ensures that the training programs maintain the latest technology for the education of its Residents and Fellows.

GR Criterion 3 - Availability of Alternatives

The applicant states that this is the only medically viable option to be considered. The applicant further states that the Elekta Synergy S Platform's unique technique is unavailable in any other system currently on the market and it will ensure that patients will receive the highest quality of care under uniform treatment protocols and modalities everywhere in UMMC's Radiation Oncology Division.

GR Criterion 4 - Economic Viability

Proposed charges: The applicant states that the proposed charge per procedure is \$1,288 for the first year, \$1,352 the second year, and \$1,420 the third year and the cost per procedure is \$176, \$165, and \$155 for the first three years of the proposed project.

Projected levels of utilization: UMMC projects that the unit will perform 7,465 procedures in year one, 8,212 in year two, and 9,033 by the third year of operation. The applicant submits that while the hospital's historical and the general service area numbers do not appear to support an additional linear accelerator, UMMC would be the only institution in the state to offer the Elekta Synergy Platform Linear Accelerator with multifaceted and integrated capabilities. It is also noted that the projected numbers of UMMC would meet or exceed expected utilization. Additionally, UMMC projects the dual use of the linear accelerator in stereotactic radiosurgery.

Feasibility study: The application contained a letter signed by the hospital's chief accounting officer attesting to the financial feasibility of the project.

GR Criterion 5 - Need for Service

- a. **The need that the population served or to be served has for the services:** The applicant asserts that as the state's only teaching institution and having the only children's hospital, UMMC has in place all the multifaceted, integrated capabilities which provide an ideal platform for the addition of the Elekta Synergy Platform Linear Accelerator for all residents of the state of Mississippi. Also, this equipment will allow UMMC to:
- 1) Treat patients previously untreated because of tumor location;
 - 2) Improve existing treatment techniques; and
 - 3) Provide for such finely tuned radiation delivery that even previously irradiated areas may be treated safely, giving new hope to patients with recurrent disease.
- b. **Relocation:** This project is not for relocation of services. Therefore, this item is not applicable.
- c. **The current and projected utilization of like facilities:** The applicant submits that, although there are four other institutions providing radiation therapy services in the defined service area where the regional numbers do not support the acquisition of a traditional linear accelerator, the UMMC would be the only institution in the state to offer the Elekta Synergy Platform with all of the multifaceted, integrated capabilities, especially VMAT, to the residents of Mississippi. Therefore, it is the applicant's belief that the effect on other providers in General Hospital Service Area 3 should be minimal.

Staff contends that this project should not have an adverse affect on existing service providers in GHSA 3.

According to the *FY 2009 Mississippi State Health Plan*, General Hospital Service Area 3 has a total of nine (9) linear accelerator units and performed a total of 43,619 therapeutic radiation surgeries during FY 2007, for an average of 4,846 treatments per unit. The average number of treatments statewide is 5,295 treatments. The linear accelerator units operating in GHSA 3 are within 8% of the statewide average. In addition, two facilities (CMMC and MBMC) offer stereotactic radiosurgery services.

- d. **The probable effect of the proposed facility or service on existing facilities or services providing similar services:** The applicant contends that the Elekta Synergy Platform with VMAT capabilities being the only unit in the state, UMMC will provide the services to the entire state population and will serve as a referral site for facilities without these enhanced capabilities. The applicant further contends that inpatients of UMMC that require radiation oncology services will be able to receive those services in the hospital and not be subjected to the inconvenience of ambulance transport. In addition, those patients who are too unstable to be transported to the Jackson Medical Mall (JMM) and may not have received the necessary radiation therapy will now be able to receive treatment appropriately. It is the applicant's belief that by being able to provide total marrow and re-treatments, as well as being the only children's hospital, UMMC will be able to provide improved treatment modalities for all children needing radiotherapy, especially children less than five years of age requiring anesthesia. Currently, they have to be treated at the JMM; however, treating them in the hospital will be more efficient, safer, and cost effective.

In addition, the application contains seven (7) letters of support from physicians and medical professionals. The project received one (1) letter of opposition from St. Dominic-Jackson Memorial Hospital.

GR Criterion 6 – Access to the Facility or Service

- a. **Medically Underserved Population:** UMMC submits that it will treat all medically indigent patients who seek or present for service at the facility.
- b. **Performance in Meeting Federal Obligations:** The applicant submits that UMMC has no obligations under any federal regulations requiring provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs Served by Applicant:** UMMC is a Medicare and Medicaid provider. The applicant reports that 18% in 2007 and 17% in 2008 of its gross patient revenue resulted in uncompensated care. The applicant further reports that 15% of its services will be utilized by medically indigent patients the first and second years upon completion of this project.
- d. **Accessibility:** According to the applicant, the facility is adjacent to a major interstate and is centrally located in the state. The proposed service will be available Monday through Friday from 8:00 a.m. through 5:00 p.m. and on-call nights and weekends. The completion of this project will not affect patient accessibility.

GR Criterion 7 - Information Requirement

The applicant affirmed that the facility will maintain required records regarding charity care, care to the medically indigent, and Medicaid/Medicare populations, as well as make it available to the Mississippi State Department of Health within 15 days of request for this information.

GR Criterion 8 - Relationship to Existing Health Care System

According to the *FY 2009 Mississippi State Health Plan*, GHSA 3, where the proposed facility is located, has a total of nine (9) linear accelerator units and performed a total of 43,619 therapeutic radiation procedures during FY 2007, for an average of 4,846 procedures per unit. The applicant states that with the acquisition of the Elekta Synergy Platform with VMAT capabilities, the UMMC will be the only facility offering the state of the art modality in Mississippi. Therefore, it is the applicant's belief that if this project is not approved anyone desiring or needing the unique features of this technology would have to travel outside of Mississippi. The applicant states that this would involve much greater costs for any patient traveling outside the state for treatment.

The applicant contends that there should be no adverse impact on other providers within the service area because UMMC will be the only facility offering this state of the art modality in Mississippi. The new unit will enable UMMC to treat additional patients who do not have an alternative within the state for the following:

- Retreatment of recurrent Head and Neck patients;
- Stereotactic Body Radiation Therapy with an efficient throughput;
- Total Bone Marrow Irradiation;
- More comfortable and safe treatments for inpatients, especially for those requiring Radiotherapy to prevent heterotropic bone formation, in a Level I trauma center;
- Trauma cases (only Level I trauma center in the state);
- Pediatric patients receiving less doses;
- Increased IGRT capacity; and
- Inpatient safety (risk of transporting patients).

According to the applicant, should the proposed project not be implemented current inpatients will have to continue to be transported by ambulance to the JMM and Mississippi residents will have to travel out of state for this state-of-the-art treatment modality.

GR Criterion 9 - Availability of Resources

UMMC does not anticipate the need for additional personnel to operate and maintain the proposed new machine.

The applicant projects 3.0 full-time equivalent (FTE) staff to accommodate the new therapeutic radiation service. The projected annual cost of the FTE staff is \$305,760.

GR Criterion 10 – Relationship to Ancillary or Support Services

According to the applicant all necessary ancillary and support services needed for the proposed project will be supported by the University Hospital and Clinics.

GR Criterion 11 - Health Professional Training Programs

UMMC states that the proposed project will offer a wider range of exposure to the latest image guided radiation technology. The applicant further states that the Elekta Synergy Platform with VMAT will also offer an improved training environment for the Residents and Fellows of the University of Mississippi Medical Center's Research and Training Program.

GR Criterion 12 – Access by Health Professional Schools

As previously mentioned, the applicant states that the Elekta Synergy Platform with VMAT will offer an improved training environment for the Residents and Fellows of the University of Mississippi Medical Center's Research and Training Program.

GR Criterion 13 –Special Needs and Circumstances

As stated previously, UMMC is the only Level I Trauma Center in the state, the state's only teaching institute, and the state's only children's hospital. Located in GHSA 3, UMMC serves patients throughout the state of Mississippi. According to the Report on Hospitals for 2008, 43.98% of UMMC's patients came from other counties in the state while only 29.42% came from Hinds County, the county wherein the facility is located. The remaining 26.68% came from other counties located in GHSA 3.

The applicant further submits that having the only Elekta Synergy Platform with VMAT capabilities in the state, UMMC will provide these services to the entire state population and will serve as a referral site for facilities without these enhanced capabilities.

The applicant believes that the project is necessary to enhance the University's ability to continue to meet its service and teaching missions by remaining on the cutting edge in the field of Radiation Oncology.

GR Criterion 14 - Construction Projects

The proposed project involves renovation of the now vacant Radiation Oncology space in the basement of the original adult hospital. According to the applicant, no new construction will be required.

The application contains a cost estimate from the architect firm, Simmons Associates/A.I.A Architect to show a proposed capital expenditure of \$3,295,837.33, excluding cost of equipment. The architect's cost estimate is for the renovation of 6,760 square feet of space at a cost of \$383.90 per square foot; however, the applicant proposed to renovate only 4,120 square feet of space at a cost of \$837.38 per square foot. The application also includes a site approval letter from the Division of Health Facilities Licensure and Certification and a schematic design.

The applicant states that the project complies with state and local building codes, zoning ordinances, and all appropriate regulatory authorities. The applicant has provided written assurance that UMMC will comply with state statutes and regulations for the protection of the environment.

The applicant states that the cost to renovate 4,120 square feet of space in the basement of the old Radiation Oncology Department of the original Adult Hospital will be \$837.38 per square foot. (see Attachment I).

The Means Construction Cost Data for 2007 does not compare costs for renovation projects.

GR Criterion 16 – Quality of Care

The University Hospitals and Clinics' quality is monitored and reviewed by the hospital's Performance Improvement and Risk Management Departments. The hospital is also accredited by the Joint Commission on Accreditation of Health Care Organizations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	<u>Capital Expenditure</u>	<u>Percent</u>
a. Construction Cost -- New	0	0
b. Construction Cost -- Renovation	\$3,300,000	49.00
c. Capital Improvements	\$200,000	2.97
d. Total Fixed Equipment Cost	\$3,083,862	45.80
e. Total Non-Fixed Equipment Cost	0	0
f. Land Cost	0	0
g. Site Preparation Cost	0	0
h. Fees (Architectural, Consultant, etc.)	\$150,000	2.23
i. Contingency Reserve	0	
j. Capitalized Interest	0	0
k. Other Cost	<u>0</u>	<u>0</u>
l. Total Proposed Capital Expenditure	<u>\$6,733,862</u>	<u>100</u>

The above proposed capital expenditure is for the acquisition and installation of an Elekta Synergy Platform linear accelerator with VMAT capabilities.

B. Method of Financing

The applicant proposes that the project will be funded by cash reserves.

C. Effect on Operating Cost

The applicant's three-year projections of revenues and expenses for the first three years of operation are attached as Attachment 2.

D. **Cost to Medicare/Medicaid**

The applicant projects the following costs to third party payors:

Patient Mix	Utilization Percentage	First Year Revenue
Medicaid	36	\$3,461,567
Medicare	24	2,307,712
Other Payors	<u>40</u>	<u>3,846,186</u>
Total	100	<u>\$9,615,465</u>

The applicant projects that approximately 4 percent care will be provided to charity care patients and 15 percent to medically indigent patients for years one and two for the proposed project.

V. **RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided an opportunity to review and comment on this project. The Division of Medicaid takes no position on the project.

VI. **CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the acquisition or otherwise control of stereotactic radiosurgery equipment and/or the offering of stereotactic radiosurgery services as contained in the *FY 2009 State Health Plan*; the *Mississippi Certificate of Need Review Manual, 2008 Revisions*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Therefore, the Division of Health Planning and Resource Development respectfully recommends approval of this application submitted by University of Mississippi Medical Center.

Attachment 1

Computation of Construction and Renovation Cost

Cost Component	Total	New Construction	Renovation
New Construction Cost	\$0	\$0	
Renovation Cost	\$3,300,000		\$3,300,000
Total Fixed Equipment Cost*	\$3,083,862		
Total Non-Fixed Equipment Cost	\$0	\$0	
Capital Improvement	\$200,000	\$0	
Land Cost	\$0	\$0	
Site Preparation Cost	\$0	\$0	
<i>Fees (Architectural, Consultant, etc.)</i>	\$150,000	\$0	\$150,000
<i>Contingency Reserve</i>	\$0	\$0	\$0
<i>Capitalized Interest</i>	\$0	\$0	\$0
Total Proposed Capital Expenditure	\$6,733,862	\$0	\$3,450,000

Square Footage	4,120	0	4,120
<i>Allocation Percent</i>		0.00%	100.00%

Costs Less Land, Non-Fixed Eqt. & Cap. Improvement	\$6,733,862	\$0	\$3,433,862
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Cost Per Square Foot

	\$837.37
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*Fixed equipment cost in this project was excluded from the square foot calculation as it relates to the radiation therapy equipment.

Attachment 2
 University of Mississippi Medical Center

	Latest Actual	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient Care Revenue	NA	\$ 705,888	\$ 815,300	\$ 941,671
Outpatient Care Revenue	NA	8,909,577	10,290,562	11,885,599
Gross Patient Care Revenue	NA	\$ 9,615,465	\$ 11,105,862	\$ 12,827,270
Charity Care	NA	\$ (288,464)	\$ (333,176)	\$ (384,818)
Deductions from Revenue	NA	(5,268,285)	(6,084,870)	(7,028,025)
Net Patient Care Revenue	NA	\$ 4,058,716	\$ 4,687,816	\$ 5,414,427
Total Operating Revenue	NA	\$ 4,058,716	\$ 4,687,816	\$ 5,414,427
Operating Expense				
Salaries	NA	\$ 305,760	\$ 314,933	\$ 324,381
Benefits	NA	91,728	94,480	97,314
Supplies	NA	35,490	42,943	51,961
Services	NA	237,819	287,761	348,190
Lease	NA			
Depreciation	NA	496,652	496,652	496,652
Interest	NA	146,068	116,756	85,895
Other	NA			
Total Operating Expense	NA	\$ 1,313,517	\$ 1,353,525	\$ 1,404,393
Net Operating Income (Loss)	NA	\$ 2,745,199	\$ 3,334,291	\$ 4,010,034
	Latest Actual	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient days	NA			
Outpatient days	NA			
Procedures	NA	7,465	8,212	9,033
Charge per outpatient day	NA			
Charge per inpatient day	NA			
Charge per procedure	NA	\$ 1,288	\$ 1,352	\$ 1,420
Cost per inpatient day	NA			
Cost per outpatient day	NA			
Cost per procedure	NA	\$ 176	\$ 165	\$ 155

If applicant is unable to provide project only income statement projections, provide an explanation below.