

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
DECEMBER 2010**

**CON REVIEW: ESRD-A-0910-038
RENAL CARE GROUP MISSISSIPPI D/B/A RCG-STARKVILLE
AMENDMENT TO CON #R-0772 (RELOCATION OF RCG-STARKVILLE)
ORIGINAL CAPITAL EXPENDITURE: \$1,182,659
ADDITIONAL CAPITAL EXPENDITURE: \$232,059
TOTAL CAPITAL EXPENDITURE: \$1,414,718
LOCATION: STARKVILLE, OKTIBBEHA COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Renal Care Group of Mississippi, Inc., d/b/a RCG-Starkville, is a Delaware corporation authorized to do business in the state of Mississippi. RCG Mississippi, Inc. was purchased in April 2006 by Fresenius Medical Care (FMC) North America. Fresenius Medical Care has a four-member governing body.

RCG-Starkville (RCG) currently operates a 21-station ESRD facility in Starkville, Oktibbeha County.

B. Project Background

Renal Care Group of Mississippi, Inc. d/b/a RCG-Starkville was issued CON No. 0772, with an effective date of September 25, 2008, and an expiration date of September 25, 2009. The certificate authorized the applicant to relocate and replace its 21-station ESRD facility from 104 Garrard Street to 107 Guest Drive, Starkville, Mississippi.

The proposed project entailed constructing approximately 10,000 square feet of space, resulting in approximately 5,000 square feet of additional space, at a cost of \$104.27 per square foot. RCG Starkville estimated that the total capital expenditure for the proposed project was \$1,182,659.

C. Project Description

RCG-Starkville now requests Certificate of Need Authority for an amendment to its CON No. 0772. The applicant asserts that the amendment is necessary because the originally proposed site is no longer acceptable to the applicant's patients and physicians.

The applicant submits that the adjacent landowner erected a retaining wall, ten feet high at its highest point, which diminishes the aesthetic acceptability of the originally proposed site from the patient and physician perspective. The applicant further states, that the property is receiving drainage water from the higher adjacent sites which further prompted the applicant to seek another site for relocation of the proposed facility.

RCG Starkville seeks to relocate the originally proposed project to a site near 124 Eudora Welty Drive, Starkville, Mississippi which is less than one mile from the originally approved location.

The applicant states that construction for the proposed project will commence within 90 days of final CON approval of the amendment. The applicant states that construction on the original project was delayed because the applicant was forced to select a new site for the reasons stated above.

The Mississippi State Department of Health, Division of Facilities Licensure and Certification, found the new proposed site acceptable for stated use.

The applicant states that the only material proposed change in the requested amendment is the relocation of the original proposed project. This amendment does not change the scope of the original project.

II. TYPE OF REVIEW REQUIRED

The original project was reviewed in accordance with Section 41-7-191, subparagraph (1) (b), of the Mississippi Code of the 1972, Annotated, as amended.

The State Health Officer reviews all projects for amendments and cost overrun in accordance with duly adopted procedures 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 20 days of publication of the staff analysis. The opportunity to request a hearing expires on January 4, 2011.

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

A. State Health Plan (SHP)

The *2011 Mississippi State Health Plan* contains policy statements and service specific criteria and standards which must be met before an applicant is granted CON authority to establish an ESRD facility. However, the applicant proposes to relocate and replace an existing 21-station ESRD facility. In addition, the applicant does not request an expansion of its facility. The Plan does not contain criteria and standards for the relocation and replacement of an entire facility as proposed in the application, however, RCG Mississippi, Inc.'s original application was in substantial compliance with the overall objectives of the Plan at the time of submission. The proposed project continues to be in compliance with the *State Health Plan*.

B. General Review (GR) Criteria

The original project was in substantial compliance with the *Certificate of Need Review Manual, 2008 revision*, in effect at the time of submission. This application continues to be in compliance with applicable general review criteria and standards contained in the *Manual*.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost	1,032,659	852,340	(180,319)
2. Construction/Renovation			
3. Land	140,000		(140,000)
4. Site Work	10,000		(10,000)
5. Fixed Equipment		105,000	105,000
6. Non-Fixed Equipment		177,228	177,228
7. Contingency		85,234	85,234
8. Fees (Architectural, Consultant, etc)		194,916**	194,916
9. Capitalized Interest			
10. Capital Improvement			
Total Capital Expenditure	\$1,182,659	\$1,414,718	\$232,059

Total capital expenditure for the project has increased as a result in change of location contemplated in the amendment of this project. The original CON application contemplated a capital expenditure of \$1,182,659 for the project, whereas the amendment will increase the capital expenditure to \$1,414,718.

B. Method of Financing

The applicant proposes that the project will be financed from cash reserves. The applicant provided financial statements from Fresenius Medical Care, Inc. in the original application indicating sufficient cash flow to support the project.

C. Effect on Operating Cost

The One-Year Projected Operating Statement is presented in Attachment 1 of this staff analysis.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application; however, no written comments were received from the Division.

VI. CONCLUSION AND RECOMMENDATION

The original project was in substantial compliance with the overall criteria and standards of the *FY 2007 State Health Plan* in effect at the time the project was originally submitted; the *Mississippi Certificate of Need Review Manual, revised 2008*, and all adopted rules, procedures and plans of the Mississippi State Department of Health. This project continues to be in substantial compliance with all applicable rules, procedures and plans.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Renal Care Group of Mississippi, LLC d/b/a RCG Starkville for the amendment to CON No. 0772 (RCG Starkville relocation of an existing ESRD Facility).

Attachment I

**Renal Care Group Mississippi
 d/b/a
 RCG Starkville**

One-Year Operating Statement

	<u>AMOUNT</u>
Revenue	
Net Revenue	\$3,000,610
Total Operating Revenue	\$3,000,610
Operating Expenses	
Personnel	\$ 904,694
Medical Supplies	216,688
Ancillary	776,749
Other Medical	47,101
Housekeeping	81,750
Administrative	274,802
Bad Debt	97,810
Depreciation	135,855
Lease	\$ 138,000
Total Operating Expenses	\$2,673,449
Net Operating Income	\$ 327,161
Outpatient Days	11,232
Charge Per Procedure	\$ 267.15
Cost Per Procedure	\$ 238.02