

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
AUGUST 2012**

**CON REVIEW: ESRD-NIS-0612-013
RCG MISSISSIPPI, INC. D/B/A LOWNDES COUNTY DIALYSIS
ESTABLISHMENT OF SATELLITE END STAGE RENAL DISEASE (ESRD) FACILITY
CAPITAL EXPENDITURE: \$1,405,966
LOCATION: COLUMBUS, LOWNDES COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

RCG Mississippi, Inc. d/b/a Lowndes County Dialysis (“RCG – Lowndes County” or “Lowndes County”) is a Delaware limited liability corporation certified to conduct business in the State of Mississippi. Fresenius Medical Care Holdings, Inc., d/b/a Fresenius Medical Care of North American (“Fresenius”) is its parent organization. RCG of Mississippi, Inc. is governed by a 14-member Board, in which two of the members serve as directors. On May 23, 2012, the Secretary of State issued a Certificate indicating that on February 12, 1996, the State of Mississippi issued a Charter/Certificate of authority to RCG Mississippi, Inc., and that the Delaware Corporation has authority to transact business in Mississippi.

B. Project Description

RCG Mississippi, Inc. d/b/a Lowndes County Dialysis requests Certificate of Need (“CON”) authority to establish a 10-station satellite End State Renal Disease (“ESRD”) facility in, Columbus, Lowndes County, Mississippi.

The applicant proposes to relocate 10 stations from its current 35-station facility located at 92 North Brookmoore Drive, Columbus, Lowndes County, Mississippi 39705 to a freestanding satellite facility located approximately between 360 - 428 Hospital Drive, Columbus, Lowndes County, Mississippi 39072. According to the applicant, the proposed 10-station satellite site is less than a mile from the current hosting facility and is conveniently located near Highway 45.

The applicant indicates that they will enter into a 10 year lease agreement with Ledunco, LLC (the landlord). Lowndes County Dialysis will lease 7,838 square feet of shall space in a to-be-constructed MOB at an annual cost of \$166,246. The application contains a draft copy of the lease agreement. Furthermore, the applicant proposes to renovate the space to accommodate the proposed 10-stations in the to-be-constructed medical office building (“MOB”). According to the applicant, the proposed renovation will include interior studs, drywall, floor, wall and ceiling finishes, interior doors, casework, specialty items, plumbing, HVAC and electrical systems. The applicant asserts that the estimated capital expenditure for the proposed ESRD satellite facility is \$1,405,966 and is

allocated as follows: new construction (67%), fixed equipment cost (12%), non-fixed equipment cost (6%), fees i.e. architectural, consultant, etc. (6%), contingency reserve (7%), other (2%). The application contains a signed cost estimate by Bryan Brown and Associates, PLLC indicating that the cost per square foot to renovate 7,868 square feet of space would be \$120 per square foot which only includes the "direct" cost of the construction. However, the applicant contends that if the architect's cost included, design fees and contingency at a cost of \$84,650 and \$94,056, the cost per square foot would be \$142.80, respectively.

The applicant states that the proposed project will be financed through accumulated cash reserves and projects that during the first year of operation, the satellite facility will require 5.9 full-time equivalent (FTE) personnel at an annual cost of \$390,312. The applicant included a projected operating statement indicating the satellite facility's first, second, and third years of operation (see Attachment 1).

On May 24, 2012, the MSDH Division of Health, Facilities Licensure and Certification assessed the proposed site and found the site to be suitable for the stated purpose; therefore, granted site approval.

According to the applicant, construction of the MOB is expected to begin within six months of final CON approval by the Department. Therefore, the applicant anticipates that the capital expenditure will be obligated near the completion of the construction of the MOB. As a consequence, the applicant estimates that the project will be completed within one year of commencement of construction.

II. TYPE OF REVIEW REQUIRED

Projects which propose the establishment of an end stage renal disease facility is reviewed in accordance with Section 41-7-191, subparagraph (1)(a), and 1(b) 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.

In accordance with Section 41-7-197 (2) of the Mississippi Code 1972 Annotated, as amended, any 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 September 5, 2012.

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

A. Mississippi State Health Plan (MSHP)

The *FY 2012 Mississippi State Health Plan* contains policy statements, criteria and standards which an applicant is required to meet before receiving Certificate of Need authority for the establishment of a ten-station satellite ESRD facility. This application is in substantial compliance with applicable criteria and standards.

Policy Statement (PS) Regarding the Certificate of Need Applications for the Establishment of End Stage Renal Disease (ESRD) Facilities

PS (14) – Establishment of Satellite ESRD Facilities: Any existing ESRD facility which reaches a total of 30 ESRD stations, may establish a ten (10) station satellite facility. If the proposed satellite ESRD facility is to be located more than one (1) mile from the existing facility, a certificate of need must be obtained by the facility prior to the establishment of the satellite facility.

According to the applicant, the proposed satellite facility is less than one mile from the hosting facility (RCG of Columbus); however, the applicant submits that this application is for the authority to establish a 10-station satellite facility in Columbus, Mississippi.

According to the *FY 2012 Mississippi State Health Plan*, RCG of Columbus is certified and CON approved for 35-stations. Hence, the applicant is in compliance with this policy statement.

PS (19) – Affiliation with a Renal Transplant Center: ESRD facilities shall be required to enter into a written affiliation agreement with a renal transplant center.

The application contains affiliation agreements, as well as between the hosting facility and the University of Mississippi Medical Center and the University of Alabama at Birmingham. According to the applicant, similar agreements will be executed for the Lowndes County Dialysis facility.

Certificate of Need Criteria and Standards for End Stage Renal Disease (ESRD) Facilities

SHP Criterion 3 - Need Criterion for Establishment of ESRD Satellite Facilities:

According to the *FY 2012 Mississippi State Health Plan* in order for a 30 station ESRD facility to be approved for the establishment of a ten (10) station satellite facility through the transfer and relocation of existing stations within a three mile radius or less from the existing facility, the facility must (a) document that it has maintained a minimum annual utilization rate of 65% for the 12 months prior to the month of the submission of the CON application; (b) justify the need for the project, which may include, but is not limited to, physical or space limitations at the existing facility; and (c) document that it is more cost effective to establish a satellite facility than to expand the existing facility. If the proposed satellite facility will be established at a location between a three and twenty-five mile radius of the existing facility, the facility must (a) document that it has maintained a minimum annual utilization rate of 65% for the 12 months prior to the month of the submission of the CON application; (b) justify the need for the project, which may include, but is not limited to, physical or space limitations at the existing facility; and (c) document that it is more cost effective to establish a satellite facility than to expand the existing facility; and (d) demonstrate that the proposed satellite facility's location is not within thirty miles of an existing facility without obtaining the existing facility's written support. NOTE: ESRD Policy Statements 2, 4, 5, and 6 and Need Criterion 1, do not apply to applications for the establishment of satellite ESRD facilities. An ESRD satellite facility established under the Need Criterion 3 shall not be used or considered for purposes of establishing or determining an ESRD Facility Service Area.

The applicant documents that its existing Columbus facility is experiencing a utilization of 66.94% for its 35-stations. Staff requested and received additional ESRD data from the existing Columbus ESRD facility in order to calculate the most recent 12 month period (June 1, 2011 through May 31, 2012). Using the months shown above, staff calculated the utilization rate for the current 35-station ESRD facility in Columbus and the figure revealed that the utilization rate is 67.27%.

According to the applicant, its patients within the Golden Triangle area have to travel to the Columbus ESRD facility and other Fresenius affiliated Golden Triangle area facilities for dialysis treatment and for day chairs. Consequently, the applicant states other Golden Triangle facilities and the Columbus facility are filled to capacity and lack desirable accommodating day chairs per day appointment. Therefore, the applicant believes that the proposed satellite facility will provide ESRD patients a new access point for dialysis services which will

help reduce the patient load and overcrowding issues experienced at the nearby facilities and enable patients to have flexible appointment times. Also, the applicant contends that the redistribution of stations will improve the efficiency of services provided to the patients utilizing the existing Columbus facility. The applicant asserts that expanding the Columbus facility is not an option due to the size and layout of the current facility and furthermore the facility does not have enough available land for expanding. The applicant states that based upon their consultation with Bryan Brown and Associates, PLLC, the architect, the best option for the residents in the Golden Triangle area is to establish a satellite facility. The applicant believes that the proposed project will best meet the needs of current and future patients in the Golden Triangle area by providing additional access to effective and efficient ESRD services.

Based upon a site and building evaluation and assessment of the facility conducted by a licensed architect the applicant indicates that expansion of the current Columbus facility is not a feasible option. The application contains a copy of Bryan Brown and Associates, PLLC's building and site evaluation results. As a result, the applicant indicates that the most cost effective resolution to the overcrowding issue is the proposed project.

SHP Criterion 4 – Number of Stations

The applicant asserts that the proposed project is for a 10-station ESRD satellite facility in Columbus, Lowndes County, Mississippi. Therefore, the applicant is in compliance with this criterion.

SHP Criterion 5 – Minimum Utilization

The table below gives a comparison of the applicant's projections with the MSDH requirements for the first, second, and third years of operation.

Year	Stations	Patients	Applicant Projections		MSDH Requirements	
			Treatments	Utilization Rate	Treatments	Utilization Rate
1	10	32.50	4,681	50%	4,680	50%
2	10	42.25	6,085	65%	6,084	65%
3	10	48.75	7,020	75%	6,084	65%

SHP Criterion 6 – Minimum Services

RCG Mississippi, Inc. states that the services required by this criterion are a part of its patient's plan of care and are an integral part of Fresenius' services. Thus, the applicant affirms that it will provide, at a minimum, social, dietetic, and rehabilitative services. Furthermore, rehabilitative services may be provided on a referral basis.

SHP Criterion 7 – Access to Needed Services

The applicant affirms that it will provide reasonable access to equipment and facilities for such needs as vascular access and transfusions required by stable maintenance ESRD patients.

SHP Criterion 8 – Hours of Operation

According to the applicant, the facility's normal hours of operation will be from 6:00 a.m. to 5:00 p.m. six days per week; however, arrangements will be made for patients seeking services beyond normal business hours.

SHP Criterion 9 – Home Training Program

The applicant affirms that a home-training program will be made available and they will counsel all patients on the availability of and eligibility requirements to enter the home/self-dialysis program. Additionally, the Home Training Program will be coordinated through Fresenius Medical Care Golden Triangle Home Therapies, which is a program approved by the Department on March 27, 2012, according to the applicant. The application contains a letter asserting that RCG of Columbus's agreement to provide any necessary back-up home dialysis services to the patients of Lowndes County Dialysis facility, signed by the area manager.

SHP Criterion 10 – Indigent/Charity Care

The applicant affirms that it will provide a reasonable amount of indigent/charity care and anticipates the percentage to be served will be 1.5%. Additionally, the applicant states that if it is determined that a patient does not have insurance, steps will be taken to conclude if viable coverage options exist. The applicant further states that all dialysis patients, not otherwise covered by insurance, qualify for Medicare/Medicaid after an initial 90-day waiting period.

SHP Criterion 11 – Facility Staffing

The application contains a description of the anticipated staff members for the proposed satellite facility by category, position qualifications, specific duties and the number of full time equivalents.

SHP Criterion 12 – Staffing Qualifications

The applicant affirms that the staff of the facility will meet, at a minimum, all requirements and qualifications as stated in 42 CFR, Subpart D § 494.140.

SHP Criterion 13 – Staffing Time

The applicant asserts that when the unit is in operation, at least one R.N. will be on duty and a minimum of two persons will be present for each dialysis shift, one of which will be an R.N. Also, the applicant further asserts that a medical director or a designated physician will be on-site or on-call at all times when the unit is in operation. However, when the unit is not in operation, the medical director or a designated physician and registered nurse will be on call.

SHP Criterion 14 – Data Collection

Lowndes County Dialysis affirms that it shall record and maintain all data required by this criterion and shall make the data available to the Mississippi State Department of Health as required by the Department.

SHP Criterion 15 – Staff Training

Lowndes County Dialysis affirms that it will provide an ongoing program of training for nurses and technicians in dialysis techniques at the facility. Specifically, the applicant asserts that Fresenius and its facility will offer a comprehensive training program for all direct patient care staff. Furthermore, the applicant indicates that training includes didactic and clinical training with qualified preceptors to build clinical skills and includes Occupational Safety and Health Administration (“OSAH”) and Fresenius’ mandatory compliance training.

SHP Criterion 16 – Scope of the Privileges

The applicant affirms that it will provide access to doctors of medicine or osteopathic medicine doctors licensed by the State of Mississippi who possess qualifications established by the governing body of the facility. The applicant indicates that they, along with its affiliated facilities within the service area, have existing relationships with nephrologists in the area who currently treat its patients and will continue to treat the patient at its satellite facility.

SHP Criterion 17 – Affiliation with a Renal Transplant Center

The applicant affirms that in accordance with requirements under this criterion, Lowndes County Dialysis will enter into an affiliation agreement with at least one transplantation center within one year of commencing operation. As previously stated, the application contains a copy of the affiliation agreements with the University of Mississippi Medical Center and the University of Alabama at Birmingham. According to the applicant, it anticipates the same or similar type of agreement will be applicable to the proposed facility.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2011 Revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 –State Health Plan

The application was reviewed for compliance with the *FY 2012 Mississippi State Health Plan* as discussed above.

GR Criterion 2 - Long Range Plan

The applicant states that its long range plan is to provide high quality and accessible ESRD services to the residents in need of dialysis services near Columbus and within the Golden Triangle area. Additionally, the applicant contends that the proposed 10-station ESRD satellite facility will aid in relieving the patient load at other Golden Triangle affiliated facilities and offer a calmer environment for patients due to the small size of the facility.

GR Criterion 3- Availability of Alternatives

The applicant states Lowndes County Dialysis considered the following two alternatives before deciding on the proposed project:

The applicant asserts that Lowndes County Dialysis considered not establishing a second facility in Columbus and to expand the current Columbus facility. Nevertheless, the applicant rejected these alternatives for various reasons. The option to maintain status quo would not alleviate the issue of overcrowding at its Columbus facility expanding was determined not to be feasible by the architect firm that assessed the facility. Therefore, it was concluded that the proposed project is the best option available to resolve the overcrowding issue and better

serve the ESRD patients in the Golden Triangle area. Furthermore, the applicant believes that the satellite facility is more efficient and cost effective.

The applicant asserts that the establishment of a 10-station satellite facility is not an unnecessary duplication of services. According to the applicant, the ESRD patients in the Golden Triangle area currently drive to the main Columbus facility or other ESRD facilities in the area to dialyze. Thus, the proposed project is simply just a redistribution of existing stations. In fact, the applicant believes that the 10-station satellite facility will efficiently meet the needs of the residents by increasing the availability of appointment times and providing dialysis services in a less congested environment.

Due to Fresenius' integrated delivery and service model Lowndes County Dialysis notes that its relationship with Fresenius will greatly benefit the proposed satellite facility. Furthermore, the applicant believes that this association will also bring and ensure optimum quality of care to the residents of Columbus and the surrounding area, plus help with providing and promoting the delivery of health care services in a cost effective manner.

GR Criterion 4 - Economic Viability

The applicant's three-year projected operating statement contained in the application indicates net income of \$937 the first year, \$102,773 the second year, and \$175,716 the third year of operation (see Attachment 1).

The applicant asserts that the charges will be substantially the same as its affiliates in the Golden Triangle area. The applicant submits that the cost for an ESRD treatment will be \$273 the first year, \$260 the second year, and \$256 the third year of operation and the charge to patients will be \$273, \$277, and \$281, the first, second, and third years of operation, respectively.

The applicant makes the following projections of dialysis treatments to be performed during its first, second, and third years of operation: 50%; 65%; and 75%, respectively.

The applicant states that ESRD reimbursement environment and patient population are always changing; however, the applicant contends that it has the financial strength to operate the satellite facility at a loss, if necessary. According to the applicant, the proposed project will not increase the cost of dialysis services to patients or Medicaid.

GR Criterion 5 - Need for the Project

According to the applicant, all low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups and the elderly will have access to dialysis services.

The proposed project is for the establishment of a 10-station satellite facility in Columbus, Lowndes County, Mississippi. The existing Columbus facility will continue to provide ESRD services. Therefore, this application does not constitute the relocation of a facility or services.

The applicant documents that dialysis is not an elective service but one that is required for patients with ESRD. Thus, the proposed project does not seek to add a facility to increase utilization but to provide dialysis patients with another access point in the Golden Triangle area. The applicant acknowledges that the establishment of the satellite facility will slightly decrease the utilization at other surrounding affiliated facilities. According to the applicant, the purpose of the satellite facility is to relieve pressure on existing facilities and allow them to offer more convenient appointment times to their patients, according to the applicant.

The *FY 2012 MSHP* shows that there is only one ESRD facility in Lowndes County, which is the applicant's main site for the proposed satellite facility.

The application contains 21 letters of support from residents and one letter of support from a nephrologist supporting the establishment of the proposed satellite facility. The letters of support states that the addition of the satellite facility will provide the needed service to the residents and enable dialysis patients to have easy access to the service.

The Department did not receive any letters of opposition concerning the proposed project.

GR Criterion 6- Access to the Facility

According to the applicant, all patients of the ESRD service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services of the facility.

Projected Year	Total Dollar Amount of Gross Patient Revenue
1	\$19,164.63
2	\$25,285.01

RCG Lowndes County Dialysis projects indigent/charity care to be at 1.5 percent of gross revenue.

The applicant indicates that patients without a payor source receive benefits after a 90-day waiting period and after the period ends the applicant states those patients are considered by the applicant as medically indigent and charity care patients.

The applicant submits that it has no obligations under any federal regulations requiring provision of uncompensated care, community service, or access by minority/handicapped persons.

According to the applicant, all patients with ESRD must receive dialysis services. Therefore, the establishment of the satellite facility in Columbus will make these life-saving services more accessible and convenient for the Medicare, Medicaid, and medically indigent ESRD patients residing near Columbus.

As previously mentioned, the facility's normal business hours will be from 6:00 a.m. to 5:00 p.m., six days per week. However, alternate arrangements will be available for "after hour" services. Also, the applicant states that Medicaid recipients can receive transportation assistance for travel to dialysis appointments.

The applicant indicates that the satellite facility will be located between 306 and 428 on Hospital Drive, Columbus, Lowndes County, Mississippi. According to the applicant, this location is conveniently situated near Highway 45 which makes travel to and from the facility convenient for its patients.

The application contains Fresenius Medical Care's admission policy.

The applicant submits that it has no existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority/handicapped persons.

GR Criterion 7- Information Requirement

Lowndes County Dialysis affirms that it will record and maintain, at a minimum, the information stated in this criterion regarding charity care, care to the medically indigent, and Medicaid populations, and make it available to the Mississippi State Department of Health within 15 days of request.

GR Criterion 8 - Relationship to Existing Health Care System

According to the applicant, Golden Triangle area residents currently travel to multiple clinics, including the main Columbus facility to receive ESRD services. Therefore, the applicant believes the most significant impact should be experienced by the parent facility; however, other affiliated area facilities may

sustain a decline. The applicant asserts that the main facility and other facilities will cooperate to transfer patients to the Lowndes County facility to ensure continuity of care.

The applicant asserts that failure to implement the proposed project will cause the current and future ESRD patients residing near Columbus and the Golden Triangle area to continue to travel to the main Columbus facility or other locations in the area three times per week for necessary dialysis services.

The applicant documents that upon the establishment of the satellite facility new transfer/referral/affiliation agreements will be entered with local hospitals.

GR Criterion 9 - Availability of Resources

Through advertising and word-of-mouth Lowndes County Dialysis asserts that its affiliates have successfully recruited staff and maintained the personnel necessary for the efficient operation of their facilities. Therefore, the applicant proposes to utilize this same method. Additionally, the applicant contends that the surrounding area has sufficient nephrologists to support the proposed facility. However, if ever faced with a shortage of staff, Lowndes County Dialysis asserts its affiliation with other facilities will allow the satellite facility to supplement and share staff members. The applicant states that its main campus has established relationships with nearby nephrologists who will support the proposed facility.

The application contains a list with the names and addresses of all nephrologists and other physicians who will serve the patients of the facility.

GR Criterion 10 – Relationship to Ancillary or Support Services

According to the applicant, all necessary support and ancillary services for the proposed project will be available.

GR Criterion 11- Health Professional Training Programs

According to the applicant, as with the main Columbus facility, it will cooperate with health professional training programs in the surrounding area.

GR Criterion 14 – Construction Projects

The applicant will enter into a 10 year lease agreement with Ledunnco, LLC (the landlord). Lowndes County Dialysis will lease 7,838 square feet of shell space in a to-be-constructed MOB at an annual cost of \$166,246. The applicant intends to renovate the space to accommodate the proposed 10-stations at the satellite facility. According to the applicant, the renovations includes: interior studs, drywall, floor, wall and ceiling finishes, interior doors, casework, specialty items,

plumbing, HVAC and electrical systems. The applicant states that the renovation will be in compliance with all local ordinances and regulations, all building codes, zoning ordinances and other regulatory authorities, as well as the required environmental statutes and regulations.

The applicant asserts that the estimated capital expenditure is \$1,405,966 and is broken-down as follows: new construction (67%), fixed equipment cost (12%), non-fixed equipment cost (6%), fees i.e. architectural, consultant, etc. (6%), contingency reserve (7%), other (2%). A signed cost estimate by Bryan Brown and Associates, PLLC, indicates that the cost per square foot to renovate 7,868 square feet of space will be \$120 per square foot. The cost only includes the "direct" cost for construction and that cost is listed in the application.

The *Means Building Construction Cost Data, 2012 Edition* lists the construction cost per square foot to construct a MOB as \$115 (1/4 range), \$143 (median range), and \$175 (3/4 range). When comparing the applicant's cost estimate per square foot of \$120 per square foot (direct cost only) to the *Means Building Construction Cost Data, 2012 Edition* the proposed cost per square foot is less than the median cost for MOB construction project of this size. When applying the figures provided by the applicant to the new construction formula listed in the current CON Review Manual, staff calculations revealed it will cost \$163.98 per square foot to complete the facility. The cost of \$163.98 per square foot falls between the median and 3/4 range to construct a facility of this size. (see Attachment 2).

GR Criterion 16 - Quality of Care

The applicant submits that the proposed facility has yet to be established; but, its affiliated facilities provide optimal quality of care to their patients and Lowndes County Dialysis intends to provide the same. Furthermore, the applicant believes that this affiliation also helps to ensure quality of care through the delivery of health care services and staff training and expectations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Cost Item	Estimated Cost	% of the Total
a.	Construction Cost -- New	\$940,560	67%
b.	Construction Cost -- Renovation	0	0
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	\$166,000	12%
e.	Total Non-Fixed Equipment Cost	\$90,400	6%
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	\$84,650	6%
i.	Contingency Reserve	\$94,056	7%
j.	Capitalized Interest	0	0
k.	Other (TV, Phone, IT and other equipment)	\$30,300	2%
	Total Proposed Capital Expenditure	\$1,405,966	100%

B. Method of Financing

The applicant asserts that accumulated cash reserves will be used as the funding source for the proposed project.

C. Effect on Operating Costs

The applicant's three-year projected operating statement is provided in Attachment 1 for the proposed project.

D. Cost to Medicaid/Medicare

ESRD treatment is a Medicare privilege. As such, the Medicare program will consume a majority of the costs associated with this project. The cost to the Medicaid program will be insignificant.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid (“DOM”) was provided a copy of this application for comment; however, as of August 10, 2012, the Department has received no comments.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of a satellite ESRD facility as contained in the *FY 2012 Mississippi State Health Plan*, Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2011 Revision*; and all 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 RCG Mississippi, Inc. d/b/a Lowndes County Dialysis for the establishment of a 10-station, satellite ESRD facility in Lowndes County.

ATTACHMENT 1			
Lowndes County Dialysis Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	0	0	0
Outpatient Care Revenue	\$ 1,277,642	\$ 1,685,667	\$ 1,974,677
Gross Patient Care Revenue	\$ 1,277,642	\$ 1,685,667	\$ 1,974,677
Charity			
Charity	0	0	0
Deductions from Revenue			
Deductions from Revenue	0	0	0
Net Patient Care Revenue	\$ 1,277,642	\$ 1,685,667	\$ 1,974,677
Total Operating Revenue			
Total Operating Revenue	\$ 1,277,642	\$ 1,685,667	\$ 1,974,677
Operating Expenses			
Salaries	\$ 280,800	\$ 372,280	\$ 438,216
Benefits	109,512	145,189	170,904
Supplies	311,220	408,565	476,213
Services	0	0	0
Lease	166,246	166,246	166,246
Depreciation	147,765	147,765	147,765
Interest	0	0	0
Other	261,162	342,849	399,617
Total Operating Expense	\$ 1,276,705	\$ 1,582,894	\$ 1,798,961
Net Operating Income			
Net Operating Income	\$ 937	\$ 102,773	\$ 175,716
Assumptions			
Inpatient days	0	0	0
Outpatient days	0	0	0
Number of ESRD Treatments/Procedures	4,681	6,085	7,020
Charge per Outpatient day	\$ 0	\$ 0	\$ 0
Charge per inpatient day	\$ 0	\$ 0	\$ 0
Charge per procedure	\$ 273	\$ 277	\$ 281
Cost per outpatient day	\$ 0	\$ 0	\$ 0
Cost per inpatient day	\$ 0	\$ 0	\$ 0
Cost per procedure	\$ 273	\$ 260	\$ 256

**ATTACHMENT 2
 COMPUTATION OF CONSTRUCTION AND/OR RENOVATION COST**

	Cost Component	Total	New Construction	Renovation
a.	New Construction Cost	\$940,560	\$940,560	
b.	Renovation Cost	\$0		\$0
c.	Total Fixed Equipment Cost	\$166,000	\$166,000	\$0
	Total Non-Fixed Equipment Cost	\$90,400		
	Land Cost	\$0	\$0	
d.	Site Preparation Cost	\$0	\$0	
e.	<i>Fees (Architectural, Consultant, etc.)</i>	\$84,650	<i>\$84,650</i>	<i>\$0</i>
f.	<i>Contingency Reserve</i>	\$94,056	<i>\$94,056</i>	<i>\$0</i>
g.	<i>Capitalized Interest</i>	\$0	<i>\$0</i>	<i>\$0</i>
	<i>Other</i>	\$30,300	<i>\$0</i>	
	Total Proposed Capital Expenditure	\$1,405,966	\$1,285,266	\$0
	Square Footage	7,838	7,838	0
	<i>Allocation Percent</i>		100.00%	0.00%
	Costs Less Land, Non-Fixed Eqt., Other	\$1,315,566	\$1,285,266	\$0
	Cost Per Square Foot	\$167.84	\$163.98	

Source: Mississippi Certificate of Need Review Manual, Revised September 1, 2011