

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
JANUARY 2016**

**CON REVIEW: ESRD-NIS-0915-017
BIO-MEDICAL APPLICATIONS OF MISSISSIPPI, INC.
D/B/A FRESENIUS MEDICAL CARE – MID MISSISSIPPI
ESTABLISHMENT OF A SATELLITE ESRD FACILITY
CAPITAL EXPENDITURE: \$4,688,732
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Bio-Medical Applications of Mississippi, Inc. d/b/a Fresenius Medical Care Mid-Mississippi (“FMC-Mid MS”) is a business corporation. The applicant indicates that FMC-Mid MS has two Directors and fourteen officers.

The applicant provided a Certificate from the Secretary of State, verifying that Bio-Medical Applications of Mississippi was issued a Charter/Certificate of Authority on August 2, 1990. The document indicates that the business is incorporated in the State of Delaware; however, it is authorized by the Secretary of State to do business in Mississippi.

B. Project Description

Bio-Medical Applications of Mississippi, Inc. d/b/a Fresenius Medical Care-Mid Mississippi (“FMC-Mid MS”), requests Certificate of Need (“CON”) authority for a 10-station satellite End Stage Renal Disease (“ESRD”) facility to be located at 656 North State Street in Jackson, Hinds County, Mississippi, which is less than four (4) driving miles from its host facility, FMC Jackson (“Central Dialysis”) located at 381 Medical Drive, Jackson. The proposed location has an old building which will be demolished in order to build a new facility that is designed to accommodate dialysis services. The applicant states that the satellite will help improve dialysis patients’ accessibility to dialysis service in a less congested area than the host facility as well as provide a location for patients currently at Central Dialysis, which is on the campus of St. Dominic.

The applicant states that a developer will demolish the existing building located at 656 North State Street and construct a new, shelled, building of approximately 8,929 square feet. The applicant will undertake the interior build-out needed to provide ESRD services in the building which includes 8,929 square feet. The proposed construction and build-out will include building the shell, interior studs, drywall, floor, wall and ceiling finishers, interior doors, casework, specialty items, plumbing, HVAC and electrical systems.

The applicant provided a cost estimate from Christopher Kidd & Associates, PLLC (located in Menomonee Falls, Wisconsin, and authorized to do business in

Mississippi), which indicates a construction cost of \$200 per square foot for the site and shell and \$125 per square foot of interior build-out. Furthermore, the applicant provided documentation from Christopher Kidd & Associates, PLLC confirming that the total proposed project budget, including land acquisition, construction, furniture, fixtures and equipment is \$4,688,732.35.

The applicant proposes to enter into a lease agreement with MGB Development Services, LLC (or its Assignee FRE Jackson, LLC, a Texas Limited Liability Company) for the building. The applicant indicates that FMC-Mid MS will lease 8,929 square feet at a lease cost \$16,369.80 per month for the first three years of the lease which increases to \$19,718.20 for the final two years of a 10-year lease. The MSDH Division of Health Facilities Licensure and Certification has approved the site for the proposed project.

During the first year of operation the applicant expects to employ 6.6 full-time equivalent employees at a total personnel cost of \$396,442.20. The total proposed capital expenditure for this project is \$4,688,732, which includes \$2,585,800 for land and construction of site and shell by MGB Development Services, LLC, and \$1,116,125 for interior build-out by FMC-Mid MS. (See Capital Expenditure Summary for a complete percentage breakdown of the proposed project). The applicant indicates cash reserves will be used to fund the project.

The applicant anticipates that the construction of the proposed project should begin within six (6) months of final approval and the proposed expenditure occurring near completion of the building. The applicant contemplates completion of the total proposed project within one year of the start date.

II. TYPE OF REVIEW REQUIRED

This project for 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 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 of 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of the publication of the staff analysis. The opportunity to request a hearing expires on February 4, 2016.

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

A. State Health Plan (SHP)

The *FY 2015 State Health Plan* contains policy statements and service specific criteria and standards, which the applicant is required to meet before receiving CON authority to establish a ten-station satellite ESRD facility.

Policy Statement No. 14 of the 2015 State Health Plan states “Any existing ESRD facility which reaches a total of 30 ESRD stations, may establish a ten (10) station satellite facility. If a 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 *FY 2015 State Health Plan*, FMC-Jackson (Central Dialysis) has 38 certified and CON approved stations.

The applicant states that the proposed facility will be located within four (4) miles from the existing Central Dialysis facility. Therefore, the applicant is requesting CON approval for the establishment of a ten (10) station satellite ESRD facility.

SHP Criterion 3- Need

Need Criterion for Establishment of ESRD Satellite Facilities: 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 five mile radius or less from the existing facility, the facility must (a) document that it has maintained a minimum annual utilization rate of 55% 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 five and twenty-five mile radius of the existing facility, the facility must (a) document that it has maintained a minimum annual utilization rate of 55% 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 30 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 this Need Criterion 3 shall not be used or considered for purposes of establishing or determining an ESRD Facility Service Area.

(a) Document that it has maintained a minimum annual utilization rate of 55% for the 12 months prior to the month of the submission of the CON application.

The applicant indicates that Central Dialysis is currently experiencing 78.2% utilization.

The application contained utilization for the period September 2014 to August 2015. The applicant indicates that during this period the facility had 38 stations and performed 27,839 procedures.

(b) Justify the need for the project, which may include, but is not limited to, physical or space limitations at the existing facility.

The applicant submits that currently, patients from within the Hinds County area are traveling to the Central Dialysis facility and other Fresenius affiliated area facilities for dialysis treatment and for day chair availability. The applicant indicates that the creation of this satellite facility will provide ESRD patients a new access point for dialysis services which will help reduce overcrowding issues experienced at the nearby facilities and the host facility, enable patients to have

flexibility with their appointment times, and improve parking and congestion issues. In addition, the applicant asserts that this redistribution of stations will also improve the efficiency of services provided to the patients utilizing the host facility as there is no available space for lease at the current location making expansion impossible.

(c) Document that it is more cost effective to establish a satellite facility than to expand the existing facility.

The applicant asserts that Central Dialysis cannot be expanded to accommodate ten additional stations because of a lack of space at the current location. Therefore, applicant states that the most cost effective and only solution is to establish the proposed satellite facility.

(d) Demonstrate that the proposed satellite facility's location is not within 30 miles of an existing facility without obtaining the existing facility's written support.

There are six other ESRD facilities located within Jackson, Hinds County, Mississippi, five of which are non affiliates of Fresenius Medical Care. All of these facilities are located within 30 miles of the proposed satellite facility; however, the application does not contain written support from these facilities.

SHP Criterion 4 - Number of Stations

The applicant affirms that the satellite ESRD facility will contain 10 hemodialysis stations. Therefore, the applicant is in compliance with this criterion.

SHP Criterion 5 - Minimum Utilization

The applicant projects 32.50 patients in year one, 42.25 patients in year two, and 48.75 patients in year three for the proposed 10-station satellite ESRD facility. Typically, an ESRD patient receives three treatments per week or 156 treatments per year. The applicant determined a lower number of treatments per patient could result in a more accurate estimate, due to missed appointments, hospitalization, and transplants. Therefore, the applicant estimated each patient would receive 144 treatments per year. The following table compares the applicant's projections with the Department's requirements:

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

Based on MSDH's utilization requirements in the FY 2015 MSHP and numbers provided by applicant, staff determined the number of treatments for the first through third year of operation will be as follows:

		MSDH Projections	
Year	Stations	Treatments	Utilization Rate
1	10	4,680	50%
2	10	6,084	65%
3	10	6,084	65%

SHP Criterion 6 - Minimum Services

FMC-Mid MS affirmed that the facility will provide social, dietetic, and rehabilitative services. The applicant further states that these services are a part of each patient's care plan and are an integral part of FMC-Mid MS' services.

SHP Criterion 7 - Access to Needed Services

FMC-Mid MS affirmed that the applicant will provide reasonable access to equipment/facilities for such needs as vascular access and transfusions required by stable maintenance ESRD patients.

SHP Criterion 8 - Hours of Operation

FMC-Mid MS will operate six days per week between the hours of 6:00 a.m. to 5:00 p.m. The applicant affirmed that alternate arrangements will be made for those patients needing after-hours treatments.

SHP Criterion 9 - Home Training Program

FMC-Mid MS affirmed that a home-training will be made available and it will counsel all patients on the availability of and eligibility requirements to enter the home/self-dialysis program. Fresenius provides a treatment options program for all pre-ESRD patients. The applicant states that modality choices, including CAPD, CCPD and home hemodialysis are presented by trained staff to patients in a classroom or individual setting and even in physician offices.

SHP Criterion 10 - Indigent/Charity Care

The applicant affirmed that they will provide a reasonable amount of indigent/charity care and serve approximately 1.5% indigent/charity care patients. The applicant states it will serve all ESRD patients, including Medicaid and Medicare recipients.

SHP Criterion 11 - Facility Staffing

The applicant included a proposed list of staff by category, position qualification guidelines (minimum education and experience requirements), and specific duties. If the proposed project is CON approved, the applicant affirms that 6.6 full time equivalents will be utilized to operate the satellite ESRD facility.

SHP Criterion 12 - Staffing Qualifications

The applicant asserts that the staff of the facility will meet, at a minimum, all requirements and qualifications as stated in 42 CFR, Subpart D, Section 494.140 as listed under SHP Criterion 12.

SHP Criterion 13 - Staffing Time

The applicant affirmed that when the unit is in operation, at least one (1) R.N. will be on duty and at least two (2) persons will be present for each dialysis shift, one of which will be an R.N. In addition, the applicant affirms that the medical director or a designated physician will be on site or on call at all times when the unit is in

operation. When the ESRD facility is not in operation, the applicant states that the medical director or a designated physician and one R.N. will be on call.

SHP Criterion 14 - Data Collection

The applicant affirmed that it shall record and maintain all required data listed under SHP Criterion 14 and shall make it available to the Mississippi State Department of Health as required by the Department.

SHP Criterion 15 - Staff Training

The applicant affirmed that it will provide an ongoing training program for nurses and technicians in dialysis techniques at the facility. Furthermore, the applicant states that specifically Fresenius and FMC-Mid MS will offer a comprehensive training program for all direct patient care staff. The training includes didactic and clinical training with qualified preceptors to build clinical skills as well as OSHA and mandatory Fresenius compliance training.

SHP Criterion 16 -Scope of Privileges

The applicant affirmed that it will provide access to doctors of medicine or osteopathic medicine licensed by the State of Mississippi who possess qualifications established by the proposed governing body of the facility. The applicant states that their affiliated facilities within the service area have existing relationships with nephrologists in the area who currently treat the applicant's patients and will continue to treat the patients at the proposed facility.

SHP Criterion 17 - Affiliation with a Renal Transplant Center

The applicant affirmed that they will enter into an affiliation agreement with a transplant center within one (1) year after the facility is opened and operating. The applicant provided an existing copy of a transfer agreement between Fresenius and University of Mississippi Medical Center. The applicant anticipates this same agreement or a similar agreement will be applicable to the FMC-Mid MS satellite 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

This application is not in compliance with the overall objectives of the *FY 2015 State Health Plan*.

The *Plan* gives guidelines for all health planning in Mississippi. The *Plan* states that: Mississippi's planning and health regulatory activities have the following purposes:

- To prevent unnecessary duplication of health resources;
- To provide some cost containment;
- To improve the health of Mississippi residents; and

- To increase the accessibility, acceptability, continuity, and quality of health services.

FMC-Mid Mississippi proposes to establish a 10-station ESRD facility in Jackson, Hinds County, approximately 4 miles from the host facility at a cost of \$4.688 M. There are currently six other ESRD facilities in the Jackson area within 10 -12 miles from the proposed facility. Therefore, staff contends that this is a duplication of health resources.

The facility will cost approximately \$12,880 per station in comparison to \$9,515 per station (using non-fixed equipment cost) for a 30-station replacement facility as proposed by the applicant. Therefore, staff contends that the project does not provide cost containment.

In addition, staff contends that because there are ESRD facilities in close proximity to the proposed facility, the project will not increase the accessibility, acceptability, continuity, and or quality of health services See Attachment 4. Therefore, staff contends that the project is not in compliance with the *State Health Plan*.

GR Criterion 2 – Long Range Plan

The applicant's long range plan is to provide high quality, easy to access ESRD services for those residents in need of dialysis services in and near Hinds County. The applicant states that the proposed facility will also help relieve the patient load at other metro-area Fresenius affiliated facilities and the smaller facility will offer a calmer, less congested environment for the patients.

GR Criterion 3 – Availability of Alternatives

The applicant asserts that there is not a more effective alternative than this application. FMC-Mid MS states that it considered not establishing a satellite ESRD facility. However, the applicant states, that expansion at the host facility cannot be undertaken because of the unavailability of space. Thus, the decision was made to establish a satellite facility.

The applicant believes that the establishment of a ten-station satellite ESRD facility in Jackson is more efficient and cost effective in solving the overcrowding issues and Fresenius will be able to better serve its patients in the JACKSON area.

Staff reviewed the captioned project in comparison with a recent project submitted by the applicant for the relocation of its Brandon Dialysis facility. The Brandon facility proposed to relocate 23 stations and add 7 stations for a 30-station facility in a 12,008 sq. ft. space for \$5,232,954.70. The total cost of that facility is \$174,431.82 per station, \$17,848 per station based on Fixed and Non-fixed equipment and \$9,514.97 based on Non-fixed equipment only. In addition, the facility proposes approximately 384.66 sq. ft. per station.

In contrast, the proposed facility will relocate 10 stations to an 8,929 sq. ft. tract of land at a cost of \$4,688,732. Staff determined that the total cost of the proposed facility will be \$468,863.20 per station, \$39,585.60 per station based on Fixed and Non-fixed equipment, and \$12,879.61 per station based on Non-fixed equipment alone. In addition, the facility proposes approximately 892.90 sq. ft. per station.

Therefore, staff questions the applicant's assertion that there is not a more cost effective alternative to the proposed satellite facility.

Additionally, there are six other ESRD facilities located in Hinds County all within 10 to 12 miles from the proposed facility. Therefore, access to available ESRD services does not appear to be an issue.

GR Criterion 4 – Economic Viability

Based on the applicant's three-year projections, this project will have a net income of \$165,704 the first year, \$346,092 the second year, and \$474,046 the third year of operation, respectively.

- a. **Proposed Charge:** The applicant submits that the charges for proposed facility will be substantially the same as the applicant's affiliates in the metro area.
- b. **Projected Levels of Utilization:** The applicant makes the following projections of dialysis treatments to be performed during the first three years of operation: 50%; 65%; and 75%, respectively.
- c. **Project's Financial Feasibility Study:** The application contains a letter from the Senior Director for Finance and Accounting for Fresenius, attesting to the financial feasibility of the project.

GR Criterion 5 – Need for Project

- a. **Access by Population Served:** The applicant states that dialysis services are provided to the traditionally underserved population.
- b. **Relocation of Services:** Ten stations from the Central Dialysis facility will be relocated to create the proposed satellite facility, services will continue to be provided at the existing location. Therefore, this application does not entail the relocation of services or replacement of an ESRD facility.
- c. **Current and Projected Utilization of Like Facilities:** The applicant submits 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 Central Hinds County area.
- d. **Probable Effect on Existing Facilities in the Area:** The applicant believes that the establishment of the satellite facility will slightly decrease the utilization at other surrounding, affiliated facilities as those Fresenius dialysis patients in the Central Hinds County area will seek services at the satellite facility since it will be more accessible for certain patients and not as crowded.
- e. **Community Reaction:** The application contained six letters of support for the proposed project.

No letters of opposition for the proposed project were received.

GR Criterion 6 – Access to the Facility or Service

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.

The following table shows the projected estimated gross patient revenues of health care provided to charity/medically indigent patients for years one and two for the proposed project:

Projected Year	Total Dollar Amount of Gross Patient Revenue
1	\$21,994 (1.5%)
2	\$29,027 (1.5%)

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

The proposed facility will operate six days a week from 6:00 a.m. to 5:00 p.m. In addition, the applicant states that alternate times will be available by arrangement, and Medicaid recipients can receive transportation assistance for travel to dialysis appointments.

GR Criterion 7 – Information Requirement

The applicant affirmed that it will record and maintain all requested information required under GR Criterion 7 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

The applicant states that currently Hinds County area residents travel to multiple clinics, including the Central Dialysis facility, to receive ESRD services; however, the most significant impact should be on the host facility.

The applicant asserts that if the proposed satellite facility is not established, current and future ESRD patients residing in the metro area will continue to travel three times a week to other locations in the Hinds County area to receive necessary dialysis services.

GR Criterion 9 – Availability of Resources

The applicant states that its affiliates have successfully recruited, through advertising and word-of-mouth, and maintained the personnel necessary for the efficient operation of their current facilities. The applicant proposes to use the same method. Furthermore, the applicant states, that in the event of a shortage of staff at the new facility, the affiliation with the closest facility, will allow the applicant and the other facilities to supplement and share. The applicant affirms that due to its existing presence in the metro area, it has established relationships with nearby nephrologists who will support the proposed facility.

GR Criterion 10– Relationship to Ancillary or Support Services

The applicant affirmed that all necessary ancillary or support services will be available due to its relationship with both Fresenius and the surrounding medical community.

GR Criterion 11– Health Professional Training Programs

FMC-Mid MS asserts the facility will coordinate with area health professional training programs in the surrounding area.

GR Criterion 14– Construction Projects

The applicant states that a developer will demolish the existing building located at 656 North State Street and construct a new shell building of approximately 8,929 square feet. The applicant will undertake the interior build-out needed to provide ESRD services in the building which includes 8,929 square feet. The proposed construction and build-out will include building the shell, interior studs, drywall, floor, wall and ceiling finishers, interior doors, casework, specialty items, plumbing, HVAC and electrical systems.

The applicant provided a cost estimate from Christopher Kidd and Associates, PLLC (located in Menomonee Falls, Wisconsin, and authorized to do business in Mississippi), which indicates a construction cost of \$200 per square foot for site and shell and \$125 per square foot of interior build-out.

Based on the formula contained in the *CON Review Manual* and information contained in the application, staff calculated the cost of new construction to be \$261.75/sq. ft. and renovation to be \$159.36/sq. ft. Construction cost for this project is high compared to other Satellite facilities approved by the Department.

As stated earlier in this staff analysis, the total cost per station for this proposed facility is \$468,873 per station compared to a total cost of \$174,431.82 per station for a recent replacement project filed by the applicant. In addition, the total cost per station for other satellite ESRD projects reviewed by the Department ranged from \$145,550 per station to \$381,564 per station (See Attachment 3).

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 FMC-Mid MS will comply with state statutes and regulations for the protection of the environment. The applicant provided a schematic drawing of the proposed project.

GR Criterion 16– Quality of Care

The applicant states that their relationship with Fresenius will greatly benefit the proposed facility due to Fresenius' integrated delivery and service model. The applicant suggests this affiliation will help guarantee quality of care through delivery of health services, staff training and expectations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage% of Total
Construction Cost - New	\$1,785,800	38.08%
Construction Cost - Renovation	\$1,116,125	23.80%
Capital Improvements	\$ 0	0%
Total Fixed Equip Cost	\$ 267,060	5.69%
Total Non-Fixed Equip Cost	\$ 128,796	2.74%
Land Cost	\$ 800,000	17.06%
Site Prep Cost	\$ 0	0%
Fees – architectural/engineering	\$ 261,173	5.57%
Contingency Reserve	\$ 290,193	6.18%
Capitalized Interest	\$ 0	0%
Other (equipment contingency)	\$ 39,586	0.84%
Total Proposed Expenditures	\$ 4,688,732	*100.00%

*May not compute due to rounding.

The applicant will undertake the interior build-out needed to provide ESRD services in the building which includes 8,929 square feet. A cost estimate included in the application indicates a construction cost of \$200 per square foot for site and shell and \$125 per square foot of interior build-out. Based on the formula in the *Mississippi Certificate of Need Review Manual, Revised September 1, 2011*, see Attachment 2 for the computation of the cost per square foot. The *RS Means Construction Cost Data, 2015 Edition* does not compare cost of ESRD facilities.

The application contains a financial feasibility study prepared by the Senior Director Finance & Accounting, Joint Ventures, Fresenius Medical Services.

B. Method of Financing

The applicant proposes that the project will be financed from cash reserves. The applicant submitted documentation that it has sufficient cash to fund this project.

C. Effect on Operating Cost

Attachment 1 lists FMC-Mid MS' projections of expenses, gross revenue, net income and utilization for the first three years of operation.

D. Cost to Medicaid/Medicare

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

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. The Division of Medicaid states that the agency does not foresee any increase in allowable costs to Medicaid as it relates to the proposed project. Thus, the Division of Medical does not oppose the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This project is not in substantial compliance with the criteria and standards for the establishment of a satellite ESRD facility as contained in the *FY 2015 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised September 1, 2011*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Specifically, FMC-Mid Mississippi proposes to establish a 10-station ESRD facility in Jackson, Hinds County, approximately 4 miles from the host facility at a cost of \$4.688 M. There are currently six other ESRD facilities in the Jackson area within 10 -12 miles from the proposed facility. Therefore, staff contends that this is a duplication of health resources.

The total cost per station for this proposed facility is \$468,873 per station compared to a total cost of \$174,431.82 per station for a recent replacement project filed by the applicant. The facility cost per station will approximately be \$12,879 per station in comparison to \$9,515 per station for a 30-station replacement facility (as proposed by the applicant). Therefore, staff contends that the project does not provide cost containment.

In addition, staff contends that because there are ESRD facilities in close proximity to the proposed facility, the project will not increase the accessibility, acceptability, continuity, and or quality of health services. Therefore, staff contends that the project is not in compliance with the *State Health Plan*.

Therefore, the Division of Health Planning and Resource Development recommends disapproval of the application submitted by Bio-Medical Applications of Mississippi, Inc. d/b/a Fresenius Medical Care-Mid Mississippi for the establishment of a ten (10) station, satellite End Stage Renal Disease ("ESRD") facility in Jackson, Mississippi.

Attachment 1

**Fresenius Medical Care-Mid Mississippi
Establishment of a Satellite ESRD**

Three-Year Operating Statement with Project

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$ 0	\$ 0	\$ 0
Outpatient Revenue	1,466,275	1,935,120	2,226,936
Gross Patient Revenue	\$ 1,466,275	\$ 1,935,120	\$ 2,226,936
Charity	\$ 0	\$ 0	\$ 0
Deductions from Revenue	0	0	0
Net Patient Care Revenue	\$ 1,466,275	\$ 1,935,120	\$ 2,226,936
Other Operating Revenue	\$ 0	\$ 0	\$ 0
Total Operating Revenue	\$ 1,466,275	\$ 1,935,120	\$ 2,226,936
Operating Expenses			
Salaries	\$ 283,173	\$ 375,506	\$ 442,077
Benefits	113,269	150,202	176,831
Supplies	297,912	391,178	456,012
Services	0	0	0
Lease Expenses	229,438	229,438	229,438
Depreciation	166,201	166,201	166,201
Interest	0	0	0
Other	210,578	276,503	322,331
Total Operating Expenses	\$ 1,300,571	\$ 1,589,028	\$ 1,792,890
Net Operating Income	\$ 165,704	\$ 346,092	\$ 474,046
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Number of ESRD Procedures	4,680	6,085	7,020
Charge per Outpatient Day	\$ 0	\$ 0	\$ 0
Charge per Inpatient Day	\$ 0	\$ 0	\$ 0
Charge per Procedure	\$ 313	\$ 318	\$ 323
Cost per Inpatient Day	\$ 0	\$ 0	\$ 0
Cost per Outpatient Day	\$ 0	\$ 0	\$ 0
Cost per Procedure	\$ 278	\$ 261	\$ 255

Attachment 2

Fresenius Medical Care-Mid Mississippi
 Establishment of a Satellite ESRD Facility

Computation of Construction and Renovation Cost

	Cost Component	Total	New Construction	Renovation
A	New Construction Cost	\$1,785,800	\$1,785,800	
B	Renovation Cost	\$1,116,125		\$1,116,125
C	Total Fixed Equipment Cost	\$267,060	0	\$267,060
	Total Non-Fixed Equipment Cost	\$128,796		
	Land Cost	\$800,000		
D	Site Preparation Cost	\$0	\$0	
E	<i>Fees (Architectural, Consultant, etc.)</i>	\$261,173	\$261,173	0
F	<i>Contingency Reserve</i>	\$290,193	\$290,193	0
G	<i>Capitalized Interest</i>	\$0	\$0	\$0
	<i>Other (Equipment Contingency)</i>	\$39,586	\$0	\$39,586
	Total Proposed Capital Expenditure	\$4,688,733	\$2,337,166	\$1,422,771
	Square Footage	8,929	8,929	8,929
	<i>Allocation Percent</i>		100.00%	100.00%
	Costs Less Land, Non-Fixed Eqt., Other	\$3,759,937	\$2,337,166	\$1,422,771
	Cost Per Square Foot	\$421.09	\$261.75	\$159.36

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

Note: The FMC-Mid Mississippi Facility will be constructed by a developer and renovated by the applicant; therefore, staff allocated the cost of construction between the two parties based on information contained in the application.

Attachment 3

**Comparison of Staff Analyses
 Establishment of a 10-Station Satellite ESRD Facility**

Project	Capital Expenditure	Square Footage	Sq. Ft. /Station	Cost/Sq. Ft. (New Const.)	Total Cost/ Station¹	Cost/ Station²	Cost/ Station³
FMC-Mid Mississippi	\$4,688,732	8,929	893	\$261.75	\$468,873	\$39,586	\$12,880
FMC-West Hinds Co.	\$3,815,643	10,648	1,065	\$237.01	\$381,564	\$25,640	\$9,040
RCG of West Point	\$1,455,495	6,725	673	NA	\$145,550	\$50,370	\$37,220
Lowndes Co. Dialysis	\$1,405,966	7,836	784	\$163.98	\$140,597	\$25,640	\$9,400
RCG Central New Albany	\$1,569,113	9,022	902	\$126.50	\$156,913	NA	\$15,149

**Replacement of a 23-Station ESRD Facility and
 Addition of 7 Stations
 30 Stations**

FMC-Rankin Co	\$5,232,954.70	12,008	400	\$200	\$174,431	\$17,848	\$9,515
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¹Calculated using total project cost.

²Calculated using fixed and non-fixed equipment total.

³Used only non-fixed equipment total

Attachment 4

Comparison of Approved Satellite ESRD Facilities (In Relation to Access)

Applicant	Relocate From	Relocate To	No. Existing ESRD Facilities Near Satellite
FMC-Mid MS	Jackson, Hinds Co.	Jackson, Hinds Co.	6
FMC West Hinds Co.	Jackson, Hinds Co.	Clinton, Hinds Co.	0
RCG West Point	Aberdeen, Monroe Co.	West Point, Clay Co.	0
Lowndes Co. Dialysis	Columbus, Lowndes Co.	Columbus, Lowndes Co.	1
RCG-Central New Albany	Tupelo, Lee Co.	New Albany, Union Co.	0