

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
MAY 20, 2024**

**CON REVIEW NUMBER: ASC-NIS-0424-003
JACKSON COUNTY HEART ASC, LLC D/B/A JACKSON COUNTY HEART
ESTABLISHMENT OF JOINT VENTURE CARDIAC AMBULATORY SURGERY FACILITY
AND PROVISION OF CARDIAC CATHETERIZATION SERVICES
CAPITAL EXPENDITURE: \$9,589,985.00
LOCATION: GAUTIER, JACKSON COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Jackson County Heart ASC, LLC is a Delaware Limited Liability Company, authorized to do business in Mississippi. The Company proposes a Joint Venture with Biloxi HMA, LLC d/b/a Merit Health Biloxi, to establish a cardiac ambulatory surgery facility (“JV-CASF”) in Gautier, Mississippi. Jackson County Heart ASC, LLC has two (2) managing members. The application contains a letter of intent from Solara Surgery Partners (“Solara”), 701 Cedar Lake Boulevard, Suite 110, Oklahoma City, Oklahoma, 73114, for management of the JV-CASF.

The application contains a Certificate of Good Standing, dated March 28, 2024, from the Office of the Secretary of State, certifying that Jackson County Heart ASC, LLC is in good standing to do business in Mississippi.

B. Project Description

Jackson County Heart ASC, LLC d/b/a Jackson County Heart (“the Applicant or Jackson Co. Heart”) requests certificate of need (“CON”) approval for the establishment of a Joint Venture Cardiac Ambulatory Surgery Facility (“JV-CASF” or the “Facility”) and the provision of cardiac catheterization (“Cath”) services in a new building to be located at 4416 Highway 57, Ocean Springs (within the city limits of Gautier), Mississippi, pursuant to the criteria and standards set forth in the *Fiscal Year 2022 Mississippi State Health Plan, Third Edition* (“the FY 2022 SHP”). The Applicant also proposes to purchase two (2) non-fixed Phillips Allura FD20 units for performance of the services. The JV CASF, which will be named Jackson County Heart, will be owned by cardiologists and Biloxi HMA, LLC d/b/a Merit Health Biloxi (the “Hospital”). The proposed facility will comprise approximately 10,500 square feet of space and four (4) labs/procedure rooms; however, the Applicant states only two (2) of the four (4) labs/procedure rooms will be equipped in the beginning. The Applicant states that at least two (2) labs/procedure rooms will be dedicated to the provision of cardiac Cath and percutaneous coronary intervention (“PCI”) services, at all times during operation. The Applicant certifies that the JV CASF will perform only those Cath procedures that are permitted by the Centers for Medicare and Medicaid Services (“CMS”) to be performed in an

ASC.

The Applicant states that the final objective of the project is to provide access to outpatient cardiovascular Cath services and PCI services through a joint venture owned by the cardiologists and the Hospital.

The Applicant confirms that the JV-CASF will comply with all applicable licensure regulations and minimum standards governing ambulatory surgery facilities.

According to the Applicant, the location of the proposed Facility will be in an area compliant with building codes, zoning ordinances, and/or the appropriate regulatory authority.

In addition, the Applicant affirms that it will comply with all applicable State statutes and regulations for protection of the environment including: 1) approved water supplies; 2) sewage and waste disposal; 3) hazardous waste disposal; 4) water pollution control; 5) air pollution control; and 6) radiation control.

The JV CASF will require thirteen (13) full-time equivalent personnel at a cost of \$1,111,838.00 in the first year.

The applicant projects a total capital expenditure of \$9,589,985.00 as itemized in Section IV of this Staff Analysis. Jackson Co. Heart expects the capital expenditure will be obligated within six (6) months following CON approval and anticipates the project will be complete within one (1) year of start.

The application contains a letter dated March 28, 2024, documenting the Mississippi State Department of Health (MSDH) Bureau of Health Facilities Licensure and Certification's approval of the site for the Joint Venture Cardiac Ambulatory Surgery Facility.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-173, 41-7-191(1)(d) and 41-7-193 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. MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, November 11, 2023, Revision*; all adopted rules, procedures, plans, criteria, and standards of MSDH; and the specific criteria and standards listed below. The Department reviews projects for the provision of cardiac catheterization services if the proposed provider has not provided such service on a regular basis within the period of twelve (12) months prior to the time such service would be offered, regardless of the capital expenditure.

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 ten

(10) days of publication of the staff analysis. The opportunity to request a hearing expires on May 30, 2024.

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

A. State Health Plan (SHP)

The *FY 2022 State Health Plan Third Edition* contains policy statements, criteria, and standards which the applicant is required to meet before receiving CON authority for the Establishment of a Cardiac Ambulatory Surgery Facility. This application is in substantial compliance with the applicable policy, criteria, and standards stated in the *Plan*.

Policy Statements Regarding Certificate of Need Applications for the Establishment of Cardiac Ambulatory Surgical Facilities

1. Definitions

- a. "Cardiac Ambulatory Surgery Facility (CASF)" means an ambulatory surgical facility which is established and operated for the purpose of providing cardiac catheterization procedures.
- b. "Joint Venture Cardiac Ambulatory Surgery Facility (JV-CASF)" means a CASF which is jointly owned by (i) an acute care hospital which offers cardiac catheterization services and PCI services, and (ii) one (1) or more cardiologists who are licensed to practice medicine by the MS State Board of Medical Licensure, or a group comprised of such cardiologists.

The Applicant proposes the establishment of a Joint Venture Cardiac Ambulatory Surgery Facility that will be owned by the cardiologists and Biloxi HMA, LLC d/b/a Merit Health Biloxi. The Applicant confirms the Hospital offers cardiac catheterization services and PCI services.

2. Offering of Cardiac Catheterization Services

The Applicant states the JV-CASF will satisfy the requirements for local ownership and operation. The Applicant certifies: 1) the JV-CASF will be located in a new building that is within twenty-five (25) miles of the Hospital; 2) the Hospital is an acute care hospital that provides cardiac catheterizations and PCI services; and 3) the JV-CASF will maintain appropriate third-party accreditation.

3. Type of Procedures

The Applicant certifies the proposed JV-CASF will perform only those catheterization procedures which have been approved for performance in an ambulatory surgery center by the federal Centers for Medicare and Medicaid Services (CMS). The Applicant further states primary PCIs will not be performed in the JV-CASF.

4. Multispecialty and Single-Specialty Ambulatory Surgical Facilities

The Applicant confirms its understanding with this Statement. The Applicant affirms that the facility will be jointly owned by cardiologists and the Hospital which is within a twenty-five (25) mile radius of the project. The Hospital offers cardiac catheterization and PCI services.

5. CON-Exempt Single-Specialty CASFs Prohibited

The Applicant states this statement is not applicable to the proposed project.

6. Application of Policy Statement

The Applicant acknowledges the definitions included in 515.02 of the *FY 2022, Mississippi State Health Plan, Third Edition*, and states the proposed project substantially complies with these statements as follows:

- a. Cardiac Catheterization Services. The Applicant acknowledges the definitions included in Section 515.02 (1).
- b. Open-heart Surgery. The Applicant affirms Jackson Co. Heart is not seeking to provide open-heart surgery services, but to establish a JV-CASF as defined in Section 515.06.
- c. Service Area. The Applicant states the proposed project will be located in Cardiac Cath/Open-Heart Surgery Planning Area (the "Service Area" or "CC/OHSPA") 9.
- d. Pediatric Cardiac Catheterization: The Applicant confirms the JV-CASF does not propose to provide pediatric cardiac Cath services.
- e. Present Utilization. The Applicant states that the proposed project will be the first cardiac ambulatory surgery facility in CC/OHSPA 9.
- f. Minimum Caseload. The Applicant states the project complies with the numerical threshold for CASFs set forth in Need Criterion 1.

- g. Residence of Medical Staff. The Applicant acknowledges the statement and states it will comply with the same.
- h. Hospital Based. The Applicant states the proposed cardiac Cath services will be performed in a JV-CASF in compliance with 515.02(8).
- i. Conversion of Existing Therapeutic Cardiac Cath Services. The Applicant states this policy statement is not applicable to the proposed project.

Certificate of Need Criteria and Standards for the Establishment of Cardiac Ambulatory Surgical Facilities

SHP Criterion 1 – Minimum Procedures

Jackson Co. Heart proposes the following cardiac catheterization procedures (diagnostic and therapeutic) in the first three years of operation:

| | |
|--------|-------|
| Year 1 | 876 |
| Year 2 | 1,878 |
| Year 3 | 1,934 |

The Applicant certifies that it will submit volume data to the Mississippi State Department of Health every three (3) years, in order to demonstrate and verify the utilization of services at the JV-CASF.

SHP Criterion 2 – Minimum Population

The Applicant states the proposed JV-CASF is located within the city limits of Gautier, Jackson County, Mississippi, which is part of CC/OHSPA 9. The Applicant submits the population of Jackson and Harrison counties and other areas within a 30-minute travel time of the proposed JV-CASF substantially exceeds 60,000. Jackson Co. Heart presents the following population estimates as of July 1, 2023, from the U.S. Census data and the projected 2025 population data from the *FY 2022 State Health Plan*

Estimated Population for 2023 and Projected Population for 2025

| | U.S. Census Data | 2020 State Health Plan |
|-----------------|------------------|------------------------|
| Jackson County | 146,389 | 145,807 |
| Harrison County | 210,612 | 203,065 |

Source: Jackson County Heart ASC, LLC d/b/a Jackson County Heart CON Application for Establishment of JV-CASF and Provision of Cardiac Cath Services

SHP Criterion 3 – Minimum Number of Procedure Rooms

The Applicant submits the JV-CASF will have the minimum of two (2) procedure rooms available for service and used exclusively for cardiac catheterization and PCI services at all times.

SHP Criterion 4 – Financial Feasibility

The Applicant submits the financial tables to demonstrate that the JV-CASF will be economically viable within two (2) years of commencement of service. Specifically, the Applicant states the Income Statement projects a net operating income of a positive amount, over one million dollars in the second year of operation.

SHP Criterion 5 – Letters of Support

The application contains affidavits from seven (7) cardiologists who the Applicant states will utilize the JV-CASF.

SHP Criterion 6 – Staffing Standards

The Applicant states both the Hospital and cardiologists have experience in the provision of the proposed services and staffing for the same; therefore, the Applicant states the cardiologists, and the Hospital will work together to ensure sufficiently trained and experienced professional staff and oversee the performance of the program. In addition, the Applicant certifies that all cardiologists that perform cardiac catheterization an/or PCI procedures at the Facility will maintain active medical staff and clinical privileges. Finally, the Applicant certifies that the Hospital and the JV-CASF will have a formal emergency transfer agreement, and the JV-CASF will also have a transfer agreement with Memorial Hospital at Gulfport (“Memorial”) for any emergencies which cannot be handled by the Hospital.

SHP Criterion 7 – Recording and Maintenance of Data

The Applicant affirms that Jackson Co. Heart will record and maintain separate utilization data for diagnostic cardiac catheterization and PCI procedures (e.g., mobility data, number of diagnostic cardiac catheterization and PCI procedures performed, and mortality data, all reported by race, sex and payor status) and

make that data available to the Mississippi State Department of Health annually.

SHP Criterion 8 – Service Specific

- a. **Formal emergency transfer agreement.** The Applicant states Memorial, a co-owner of the Hospital, provides open-heart surgery procedures approximately forty (40) minutes away from the proposed Facility; therefore, the transfer can be accomplished in less than 120 minutes from the onset of PCI complications to cardiopulmonary bypass. The Applicant further states the JV-CASF will provide a ventricular support device, such as an intra-aortic balloon pump (IABP) or an Impella.
- b. **Certification of lifetime experience.** The Applicant certifies that cardiologists performing PCIs in the JV-CASF have a lifetime experience of greater than 150 total PCIs with acceptable outcomes as primary operator after completing a cardiology fellowship, which may include the successful completion of an Interventional Cardiology fellowship as adequate certification.
- c. **Quality data.** The Applicant certifies that the JV-CASF will participate in and submit quality data to the appropriate cardiac catheterization registries.
- d. **Multi-disciplinary meetings.** The Applicant certifies that it will hold quarterly multi-disciplinary meetings to evaluate patient outcomes, review quality improvement data, and identify and implement solutions for any operational issues.
- e. **Certification of meeting the Society of Cardiovascular Angiography and Interventions Guideline (SCAI)-ACCF/AHA/SCAI Guidelines for Percutaneous Coronary Intervention (PCI)**
 - i. **Equipment.** Jackson Co. Heart certifies that it will have available in the catheterization laboratory the equipment listed in Section 4.1.1 entitled “Equipment” and that the equipment will be routinely tested.
 - ii. **Staffing.** The Applicant certifies the availability of adequate staff in the catheterization laboratory as set forth in Section 4.1.2 of the Guidelines entitled “Staffing” and that such staff will be certified on both basic life support and advanced cardiovascular life support.

- iii. **Time-Out Procedures.** Jackson Co. Heart certifies that “time-out” procedures will be implemented as discussed in Section 4.1.3 of the Guidelines, entitled “Time-Out Procedures.”
- iv. **Quality Performance: Recommendations.** The Applicant certifies that it will operate a quality improvement program and participate in a national PCI registry as discussed in Section 7.1 of the Guidelines, entitled “Quality Performance: Recommendations.”

SHP Criterion 9 – Medicaid Participation

The Applicant certifies that the JV-CASF will participate in the Mississippi Medicaid program.

SHP Criterion 10 – Indigent/Charity Care

Jackson Co. Heart certifies that (a) the JV-CASF will provide care to Medicaid patients, (b) the JV-CASF will provide indigent/charity care, including care to underinsured patients, of no less than five percent (5%) of the total volume of procedures performed at the JV-CASF, and (c) the JV-CASF will report the total volume of indigent/charity care to the MSDH Division of Health Planning and Resource Development annually, and will publish its indigent/charity care policy on the JV-CASF’s website.

SHP Criterion 11 – Regulatory Approval

Through this application, Jackson County Heart ASC, LLC requests CON approval for the establishment of a Joint Venture Cardiac Ambulatory Surgical Facility, including the equipment to be used in the operation of the JV-CASF.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised November 11, 2023*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with the general review criteria contained in the manual.

GR Criterion 1- State Health Plan

The Applicant asserts the project fully complies with the *FY 2022 Mississippi State Health Plan’s Third Edition* policies, criteria and standards governing the establishment of a Joint Venture Cardiac Ambulatory Surgical Facility.

GR Criterion 2 – Long Range Plan

The Applicant submits the long-range plan is to provide outpatient cardiac Cath services at the Gautier location that will allow patients in the Gulf Coast area to receive cardiac catheterization services in a more efficient outpatient setting.

GR Criterion 3 – Availability of Alternatives

- a. Advantages and Disadvantages:** The Applicant states the alternative to the proposed project is to require patients needing cardiac Cath services to receive those procedures at an acute care hospital. The Applicant further states CMS allows certain cardiac Cath procedures to be performed in an outpatient ambulatory surgery center setting and the Board of Health (the “Board”) amended the State Health Plan to allow these procedures to be performed in a CASF or JV-CASF. Jackson Co. Health believes that by providing these procedures in an outpatient setting, patients will have an access point for outpatient cardiac Cath services.
- b. New Construction Projects:** Jackson Co. Heart believes that the construction of a new building will enable the Facility to be constructed in a manner most efficient for the proposed services. In addition, the Applicant states the Facility will be located four and one-half (4-1/2) miles from the Coast. The Applicant states by constructing a building in compliance to up-to-date codes and wind ratings, further from the coastlines in an area less susceptible to the impact of hurricanes, the Facility will provide an access point for cardiac Cath services in a less vulnerable area.
- c. Beneficial Effects to the Health Care System:** The Applicant states the proposed project will support the cardiologists’ and Hospital’s current cardiology practice on the Coast and provide an outpatient location for cardiac procedures.
- d. Effective and Less Costly Alternatives:** The Applicant does not believe there is a more effective or less costly alternative to the proposed project.
 - i. Unnecessary Duplication of Services:** The Applicant states currently there is no CON approved JV-CASF in the planning area; therefore, approval of the project will not result in the duplication of services.
 - ii. Efficient Solution:** According to the Applicant, an outpatient cardiac Cath facility such as the one proposed will provide a more efficient alternative for patients who prefer an outpatient setting.
- e. Improvements and Innovations:** The Applicant submits that the Plan was recently amended by the Board of Health to allow outpatient cardiac

Cath in a CASF or a JV-CASF, in part, due to recognizing the CMS determination that these type services could safely and efficiently be provided in an outpatient setting. The Applicant states that this project will comply with the Board's decision to follow CMS' decision to make cardiac Cath available in an ambulatory surgery, outpatient setting.

- f. **Relevancy.** The Applicant asserts that the Board, in amending the Plan, recognized that the provision of cardiac Cath in an ambulatory surgery, outpatient setting will benefit patients by improving the delivery and availability of the service.

GR Criterion 4 - Economic Viability

- a. **Proposed Charge:** The Applicant states it reviewed the Medicare fee schedule to determine the proposed charges for the services. The Applicant states that there is no comparable ambulatory surgery center based cardiac Cath services in CC/OHSPA 9.
- b. **Projected Levels of Utilization:** The Applicant believes that its projected levels of utilization are reasonable based on historical cardiac Cath data provided by the physicians and the population in CC/OHSPA 9.
- c. **Financial Feasibility Study:** The application contains a letter from the Chief Financial Officer of Merit Health Biloxi, attesting to the financial feasibility of the project.
- d. **Financial Forecasts:** Because this is a new project, the Applicant states there are no financial statements.
- e. **Covered Expenses:** The Applicant states it does not anticipate project shortfalls; however, in the event additional capital is needed, the owners of the JV-CASF will cover expenses.
- f. **Impact of Proposed Project on Health Care Cost:** The Applicant states that based on the Medicare fee schedule and the cardiac Cath services to be provided, there should be a decrease in the cost of services due to the outpatient nature of the proposed project.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The Applicant states the Facility will be accessible to all patients, including those traditionally underserved groups of patients identified by this criterion. In addition, the Applicant points out that the Plan recognizes that heart disease is prevalent across the State and the Department of Health recognized in its report, "Mississippi Public Health Report Card 2023", that heart disease is the State's leading cause

of death and Mississippi rates are among the nation’s highest. The Applicant further submits the Facility will provide diagnosis for those potentially suffering from cardiovascular conditions as well as treatment for those patients.

- b. Relocation of Services:** Not applicable to the proposed project. The Applicant states the proposed project is for a new JV-CASF and cardiac Cath services.
- c. Current and Projected Utilization of Comparable Facilities:** The Applicant asserts that the projected utilization was determined from reviewing the supporting physicians’ historical utilization for patients receiving Cath services as well as the population and demographic information for the Service Area. The Applicant states that the proposed facility will enable patients to receive services in an outpatient, freestanding setting in a Facility where both the physicians and Hospital have partnered together to improve health services.
- d. Probable Effect on Existing Facilities in the Area:** The Applicant states there are no similar ambulatory surgery center based cardiac Cath services in CC/OHSPA 9. The cardiac Cath services that are offered in the Service Area are at large acute care hospitals. The Applicant states it does not anticipate an impact to the hospitals given the incidence rate of cardiovascular disease in the area and population of the area.

According to the State Health Plan, CC/OHSPA 9 includes four (4) acute care facilities providing diagnostic and therapeutic cardiac catheterization services. The following table outlines the number of procedures performed by each facility:

**CC/OHSPA 9
 Cardiac Catheterization Procedures
 FY Years 2019 and FY 2020**

| Facility | County | FY 2019 | FY 2020 |
|----------------------------|---------------|----------------|----------------|
| Merit Health Biloxi* | Harrison | 15 | 7 |
| Memorial Hospital Gulfport | Harrison | 3,050 | 3,323 |
| Ocean Springs Hospital | Jackson | 1,317 | 1,248 |
| Singing River Hospital | Jackson | 802 | 769 |

**Diagnostic Only*

Source: *Fiscal Year 2022 Mississippi State Health Plan, Third Edition; Application for Renewal of Hospital License for FY 2019/2020; and Health Planning and Resource Development Survey, 2021.*

- e. Community Reaction:** The application contains nine (9) letters of support for the proposed project from physicians, business owners, healthcare

centers, emergency medical services, city officials, and residents.

The Department received a letter, dated April 25, 2024, on behalf of Singing River Health System (“SRHS”) in opposition to the proposed project (the “Opposition Letter”). The Opposition Letter asserts that Jackson Co. Heart completely ignores the current and projected utilization of current facilities and services and the probability of adverse impact they would suffer.

GR Criterion 6 - Access to the Facility or Service

- a. **Access to Services.** The Applicant submits the Facility will be accessible to all residents of its service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly.

The Applicant states as a new facility, the JV-CASF does not have historical utilization data on indigent/charity care; however, the following table shows the projected charity/medically indigent care for first two (2) years of operation:

| | Year 1 | Year 2 |
|-------------------------------------|--------------|----------------|
| Medically Indigent/ Charity Care | \$690,000.00 | \$1,600,000.00 |
| Percentage of Total | 5.00% | 5.00% |

The Applicant states that Jackson Co. Heart does not separate medically indigent and charity care.

- b. **Existing Obligations:** The Applicant submits that Jackson Co. Heart does not have any obligations under any federal regulations requiring provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs of Medicare/Medicaid and Medically Indigent Patients:** The Applicant states the JV-CASF will serve the needs of all residents of the service area, including Medicare, Medicaid, and medically indigent patients.
- d. **Access to Proposed Facility:** The Applicant submits Medicare, Medicaid and medically indigent patients will have access to services offered by the JV-CASF.

e. Access Issues:

- i. **Transportation and Travel:** The Applicant submits the JV-CASF will be easily accessible by Highway 90.
- ii. **Restrictive Admissions Policy:** The Applicant states the Facility's admission policies will be developed to comply with all applicable laws regarding admissions.
- iii. **Access to Care by Medically Indigent Patients:** The Applicant states the JV-CASF will be accessible to medically indigent patients.
- iv. **Operational Hours of Service:** The Applicant states the JV-CASF will operate from 7:00 a.m. to 5:00 p.m. Monday through Friday.

The Applicant states the Facility will not provide emergency only operation.

GR Criterion 7 - Information Requirement

Jackson Co. Heart affirms that it will record, maintain, and provide the required information within fifteen (15) days of request by the Mississippi State Department of Health.

GR Criterion 8 - Relationship to Existing Health Care Baptist System

- a. **Comparable Services.** The Applicant asserts the proposed JV-CASF is the first Cardiac Ambulatory Surgical Facility in the service area. The Applicant anticipates the availability of outpatient cardiac Cath services will make accessing care easier for patients and their caregivers.
- b. **Effect on Existing Health Services**
 - i. **Complement Existing Services:** The Applicant states the Facility plan to complement the existing healthcare system in the Service Area through its proposed project to provide cardiac services in a freestanding outpatient surgery center setting.
 - ii. **Provide Alternative or Unique Service:** The Applicant proposes to provide cardiac Cath services in a freestanding outpatient surgery facility.
 - iii. **Provide a service for a specified target population:** The proposed project proposes to serve cardiac catheterization patients in an outpatient setting.

- iv. **Provide services for which there is an unmet need:** The proposed JV-CASF will be the first in the Service Area to provide cardiac Cath and PCI services in a freestanding, outpatient facility.
- c. **Adverse Impact.** The Applicant submits if the proposed project is not implemented, the residents of the area will not have access to cardiac catheterization and PCI services in a freestanding, outpatient facility.
- d. **Transfer/Referral/Affiliation Agreements.** The Applicant asserts the JV-CASF will have a transfer agreement with the Hospital and a formal emergency transfer agreement with Memorial for the provision of open-heart surgery services.

GR Criterion 9 - Availability of Resources

- a. **New Personnel.** The Applicant submitted affidavits from seven (7) physicians and nine (9) letters of support for the project. In addition, the Applicant states any staff will be recruited for the Facility through job postings, recruitment efforts, and word-of-mouth.
- b. **Contractual Services.** The Applicant states there are no clinically related contractual services associated with the proposed project.
- c. **Existing Facilities or Services.** The Applicant asserts that this criterion is not applicable to proposed project.
- d. **Alternative Uses of Resources.** The Applicant asserts that this criterion is not applicable to proposed project.

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. **Support and Ancillary Services.** The Applicant states that the Hospital and the physicians will work together to help ensure that all necessary support and ancillary services for the Facility are available.
- b. **Changes in Costs or Charges.** The Applicant states the Facility's projected costs and charges are based on the provision of cardiac catheterization, PCI and other services in an ambulatory surgical facility by using the Medicare fee schedule.
- c. **Accommodation of Changes in Cost or Charges.** The Applicant submits the financial tables take into account projected changes in cost and charges.

GR Criterion 11 – Health Professional Training Programs

The Applicant affirms the Facility will work with health professional training programs in the Service Area for training opportunities.

GR Criterion 12 – Access by Health Professional Schools

As stated above, the Applicant state the Facility will work with health professional training programs in the Service Area for training opportunities.

GR Criterion 13 – Access by Individuals Outside Service Area

The Applicant asserts that due to the location of the Facility on the Coast, patients from both Alabama and Louisiana may seek services at the Facility, however, for purposes of projecting utilization, Jackson Co. Heart only considered Mississippi residents.

GR Criterion 14 - Construction Projects

The proposed project is for the construction of a 10,500 square feet ambulatory surgery facility with a capital expenditure of \$9,589,985.00 at \$515.11 per square foot. The Facility will consist of four (4) lab procedure rooms; however, the Applicant proposes to initially equip only two (2) lab/procedure rooms.

GR Criterion 15 – Competing Applications

There are no competing applications on file with the Mississippi State Department of Health for a joint venture cardiac ambulatory surgical facility.

GR Criterion 16 - Quality of Care

- a. **Past Quality of Care.** The Applicant submits the proposed JV-CASF is a new facility. Therefore, this criterion is not applicable.
- b. **Improvement of Quality of Care.** The Applicant asserts the Facility, and its performing cardiologists will meet the clinical requirements set forth in Need Criterion 8, thereby ensuring the quality of care to the patients choosing the Facility for cardiac Cath services.
- c. **Accreditations and/or Certifications.** The Applicant submits Jackson County Heart will seek certification for participation in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

| Cost Item | Projected Cost | Percentage of Cost (%) |
|--------------------------|------------------------|------------------------|
| Construction Cost – New | \$ 2,362,500.00 | 25.00% |
| Construction-Renovation | 0.00 | 0.00% |
| Capital Improvement | 2,942,212.00 | 30.00% |
| Total Fixed Equipment | 944,323.00 | 10.00% |
| Non-fixed Equipment | 769,067.00 | 8.00% |
| Land Cost | 395,000.00 | 4.00% |
| Site Preparation | 1,306,800.00 | 14.00% |
| Fees (Architectural) | 230,000.00 | 3.00% |
| Fees (Legal & Acct.) | 75,000.00 | 1.00% |
| Contingency Reserve | 565,083.00 | 5.00% |
| Capitalized Interest | 0.00 | 0.00% |
| Other | 0.00 | 0.00% |
| Total Expenditure | \$ 9,589,985.00 | 100.00% |

The Applicants notes that the capital expenditure includes costs associated with land, site, and building that will be assumed by the Landlord. The Applicant will lease the building and make tenant improvements.

B. Method of Financing

The Applicant proposes that the project will be funded by two (2) sources of funds from The First Bank (“The First”) as follows:

1. Building, Land, Site Development and Expenses

Amount Financed - \$4,499,342.00.

Interest Rate - 6% - 8.5%

Loan Period - 18 months interest only, 60-month maturity.

2. Tenant Improvement, Expenses, and Equipment

Amount Financed - \$5,090,643.00

Interest Rate - 6% - 8.5%

Loan Period - 6 months interest only, then 84-month term

The application contains letters from The First Bank verifying an intent to provide funds for the project.

C. Effect on Operating Cost

The Hospital's three-year projected operating statement is presented at Attachment 1.

D. Cost to Medicaid/Medicare

The applicant projects gross patient revenue cost to third party payors as follows:

| Payor Mix | Utilization Percentage (%) | First Year Revenue (\$) |
|---------------------|-----------------------------------|--------------------------------|
| Medicare | 42.00% | \$6,150,000.00 |
| Medicaid | 5.00% | \$690,000.00 |
| Commercial | 47.00% | \$7,015,000.00 |
| Self Pay | 1.00% | \$135,000.00 |
| Charity Care | 5.00% | \$690,000.00 |
| Other | 0.00% | \$0.00 |
| Total | *100.00% | \$14,680,000.00 |

*Percentage total differs from Applicant's by 1%, due to rounding.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided with a copy of this application for review and comment. No comments had been received from the Division of Medicaid as of May 20, 2024.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of a Joint Venture Cardiac Ambulatory Surgical Facility as contained in the *FY 2022 Mississippi State Health Plan, Third Edition, the Mississippi Certificate of Need Review Manual, November 11, 2023, Revision*; and duly 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 Jackson County Heart ASC, LLC d/b/a Jackson County Heart for the Establishment of a Joint Venture Cardiac Ambulatory Surgical Facility and Provision of Cardiac Cath Services.

Attachment 1

| Ambulatory Cardiovascular Center of Mississippi LLC Three-Year Operating Statement (Project Only) | | | |
|--|------------------------|-------------------------|------------------------|
| | Year 1 | Year 2 | Year 3 |
| Revenue | | | |
| Patient Revenue: | | | |
| Inpatient | | | |
| Outpatient | \$14,680,000.00 | \$ 31,524,000.00 | \$32,469,720.00 |
| Gross Patient Revenue | \$14,680,000.00 | \$ 31,524,000.00 | \$32,469,720.00 |
| Charity Care | \$ 690,000.00 | \$ 1,600,000.00 | \$ 1,648,000.00 |
| Deductions from Revenue | \$10,492,500.00 | \$ 22,443,000.00 | \$23,116,290.00 |
| Net Patient Revenue | \$ 3,497,500.00 | \$ 7,481,000.00 | \$ 7,705,430.00 |
| Other Operating Revenue | | | |
| Total Operating Revenue | \$ 3,497,500.00 | \$ 7,481,000.00 | \$ 7,705,430.00 |
| Expenses | | | |
| Operating Expenses: | | | |
| Salaries | \$ 903,933.00 | \$ 1,071,158.00 | \$ 1,103,293.00 |
| Benefits | 207,905.00 | 246,366.00 | 253,757.00 |
| Supplies | 1,497,107.00 | 3,208,086.00 | 3,272,248.00 |
| Services | 361,048.00 | 635,410.00 | 530,872.00 |
| Lease | 537,000.00 | 543,300.00 | 554,166.00 |
| Depreciation | 357,143.00 | 357,143.00 | 357,143.00 |
| Interest | 311,601.00 | 295,700.00 | 248,603.00 |
| Other | 94,000.00 | 94,000.00 | 94,000.00 |
| Total Expenses | \$ 4,269,737.00 | \$ 6,451,163.00 | \$ 6,414,082.00 |
| Net Income (Loss) | \$ (772,237.00) | \$ 1,029,837.00 | \$ 1,291,348.00 |
| Assumptions | | | |
| Inpatient days | 0 | 0 | 0 |
| Outpatient days | 0 | 0 | 0 |
| Procedures | 876 | 1,878 | 1,934 |
| Charge/outpatient day | N/A | N/A | N/A |
| Charge per inpatient day | N/A | N/A | N/A |
| Charge per procedure | \$16,758.00 | \$16,786.00 | \$16,789.00 |
| Cost per inpatient day | N/A | N/A | N/A |
| Cost per outpatient day | NA | NA | NA |
| Cost per procedure | \$ 4,874.00 | \$ 3,435.00 | \$ 3,316.00 |