

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
MAY 2005**

**CON REVIEW: HG-NIS-1204-054  
NORTH MISSISSIPPI AMBULATORY SURGERY CENTER, LLC  
OFFERING OF MOBILE EXTRACORPOREAL SHOCK WAVE LITHOTRIPSY SERVICES (ESWL)  
CAPITAL EXPENDITURE: \$-0-  
LOCATION: TUPELO, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

North Mississippi Ambulatory Surgery Center, LLC (NMASC) is a for-profit, limited liability company. North Mississippi Ambulatory Surgery Center is a licensed, short-term, free-standing ambulatory surgery center. The surgery center was formed in 2003 as a joint venture between North Mississippi Joint Ventures (North Mississippi Medical Center) and several private practice physicians. NMASC is located on the North Mississippi Medical Center campus in Tupelo. North Mississippi Ambulatory Surgery Center is governed by a seven-member board.

North Mississippi Ambulatory Surgery Center, LLC offers the following services:

- Orthopedic surgery
- Plastic surgery
- Ear, nose & throat surgery
- Ophthalmology surgery
- Dental surgery
- Urological procedures

**B. Project Description**

North Mississippi Ambulatory Surgery Center, LLC is requesting Certificate of Need (CON) authority to establish extracorporeal shockwave lithotripsy (ESWL) services one day per week at its freestanding facility. The equipment vendor will be Ohio Mobile Lithotripsy, LLC. The initial intent is for the mobile lithotripsy to dock at 589 Garfield Street, Tupelo, Mississippi NMASC, which is on North Mississippi Medical Center's campus. The equipment will be the Litho Tron mobile lithotripsy unit. The application contains a copy of the transportable lithotripsy service and facility agreement between NMASC and Ohio Mobile Lithotripsy, LLC for the proposed project.

Ohio Mobile Lithotripsy, LLC was authorized by a Declaratory Ruling, dated April 19, 2005, to provide mobile ESWL to North Mississippi Ambulatory Surgery Center, LLC.

North Mississippi Ambulatory Surgery Center projects that the provision of ESWL services will begin in May, 2005.

## II. TYPE OF REVIEW REQUIRED

Projects which propose the establishment of renal extracorporeal shockwave lithotripsy services (ESWL) are reviewed in accordance with Sections, 41-7-191 (1)(d)(xiii), and 41-7-193, Mississippi Code of 1972, Annotated, as amended, and duly adopted rules, procedures, plans, criteria and standards of the Mississippi Department of Health.

In accordance with Section 41-7-197(2), of the Mississippi Code 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on June 6, 2005.

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

### A. State Health Plan (SHP)

The *FY 2005 State Health Plan* addresses policy statements and specific criteria and standards which an applicant is required to meet before receiving CON authority to provide Renal ESWL Services. This application is in substantial compliance with applicable criteria and standards. This proposal is for the provision of renal ESWL services.

#### **SHP Criterion 1 - Need**

An applicant proposing to offer Renal ESWL services must project a minimum utilization of three procedures per month for 12 months per year (36 procedures per year).

The applicant will be a new provider of ESWL services in General Hospital Service Area 1.

North Mississippi Ambulatory Surgery Center, LLC states that North Mississippi Joint Ventures (51percent owner of the North Mississippi Ambulatory Surgery Center, LLC joint venture) is a sub-corporation of North Mississippi Health Services and is a sister corporation of North Mississippi Medical Center, Tupelo. The applicant asserts that over 500 ESWL procedures were performed at NMMC in 2003, using a fixed lithotripter. Potentially, 85 percent of those procedures can be classified as outpatient procedures. Therefore, the applicant anticipates that many of the fixed lithotripsy services will be switched to the mobile lithotripsy site at North Mississippi Ambulatory Surgery Center.

According to the applicant, the number of referrals of patients with renal calculi for renal ESWL to other facilities was 500 in FY 2003 and were projected to be 524 in 2004. Of the amount projected for 2004, the applicant projects that 22 percent will be performed at the North Mississippi Ambulatory Surgery Center, if the CON is granted.

The applicant believes that the anticipated volume of ESWL procedures resulting from a site switch from a fixed to a mobile unit will be greater than 300.

#### **SHP Criterion 2 - Documentation of Medical Personnel**

NMASC affirms the immediate availability of at least one board certified general surgeon, board certified urologist and board certified radiologist with experience in x-ray, CT and ultrasound imaging for the proposed project. The applicant asserts that NMASC is located on the North Mississippi Medical Center Campus in Tupelo, Mississippi, placing it in close

proximity to the NMMC's department of surgery, the urology clinic, PT and three imaging centers including one in the same building in which North Mississippi Ambulatory Surgery Center is located.

### **SHP Criterion 3 - Imaging Capabilities**

The applicant submits that North Mississippi Joint Venture, a partner of the North Mississippi Ambulatory Surgery Center, is a sister company of NMMC. NMMC currently has a whole body CT scanner and ultra sound imaging equipment which are available to the applicant at all times. The applicant provided a copy of a letter from North Mississippi Medical Center indicating that its imaging capabilities will be available to North Mississippi Ambulatory Surgery Center, LLC.

### **SHP Criterion 4 - Scope of Privileges**

NMASC's governing body affirms through its secretary, Bruce J. Toppin, that appropriate scope of privileges for access to the lithotripter will be granted to any qualified physician who applies for privileges.

### **SHP Criterion 5 - Accessibility**

NMASC affirms that the proposed renal ESWL services will be offered to patients regardless of their ability to pay.

### **SHP Criterion 6 - Recording of Data**

The applicant affirms that it will record and maintain the information required of this criterion and will make it available to the Department within fifteen (15) business days of request.

### **SHP Criterion 7 - Staffing**

North Mississippi Ambulatory Surgery Center submits that an active radiology service, known as Premier Radiology, provides radiological services at multiple sites on the NMMC campus in Tupelo. An established urological practice, known as Urology, PA, provides urological services at their private clinic at the NMMC east tower and has privileges to provide surgical services at NMMC.

### **SHP Criterion 8 - Guidelines and Standards**

The applicant affirms that all individuals using the ESWL equipment shall meet, at a minimum, the American Urological Association's guidelines and standards for training and proficiency in the operation of renal ESWL equipment.

### **SHP Criterion 9 - CON Exemption**

North Mississippi Ambulatory Center, LLC, proposes to provide ESWL services to its patients by utilizing the equipment controlled by Ohio Medical Lithotripsy, LLC, Ohio.

Ohio Medical Lithotripsy, LLC, was authorized by a Declaratory Ruling, dated April 19, 2005, to provide mobile ESWL services to North Mississippi Ambulatory Center, LLC.

**B. General Review (GR) Criteria**

Chapter 8 of the *Mississippi Certificate of Need Review Manual, (May 13, 2000 as amended)* addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

**GR Criterion 2 - Long Range Plan**

According to North Mississippi Ambulatory Surgery Center, LLC, its long range clinical service plan is dynamic in that the membership owners, consisting of physicians and North Mississippi Joint Ventures, are receptive to new technology and procedures capable of being performed in an outpatient environment and producing the very best outcomes achievable.

**GR Criterion 3 - Availability of Alternatives**

The applicant asserts that four options have been identified to address the clinical needs of patients having kidney stones, etc. They are: surgical removal, treatment delay, use of a fixed lithotripter at NMMC and use of a mobile lithotripter as proposed in the project. The applicant believes that the proposed lithotripter option offers advantages for outpatients.

**GR Criterion 4 - Economic Viability**

NMASC's proposed project will experience incomes of \$75,350 for year one, \$79,460 for year two and \$83,570 for year three of operation.

North Mississippi Ambulatory Surgery Center states that the proposed project will favorably compare to charges established by other facilities for similar services.

The applicant believes that the utilization of the lithotripter will be consistent with that experienced by similar facilities. The applicant's utilization forecast of 110 cases per year is consistent with the one identified outpatient provider in the service area.

**GR Criterion 5 - Need for the Project**

NMASC serves all of the population, including low income persons, racial and ethnic minorities, women, and handicapped persons. The applicant submits that the center provides services to any individual who comes to it in need of such services regardless of age, creed, sex, race, or ability to pay.

According to the applicant, Mississippi patients will benefit from the availability of up-to-date lithotripsy equipment, as proposed, especially in an outpatient environment. Cost saving, time away from job and difficulty of access will all be improved by the addition of the proposed lithotripsy equipment at NMASC.

The applicant believes that the final objective of the proposed project is to enable a pure outpatient environment at NMASC for patient convenience and cost savings.

The applicant projects the following:

	Year 1	Year 2	Year 3
<b>Number of Procedures</b>	110	116	122

The applicant believes that failure to implement this project will eliminate patient choice for an outpatient service and possibly result in higher cost. The long term care result will be another option for patient convenience and reduced cost leading to broader treatment of the service area population needs.

**GR Criterion 6 - Access to the Facility or Service**

As previously mentioned, NMASC serves all of the population, including low income, racial and ethnic minorities, women, and handicapped persons. The center provides services to any individual who comes to it in need of such services regardless of age, creed, sex, race or ability to pay.

The following table gives the percentage of gross patient revenue and actual dollar amount of health care provided to medically indigent patients for fiscal year ending September 30, 2004, at North Mississippi Ambulatory Surgery Center, LLC:

FY 2004	GPR	Charity	Percentage
<b>Amount</b>	\$12,550,454	\$363,113	2.9%

**GR Criterion 7 - Information Requirement**

According to the applicant, NMASC will record and maintain the information required by this criterion and make it available to the Mississippi Department of Health within 15 business days of request.

**GR Criterion 8 - Relationship to Existing Health Care System**

According to the **Plan**, General Hospital Service Area 1 has a total of six (6) ESWL units (four mobile, one fixed and one CON approved for mobile ESWL services). The four (4) existing mobile ESWL units performed a total of 275 ESWL procedures and the one fixed ESWL unit performed 460 ESWL procedures for FY 2003. The applicant believes that the impact on other providers of similar services in the area will be negligible.

**GR Criterion 9 - Availability of Resources**

The applicant asserts that the proposed mobile ESWL service will provide qualified technicians and the attending physician will be a member of the Urology, PA, a private physician practice. The applicant projects 0.20 full-time equivalent personnel at an estimated annual cost of \$10,000 for the proposed project.

According to the applicant, NMASC has available, or in the case of health personnel will obtain, adequate resources for continuation of clinical services and anticipated volume increases. NMASC prepares, maintains and adheres to a human resource development and

recruitment plan and a physicians recruitment plan to ensure adequate resources. In addition, the applicant experiences consistent staffing levels with a turnover rate lower than the industry average.

**GR Criterion 16 -Quality of Care**

North Mississippi Ambulatory Surgery Center, LLC is a licensed ambulatory surgery center. The center will be a new provider of mobile extracorporeal shock wave lithotripsy services.

This project should promote quality of care due to the availability of appropriate medical and support staff and equipment in providing ESWL service.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

This proposed project requires no capital expenditure.

**B. Method of Financing**

No financing is required for this project.

According to the applicant, the source of the initial operating capital for the proposed project is cash on hand.

**C. Effect on Operating Cost**

NMASC projects the following expenses, revenues, and utilization for the first three years of operation for the proposed project:

<b><u>EXPENSES</u></b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>
Total Expenses	\$ 232,650	\$ 245,340	\$ 258,030
<b><u>REVENUE</u></b>			
GROSS PAT. REVENUE	\$ 440,000	\$ 464,000	\$ 488,000
Deduction from GPR	\$ (132,000)	\$ (139,200)	\$ (146,400)
NET PAT. SVC. REV.	<u>\$ 308,000</u>	<u>\$ 324,800</u>	<u>\$ 341,600</u>
<b><u>NET INCOME (LOSS)</u></b>	<b><u>\$ 75,350</u></b>	<b><u>\$ 79,460</u></b>	<b><u>\$ 83,570</u></b>
* Cost per procedure	\$ 2,115	\$ 2,115	\$ 2,115
*Charge per procedure	\$ 4,000	\$ 4,000	\$ 4,000
Number of per procedures	\$ 110	\$ 116	\$ 122

Applicant projects approximately 2 percent of gross revenue for bad debt patients and 1percent for medically indigent and charity care patients.

**D. Cost to Medicaid/Medicare**

<b>Patient Mix by Type Payer</b>	<b>Utilization Percentage</b>	<b>First Year Expenses</b>
<b>Medicaid</b>	14%	\$32,571.00
<b>Medicare</b>	25%	\$58,162.50
<b>Private Pay</b>	1%	\$2,326.50
<b>Commercial</b>	<u>60%</u>	<u>\$139,590.00</u>
<b>TOTAL</b>	<u><b>100%</b></u>	<u><b>\$232,650.00</b></u>

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review. No comments from the Division of Medicaid have been received.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards contained in the *2005 State Health Plan*; the *Mississippi Certificate of Need Review Manual, (May 13, 2000 as amended)*; and duly adopted rules, procedures and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by North Mississippi Ambulatory Surgery Center, LLC for the provision of mobile ESWL services.