

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
MAY 2006**

**CON REVIEW: FSF-NIS-0306-008
HATTIESBURG CLINIC PROFESSIONAL ASSOCIATION
OFFERING OF DIAGNOSTIC CARDIAC CATHETERIZATION SERVICES
CAPITAL EXPENDITURE: \$-0-
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Hattiesburg Clinic Professional Association (Hattiesburg Clinic), a Mississippi corporation, is a physician-owned group practice with more than 180 physicians representing numerous medical specialties. Hattiesburg Clinic is governed by a fourteen-member Board of Directors, which are selected by the shareholders of Hattiesburg Clinic, and serve staggered three-year terms.

B. Project Description

Hattiesburg Clinic Professional Association requests Certificate of Need (CON) authority to offer diagnostic cardiac catheterization services on the campus of Forrest General Hospital (FGH), Hattiesburg. The applicant proposes to provide diagnostic cardiac catheterization services through an operating lease agreement with Forrest General Hospital. According to Hattiesburg Clinic, FGH currently offers comprehensive cardiovascular services through the operation of four cardiac catheterization laboratories and an open-heart surgery program. The applicant asserts that in an effort to continue to enhance the quality and efficiency of its heart program, FGH met and consulted with cardiologists affiliated with Hattiesburg Clinic. As a result of these meetings, both FGH and Hattiesburg Clinic determined that it would be desirable to develop a cardiac catheterization laboratory dedicated to diagnostic procedures on an outpatient basis. In order to accomplish this program, FGH and Hattiesburg Clinic have agreed to enter into an operating lease, in which Hattiesburg Clinic will lease from FGH one of the hospital's existing cardiac catheterization laboratories and related ancillary space. The applicant asserts that it will operate the leased laboratory exclusively for the offering of diagnostic cardiac catheterization services. The application contains a copy of the operating lease agreement between Hattiesburg Clinic and FGH and a letter expressing the intent of the hospital to lease an existing cardiac catheterization laboratory and related ancillary space for the proposed project.

Hattiesburg Clinic indicates that no capital expenditure is associated with this project. According to the applicant, the proposed project will be implemented within 30 to 90 days following CON approval.

According to the MDH Division of Health Facilities Licensure and Certification the existing site at FGH remains acceptable for continued use for the proposed project.

II. TYPE OF REVIEW REQUIRED

This project, which proposes the offering of diagnostic cardiac catheterization services, is reviewed in accordance with Section 41-7-191, subparagraphs (1) (d), (ii), and (g) of the 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 5, 2006.

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

A. State Health Plan (SHP)

The *FY 2006 State Health Plan* addresses policy statements and service specific criteria and standards which an applicant is required to meet before receiving CON authority to provide diagnostic cardiac catheterization services. This application is in substantial compliance with applicable criteria and standards. This proposal is for the provision of diagnostic cardiac catheterization services.

SHP Criterion 1 - Need

The applicant shall document a minimum population base of 100,000 in the CC/OHSPA where the proposed diagnostic cardiac catheterization equipment/service is to be located. Division of Health Planning and Resource Development population projections shall be used.

Hattiesburg Clinic is located in CC/OHSPA 6, which is made up of the following nine (9) counties: Covington, Forrest, Greene, Jasper, Jones, Lamar, Marion, Perry and Wayne. According to the 2010 Population Projections, these counties had a total 2010 projected population of 319,616.*

***Source:** Mississippi Population Projections for 2005, 2010, and 2015, Center for Policy Research and Planning, Mississippi Institutions of Higher Learning, March, 2002, herein after referred to as "2010 Population Projections"

The applicant states that the Hattiesburg Clinic physicians are members of the medical staff of FGH, and cardiologists affiliated with the clinic utilize FGH for most of their cardiac catheterization procedures. Hattiesburg Clinic and Forrest General Hospital share the same population base due to the close integration of professional and facility services provided by these institutions. The applicant asserts that the clinic operates satellite clinics in numerous surrounding communities, which evidences that Hattiesburg Clinic's network of professional services and patient population extend significantly beyond the borders of CC/OHSPA 6.

Hattiesburg Clinic further states that it is not proposing to add a cardiac catheterization laboratory to CC/OHSPA 6, rather an existing laboratory will be leased from FGH. The applicant expects that the proposal will realign existing services to provide more efficient patient care. Additionally, both Hattiesburg Clinic and Forrest General Hospital will continue to serve the existing patient population, utilizing the same number of cardiac catheterization laboratories that are currently approved and in operation.

SHP Criterion 2 – Minimum Procedures

This criterion requires that an applicant demonstrate utilization of a minimum of 300 procedures by the third year of operation.

Based on historical and projected utilization of diagnostic cardiac catheterization services, Hattiesburg Clinic projects that the proposed diagnostic cardiac catheterization laboratory will achieve 1,000 procedures in year one, 1,019 procedures in year two, and 1,038 procedures in year three of operation.

The following table indicates that FGH performed procedures in excess of the Hattiesburg Clinic's projections, utilizing four laboratories:

Forrest General Hospital
Cardiac Catheterization Procedures

Type Procedure	FY 2003	FY 2004
Adult Procedures	3,454	3,139
PTCA Procedures	1,379	1,149
Total Cardiac Cath Procedures	4,833	4,288

Source: *FY 2006 State Health Plan*

Based on information presented in the table above, FGH performed an average of 1,232 procedures per lab in FY 2003 and 1,072 procedures per lab in FY 2004.

SHP Criterion 3 – Impact on Existing Providers

This criterion requires that existing units within 45 miles performed a minimum of 450 procedures per year for the past two years.

There are currently two other providers within 45 miles of the proposed services in CC/OHSPA which offer cardiac catheterization services: the *Plan* shows that for FY 2003 Wesley Medical Center in Lamar County performed 1,077 diagnostic and 439 therapeutic cardiac cath, and South Central Regional Medical Center in Jones County performed 868 diagnostic cardiac cath procedures.

For FY 2004 Wesley Medical Center in Lamar County performed 992 diagnostic and 322 therapeutic cardiac cath, and South Central Regional Medical Center in Jones County performed 727 diagnostic cardiac cath procedures.

As previously mentioned, Hattiesburg Clinic does not propose to establish an additional catheterization laboratory within CC/OHSPA 6, but merely to lease an existing laboratory for dedicated outpatient diagnostic cardiac catheterization services.

The applicant asserts that based on the *Plan*, all the existing providers of cardiac catheterization services in CC/OHSPA 6 are performing at utilization levels in excess of the minimum threshold of 450 procedures, both diagnostic and therapeutic, as established in the *Plan*. The applicant believes that the proposed project will not have an adverse impact on any existing provider.

SHP Criterion 4 – Staffing Standards

According to the applicant, currently there are eleven (11) cardiologists affiliated with the Hattiesburg Clinic. These cardiologists will have an instrumental role in the proposed project, and in the development, operation and oversight of diagnostic cardiac catheterization services. Hattiesburg Clinic asserts that the physicians are highly skilled and experienced in

the provision of cardiology care and diagnostic cardiac catheterization services, and will provide and supervise the staff needed to meet all regulatory standards, including the guidelines required of this criterion. The applicant believes that the project will significantly elevate the quality of care provided to heart patients.

SHP Criterion 5 – Staffing Residency

According to the applicant, the cardiologists affiliated with Hattiesburg Clinic will perform the diagnostic cardiac catheterization procedures. The referenced cardiologists are members of the medical staff of FGH, and reside within 45 minutes normal driving time of the facility.

SHP Criterion 6 – Recording and Maintenance of Data

Hattiesburg Clinic affirms that it will record and maintain the requested information and make it available to the Mississippi Department of Health.

SHP Criterion 7 – Referral Agreement

Hattiesburg Clinic asserts that FGH will provide emergency cardiac services (including open heart surgical services) for the proposed diagnostic cardiac catheterization laboratory. This formal referral agreement will be in place and operational at the time of the effective date of the lease of the cardiac catheterization laboratory.

SHP Criterion 8 – Patient Selection

Hattiesburg Clinic certifies that therapeutic cardiac catheterization services will not be performed in the laboratory. The cardiologists and other professionals on the staff of Hattiesburg Clinic will coordinate and direct the establishment of protocols and procedures to insure that high-risk or unstable patients are not catheterized in the diagnostic cardiac catheterization laboratory.

SHP Criterion 9 – Regulatory Approval

By this application, Hattiesburg Clinic requests approval for the provision of diagnostic cardiac catheterization services through the lease of existing cardiac catheterization equipment at Forrest General Hospital, Hattiesburg.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 Revision*, addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

GR Criterion 1 – State Health Plan

The applicant asserts that the proposed project is in substantial compliance with all criteria, standards and policies of the *Plan*.

GR Criterion 2 - Long Range Plan

The applicant indicates that Hattiesburg Clinic's long-rang plan includes the enhancement of cardiology services through innovative clinical programs and outreach efforts. This project will further the goals and will benefit the residents of the area served by Hattiesburg Clinic and Forrest General Hospital.

GR Criterion 3 - Availability of Alternatives

According to the applicant, Hattiesburg Clinic considered the alternative of the development of a physically freestanding cardiology center. The applicant asserts that this alternative would be more costly by requiring a significant capital investment, which would add operating costs to the program. Additionally, a freestanding center may not comply with the *Plan's* requirements for cardiac catheterization laboratories to be located within an acute care hospital.

Hattiesburg Clinic asserts that it was determined and preferred to retain the current physical location of the cardiac catheterization laboratories with FHG, but realign the operations of the existing laboratories in order to establish a dedicated, outpatient, diagnostic cardiac catheterization unit. Both Hattiesburg Clinic and Forrest General Hospital believe that the arrangement as set forth in this proposal is the most efficient and cost-effective method of meeting the future needs of patients in need of cardiac catheterization services.

GR Criterion 4 - Economic Viability

Hattiesburg Clinic projects net incomes from operation to be \$783,826 the first year, \$793,780 the second year, and \$794,280 the third year after completion of this project.

- a. **Proposed Charges:** The applicant projects a cost of \$1,106 per procedure and a proposed charge of \$2,100. The applicant asserts that the proposed charges will be competitive with charges of other facilities offering these services within the service area. According to Hattiesburg Clinic, their clinic consulted with health care financial analysts affiliated with Southern Medical Corporation, in order to establish a charge structure which is competitive and cost effective.
- b. **Projected Levels of Utilization:** The applicant projects 1,000 procedures for year one, 1,019 for year two and 1,038 for the third year of operation for the proposal.
- c. **Financial Feasibility Study:** The capital expenditure for this proposal does not exceed \$2,000,000, therefore no financial feasibility study is required.

GR Criterion 5 - Need for Services

- a. **Access by the Population Served:** According to the applicant, the project will be accessible to all residents of the service area, including low income persons, racial and ethnic minorities, elderly, women, handicapped persons or any other under-served groups.
- b. **Relocation of Services:** This application is for the offering of diagnostic cardiac catheterization services through an operating lease between Hattiesburg Clinic and Forrest General Hospital. No relocation of the cardiac cath facility is proposed.

- c. **Current and Projected Utilization of Like Facilities:** The applicant indicates that the cardiac catheterization programs at Wesley Medical Center, South Central Regional Medical Center and Forrest General Hospital are operating at levels in excess of the optimum utilization threshold established in the *FY 2006 State Health Plan*. This project does not propose the addition of a cardiac catheterization laboratory, but merely the lease of an existing laboratory from FHG and operation at its current location. The applicant believes that there is will be no adverse impact to other health care facilities or services as a result of the proposed project.
- d. **Probable Effect on Existing Facilities:** The applicant anticipates no adverse impact or effect on existing facilities or services providing diagnostic cardiac catheterization services. The proposed project does not involve the establishment of an additional cardiac catheterization laboratory within the service area.
- e. **Community Reaction:** According to Hattiesburg Clinic, the proposal is designed to meet the needs of the communities served by the Hattiesburg Clinic and Forrest General Hospital. The application contains 36 letters of support for the proposed project.

GR Criterion 6 - Access to the Facility or Service

- a. **Medically Underserved Population:** According to the applicant, Hattiesburg Clinic does not discriminate against the poor, the handicapped, women, the elderly or members of racial and ethnic minorities. The Clinic historically has served and will continue to serve medically under-served populations. These patients will have access to the services offered by Hattiesburg Clinic.
- b. **Performance in Meeting Federal Obligations:** The applicant asserts that the Hattiesburg Clinic is a physician owned group practice, which does not have any current obligations regarding the provision of uncompensated care or community service. The applicant asserts that the Hattiesburg Clinic complies with all applicable federal and state laws and regulations governing the services provided by the Clinic.
- c. **Unmet Needs to be Served by Applicant:** The applicant asserts that it currently serves Medicare, Medicaid and medically indigent patients, and will continue to provide health care services to this group.
- d. **Range of Access:** The applicant asserts that the Hattiesburg Clinic provides health care services without regard to physical condition, age, race or ethnic background.

GR Criterion 7 - Information Requirement

The applicant affirms that it will record and maintain the requested information stated in the above criterion and make it available to the Mississippi Department of Health within 15 days of request.

GR Criterion 8 - Relationship to Existing Health Care System

Hattiesburg Clinic believes that the project will enhance the heart program at Forrest General Hospital by reconfiguring the offering of diagnostic cardiac catheterization services within the

facility. As a result of the proposed project, the staff in both the hospital cardiac catheterization laboratories and the proposed Hattiesburg Clinic laboratory will achieve increased proficiencies. Both FGH and the Hattiesburg Clinic will be able to allocate appropriate staff and resources to their respective cardiac catheterization laboratories, thereby enhancing patient care.

The project is not expected to have an adverse effect on the existing health care providers.

The Department received no letters of opposition for the proposed project.

GR Criterion 9 - Availability of Resources

Hattiesburg Clinic asserts that the proposed project will require the hiring of 7.5 full-time equivalent personnel at an estimated annual cost of \$400,000. The applicant states that it has sufficient management, physicians and financial resources necessary to implement this project. Additionally, the Hattiesburg Clinic will use Southern Medical Corporation as a resource in the development of the proposed program.

GR Criterion 16 - Quality of Care

The applicant asserts that the Hattiesburg Clinic and Forrest General Hospital offer high quality patient care. FGH is in compliance with *the Minimum Standards of Operation for Mississippi Hospitals* according to the Division of Health Facilities Licensure and Certification, and accredited by the Joint Commission on Accreditation of Healthcare Organizations. Physicians affiliated with Hattiesburg Clinic are licensed by the Mississippi State Board of Medical Licensure, and are highly skilled to provide professional services in a variety of medical specialties.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The applicant indicates that no capital expenditure is associated with this project.

B. Method of Financing

This project requires no financing.

C. Effect on Operating Cost

The applicant projects the following revenues, expenses, and utilization for the first three years of operation:

	Year 1	Year 2	Year 3
<u>Revenue</u>			
Patient Revenue	\$ 2,100,000	\$ 2,140,000	\$2,180,000
Deductions	\$ 210,000	\$ 214,000	\$ 218,000
Net Pt. Revenue	\$ 1,890,000	\$ 1,926,000	\$1,962,000
<u>Expenses</u>			
Salaries, Wages & Benefits	\$ 400,000	\$ 420,000	\$ 441,000
Space Lease	\$ 112,500	\$ 112,500	\$ 112,500
Equipment Lease	\$ 156,720	\$ 156,720	\$ 156,720
Professional Fees	\$ 122,974	\$ 125,000	\$ 130,000
Non Medical Supplies & Misc. Expenses	\$ 39,180	\$ 40,000	\$ 42,500
Medical Supplies	\$ 274,800	\$ 278,000	\$ 285,000
Total Expenses	\$ 1,106,174	\$ 1,132,220	\$1,167,720
Net Income	\$ 783,826	\$ 793,780	\$ 794,280
<u>Utilization</u>			
Number of Procedures	1,000	1,019	1,038
Cost/Procedure	\$ 1,106	\$ 1,111	\$ 1,125
Charge/Procedure	\$ 2,100	\$ 2,100	\$ 2,100

D. Cost to Medicaid/Medicare

Payor	Utilization Percentage	First Year Cost
Medicaid	10	\$ 110,618
Medicare	60	\$ 663,704
Other	30	\$ 331,852
Total	100	\$1,106,174

The applicant projects 7.2 percent of gross patient revenue to be provided to bad debt, medically indigent and charity patients.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. However, no comments were received.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the provision of diagnostic cardiac catheterization services as contained in the *FY 2006 State Health Plan*, the *Certificate of Need Review Manual, Revised 2000*; and all adopted rules, procedures and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this cardiac catheterization services.