

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
FEBRUARY 20, 2017**

**CON REVIEW: ESRD-ES-0117-001  
RENAL CARE GROUP TUPELO, LLC D/B/A RCG SARDIS  
EXPANSION OF ESRD STATIONS AT EXISTING ESRD FACILITY  
CAPITAL EXPENDITURE: \$761,103.60  
LOCATION: TUPELO, PANOLA COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**PROJECT SUMMARY**

**A. Applicant Information**

Renal Care Group Tupelo, LLC d/b/a RCG Sardis is a business corporation. The applicant indicates that Renal Care Group Tupelo, LLC d/b/a RCG Sardis is governed by two Board of Directors and fourteen officers.

The applicant provided a Certificate from the Secretary of State, verifying that the corporation was issued a Charter/Certificate of Authority on December 1, 2001. 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**

Briefly, Renal Care Group Tupelo, LLC d/b/a RCG Sardis operates a twenty-four (24) station End Stage Renal Disease (ESRD) facility in Panola County. The applicant states due to the increase in patient volume, the proposed expansion to the existing facility by six (6) ESRD stations will result in a thirty (30) station ESRD facility.

The applicant states it will expand its existing facility by approximately 1,656 square feet to accommodate the proposed ESRD station expansion. The applicant states a developer will incur the cost of the shell expansion, while the applicant will incur the costs of the interior build-out.

The applicant includes a capital expenditure summary and consolidated financial statements. The applicant provided a schematic drawing to show how the proposed building will look. The applicant received site approval on January 17, 2017 from the Mississippi State Department of Health, Bureau and Health Facilities, Division of Health Facilities Licensure and Certification.

Renal Care Group Tupelo, LLC d/b/a RCG Sardis proposes to fund the project with cash reserves. The applicant states the money will be obligated within six (6) months of final CON approval. The applicant states the proposed expansion project will be complete within one year of construction date.

## II. TYPE OF REVIEW REQUIRED

The Department reviews projects for the establishment of an end stage renal disease facility 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. However, the proposed project is for the expansion of an existing ESRD facility.

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 10 days of the publication of the Staff Analysis. The opportunity to request a hearing expires on March 2, 2017.

## 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 facility; however the proposed project is for the expansion of an existing ESRD facility. This application is in substantial compliance with applicable criteria and standards.

**Policy Statement No. 12 of the 2015 State Health Plan** states that any “Existing ESRD facilities may add ESRD stations without Certificate of Need review, as long as the facility does not add, over a period of two (2) years, more than the greater of four (4) stations or 15% of the facility’s current number of certified stations. The applicant proposes to add six (6) ESRD stations, which is four more than the requirement listed under Policy Statement 12.

#### **The Establishment of an ESRD Facility**

##### **SHP Criterion 1- Establishment of New ESRD Facility**

*State Health Plan Need Criterion 1* is not applicable to the proposed project. The proposed project is for the expansion of an existing ESRD facility.

##### **SHP Criterion 2- Expansion of Existing ESRD Facilities**

The *FY 2015 MSHP* states: “In the event that an existing ESRD facility proposes to add more than the greater of four (4) stations or 15% of the facility’s current number of certified stations within a two-year period, then the facility must apply for a certificate of need, and shall document that it has maintained a minimum annual utilization rate of 65% for the 12 months prior to the month of the submission of the CON application. NOTE: ESRD Policy Statements 2, 4, 5 and 6, and Need Criterion 1, do not apply to applications for the expansion of existing ESRD facilities”.

The applicant provided verification to show that Renal Care Group Tupelo, LLC d/b/a RCG Sardis has maintained a minimum annual utilization rate of 65% for the 12 months (November 2015 – November 2016) prior to the month of the submission of the CON application. Based on the ESRD data provided, Renal

Care Group Tupelo, LLC d/b/a RCG Sardis utilization is 75.50% for the 12 months referenced above. The applicant also provided updated utilization from January – December 2016 and the utilization is 75.87%. Thus, the applicant meets the minimum annual utilization rate of 65%.

The proposed project is seeking to expand the facility by six (6) ESRD stations. Renal Care Group Tupelo, LLC d/b/a RCG Sardis states because of its request for additional ESRD stations is greater than four (4) and 15% of the applicant's current certified ESRD station number, the applicant filed a CON application.

### **SHP Criterion 3- Need for Establishment of ESRD Satellite Facilities**

*State Health Plan Need Criterion 3* is not applicable to the proposed project. The proposed project is for the expansion of an existing ESRD facility.

### **SHP Criterion 4 - Number of Stations**

Renal Care Group Tupelo, LLC d/b/a RCG Sardis is an existing ESRD facility and it currently has twenty-four (24) hemodialysis ESRD stations.

### **SHP Criterion 5 - Minimum Utilization**

The proposed project is not requesting to establish a new ESRD facility; thus, Policy Statement Number 10 is not applicable to the CON application.

### **SHP Criterion 6 - Minimum Services**

Renal Care Group Tupelo, LLC d/b/a RCG Sardis affirms that the facility will provide, at a minimum, social, dietetic and rehabilitative services. The applicant asserts rehabilitative services will be provided on a referral basis.

### **SHP Criterion 7 - Access to Needed Services**

Renal Care Group Tupelo, LLC d/b/a RCG Sardis will provide reasonable access to equipment and facilities for such needs as vascular access and transfusions required by stable maintenance ESRD patients.

### **SHP Criterion 8 - Hours of Operation**

Renal Care Group Tupelo, LLC d/b/a RCG Sardis affirms that it will operate Monday, Wednesday and Friday 6:00 a.m. to 9:00 p.m. and Tuesday, Thursday and Saturday 6:00 a.m. to 4:30 p.m.. The applicant states alternate times are available by arrangement.

### **SHP Criterion 9 - Home Training Program**

Renal Care Group Tupelo, LLC d/b/a RCG Sardis affirms that home training program is available for medically eligible patients and that the facility counsels all patients on the availability of and eligibility requirements to enter the home/self-dialysis program.

**SHP Criterion 10 - Indigent/Charity Care**

The applicant affirms that they will provide a reasonable amount of indigent/charity care and that it will continue to provide a reasonable amount of indigent/charity care after the expansion take place.

**SHP Criterion 11 - Facility Staffing**

The applicant included a list of required staff by category, position qualification guidelines (minimum education and experience requirements) and lists a description of the specific duties. The applicant states that the FTEs (Full-Time Equivalents) or personnel will increase to 3.0 FTEs and will be required for the proposed project. The annual cost of personnel will be \$290,872.00.

**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 affirms 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 affirms 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 asserts that it will provide an ongoing training in dialysis techniques for nurses and technicians at the satellite facility.

**SHP Criterion 16 -Scope of Privileges**

The applicant affirms 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.

**SHP Criterion 17 - Affiliation with a Renal Transplant Center**

The applicant affirms that they have an existing Renal Transplant Agreement with University Medical Center and Methodist University Hospital will make their services available for either cadaveric or living related transplants for ESRD patients of the Renal Care Group Tupelo, LLC d/b/a RCG Sardis.

**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 in compliance with the overall objectives of the *FY 2015 State Health Plan*.

**GR Criterion 2 – Long Range Plan**

The applicant's long range plan is to provide high quality, easy access ESRD services for those residents in need of dialysis services near Sardis and around Panola County.

**GR Criterion 3 – Availability of Alternatives**

The applicant states the other alternatives would be to relocate the facility to a different location to accommodate its patient's growth or to open a satellite facility. The applicant asserts it considered simply expanding by the 4/15% rule, but because the applicant anticipates needing more than four (4) stations the applicant determined it was more practical undertake the expansion all at once, both for construction as well as certification by Licensure.

The applicant states the proposed six ESRD station expansion would not be duplication of services; as the ESRD residents in and around Panola County need accessibility to the dialysis treatment services provided by the applicant. Also, the utilization rate supports the increase in the station authority.

The applicant states by increasing the number of ESRD stations, patients will be able to have access to more time slots to receive treatments. The goal is to reduce the number of missed appointments, so that the ESRD patients in the area are receiving the best quality of care possible.

**GR Criterion 4 – Economic Viability**

The applicant affirms that the proposed project will not increase dialysis costs for the patients or Medicaid. The applicant states the affiliation with the Fresenius network and its integrated delivery system ensures that there will not be negative effect on the healthcare costs associated with this project.

The applicant asserts it has the financial strength to operate at a loss, if necessary.

**GR Criterion 5 – Need for Project**

- a. **Access by Population Served:** The applicant states that dialysis services will be offered to all ESRD patients, low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups and the elderly.

- b. Relocation of Services:** The proposed project is not for the relocation of a facility or services
- c. Utilization of Facilities:** The *FY 2015 MSHP* shows that RCG of Oxford is the only other ESRD facility within thirty (30) miles of the applicant's service area. The applicant states with the additional six (6) ERSD stations, it will result in more desirable treatment slot times. Also, the facility anticipates a slight increase in patients seeking more convenient treatment times and access to treatment.
- d. Probable Effect on Existing Facilities in the Area:** As previously stated, the applicant affirms this proposed project is not to increase utilization but to provide a better facility with additional time slots for the patients to receive necessary dialysis treatment at Renal Care Group Tupelo, LLC d/b/a RCG Sardis.
- e. Community Reaction:** The application contained 48 letters of support for the proposed project from the patients who are serviced at the Renal Care Group Tupelo, LLC d/b/a RCG Sardis.

No letters of opposition for the proposed project were received by the Department.

**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:

<b>Projected Year</b>	<b>Medically Indigent *</b>	<b>Total Dollar Amount of Gross Patient Revenue</b>
1	2%	\$6,074.64
2	2%	\$6,258.20

\*Patients without a payor source during a 90 day waiting period are considered medically indigent.

Renal Care Group Tupelo, LLC d/b/a RCG Sardis affirms that it will operate Monday, Wednesday and Friday 6:00 a.m. to 9:00 p.m. and Tuesday, Thursday and Saturday 6:00 a.m. to 4:30 p.m.. The applicant states alternate times are available by arrangement.

**GR Criterion 7 – Information Requirement**

The applicant affirms 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 affirms that Renal Care Group Tupelo, LLC d/b/a RCG Sardis is the only ESRD facility in its ESRD Facility Service Area. The facility is located thirty (30) miles radius of an existing or proposed ESRD facility. The applicant states the next closest facility is RCG of Oxford, which is located approximately twenty-nine (29) miles from the applicant.

### **GR Criterion 9 – Availability of Resources**

Renal Care Group Tupelo, LLC d/b/a RCG Sardis has the personnel necessary for efficient operation of it facility. Also, North Mississippi will supplement and share personnel form other affiliated facilities. The applicant affirms it has presence in the area has allowed it to establish relationship with nearby nephrologists who will support the proposed expansion at Renal Care Group Tupelo, LLC d/b/a RCG Sardis.

### **GR Criterion 10– Relationship to Ancillary or Support Services**

The applicant affirms that all necessary ancillary and support services will be available. Also, due to the relationship with Fresenius and the surrounding medical community, all ancillary services will be sufficiently available including laboratory services, drugs, and any other necessary services related to the method in, which patients choose to receive dialysis.

### **GR Criterion 11– Health Professional Training Programs**

Renal Care Group Tupelo, LLC d/b/a RCG Sardis asserts the facility presently cooperates and coordinates with area health professional training programs in the surrounding area.

### **GR Criterion 12- Access by Health Professional Schools**

The applicant states they will cooperate with the clinical needs of health professional training programs in the area.

### **GR Criterion 14– Construction Projects**

The applicant is proposing to expand its host/main ESRD facility by six (6) ESRD stations; however, the proposed project does require construction to expand the existing ESRD facility and renovation (build-out) of the additional square feet.

### **GR Criterion 16– Quality of Care**

The applicant states as previously discussed, this proposed project will give its ESRD patients enhance quality of care at its existing facility by offering more opportunities for dialysis treatment times at its facility.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

<b>Cost Item</b>	<b>Projected Cost</b>	<b>Percentage% of Total</b>
Construction Cost - New	\$397,440	52.21%
Construction Cost - Renovation	\$0	0%
Capital Improvements	\$0	0%
Total Fixed Equip Cost	\$250,000	32.84%
Total Non-Fixed Equip Cost*	\$18,900	2.42%
Land Cost	\$0	0%
Site Prep Cost	\$0	0%
Fees – architectural/engineering	\$35,770	4.69%
Contingency Reserve	\$39,744	5.22%
Capitalized Interest	\$0	0%
Other	\$19,250	2.52%
<b>Total Proposed Expenditures</b>	<b>\$761,104</b>	<b>99.96% or 100.00%</b>

The Department has determined that a financial feasibility study is not necessary for the proposed project.

**B. Method of Financing**

The applicant affirms that the project will be financed from cash reserves.

**C. Effect on Operating Cost**

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses, and net income are shown in Attachment 1. Utilization, cost, and charges are also included in the applicant's Three-Year Projected Operating Statement (see Attachment 1).

**D. Cost to Medicaid/Medicare**

In the application Renal Care Group Tupelo, LLC d/b/a RCG Sardis provides the following revenue source projections for each payer category listed below.

<b>RCG Tunica, LLC d/b/a Tunica Dialysis</b>		
<b>Payor</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
<b>Medicaid</b>	6.00%	\$67,048.00
<b>Medicare</b>	78.00%	\$878,712.00
<b>Self Pay</b>	0.00%	\$800.00
<b>Commercial</b>	11.00%	\$123,671.00
<b>Charity</b>	0.00%	\$0
<b>Other</b>	5.00%	\$60,746.00
<b>Total</b>	<b>100%</b>	<b><u>\$1,130,977.00</u></b>



**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. The Division asserts that no foreseeable increase in allowable costs to Medicaid will result as it relates to the proposed project. The Department of Medicaid does not oppose this project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the establishment of a satellite ESRD facility as contained in the *FY 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.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Renal Care Group Tupelo, LLC d/b/a RCG Sardis for the expansion of ESRD stations by six (6) at its existing facility

**Attachment 1  
Renal Care Group Tupelo, LLC d/b/a RCG Sardis  
Three-Year Operating Statement (Project Only)**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$ 0	\$ 0	\$ 0
Outpatient Revenue	1,130,977	1,147,940	1,165,156
<b>Gross Patient Revenue</b>	<b>\$ 1,130,977</b>	<b>\$ 1,147,940</b>	<b>\$ 1,165,156</b>
Charity	\$ 0	\$ 0	\$ 0
Deductions from Revenue	0	0	0
<b>Net Patient Care Revenue</b>	<b>\$ 1,130,977</b>	<b>\$ 1,147,940</b>	<b>\$ 1,165,156</b>
Other Operating Revenue	\$ 0	\$ 0	\$ 0
<b>Total Operating Revenue</b>	<b>\$ 1,130,977</b>	<b>\$ 1,147,940</b>	<b>\$ 1,165,156</b>
<b>Operating Expenses</b>			
Salaries	\$ 228,979	\$ 232,413	\$ 235,899
Benefits	61,893	62,821	63,763
Supplies	219,469	222,761	226,102
Services	0	0	0
Lease Expenses	16,100	16,100	16,100
Depreciation	83,314	83,314	83,314
Interest	0	0	0
Other	160,024	162,424	164,860
<b>Total Operating Expenses</b>	<b>\$ 769,779</b>	<b>\$ 779,833</b>	<b>\$ 790,038</b>
<b>Net Operating Income</b>	<b>\$ 361,198</b>	<b>\$ 368,107</b>	<b>\$ 375,118</b>
	<b>Proposed Year 1</b>	<b>Proposed Year 2</b>	<b>Proposed Year 3</b>
Inpatient Days	0	0	0
Outpatient Visits	0	0	0
Procedures	2,808	3,650	4,212
Charge per Outpatient Day	\$ 0	\$ 0	\$ 0
Charge per Inpatient Day	\$ 0	\$ 0	\$ 0
Charge per Procedure	\$ 403	\$ 315	\$ 277
Cost per Inpatient Day	\$ 0	\$ 0	\$ 0
Cost per Outpatient Day	\$ 0	\$ 0	\$ 0
Cost per Procedure	\$ 247	\$ 214	\$ 188