

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
JANUARY 20, 2023**

**CON REVIEW NUMBER: ASC-NIS-1222-018
SOUTH SUNFLOWER SURGICAL CENTER
ESTABLISHMENT OF MULTI-SPECIALTY AMBULATORY SURGERY CENTER
CAPITAL EXPENDITURE: \$3,091,480.00
LOCATION: INDIANOLA, SUNFLOWER COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Strategic Solutions, LLC is a Mississippi limited liability company located at 778 Liberty Road, Suite B, Flowood, Mississippi (“Strategic Solutions”, or the “Applicant”). Strategic Solutions proposes to establish a new multi-specialty ambulatory surgery center (“ASC”) to be located at 221 Baker Street, Indianola, Mississippi 38751. According to the Applicant, the ASC is a joint venture between South Sunflower County Hospital and Strategic Solutions, LLC. According to the application, the ownership structure of the ASC consists of the following: Strategic Solutions, LLC - fifty percent (50%); Physician Partners - forty percent (40%); and South Sunflower County Hospital – ten percent (10%). Strategic Solutions, LLC, which consist of four (4) members, will manage and operate the ASC. Strategic Solutions states once the certificate of need is issued, a new LLC will be formed as the basis of ownership for the multi-specialty ASC in Indianola, Mississippi. The application contains a Certificate of Good Standing, dated September 19, 2022, from the Office of the Secretary of State, certifying the entity is in good standing to do business in Mississippi.

B. Project Description

Strategic Solutions, LLC requests certificate of need (“CON”) authority for the establishment of a multi-specialty ambulatory surgery center. The Applicant states the proposed ASC will be called South Sunflower Surgical Center (“SSSC”). The Applicant states SSSC will be a community centered multi-specialty ASC designed to offer surgical services not currently available within Ambulatory Surgery Planning Area (“ASP”) 3. The Applicant affirms South Sunflower County Hospital will be an owner in South Sunflower Surgical Center.

The project entails the construction of a 10,890 square foot facility to be located at 221 Baker Street, Indianola, Mississippi, on property owned by the South Sunflower County Hospital District. According to the Applicant, South Sunflower will be designed as a three (3) operating room facility that offers the following services: general surgery, pain management, vascular surgery, otolaryngology, gynecology, urology, and gastroenterology. The Applicant states its intent is to

provide a reasonable amount of charity and/or indigent care to the population it serves. According to the Applicant, currently there are no free-standing ASCs in ASPA 3. However, the Applicant anticipates the facility will cause a significant infusion of advanced health care and/or additional referrals to the existing healthcare base in ASPA 3.

The Applicant further states it is their intention to provide financially sustainable healthcare services to the community by employing dedicated and compassionate staff focused on providing quality patient care and superior customer service. The Applicant estimates it will hire 20.0 full-time equivalent (FTE) personnel during the first year of the project at an estimated cost of \$660,000.00. The Applicant projects a total capital expenditure of \$3,091,480.00 as itemized in Section IV of this Staff Analysis. Strategic Solutions expects the capital expenditure will be obligated by January 2023 or upon CON approval with the project expected to be complete by December 2023.

The application contains a letter dated December 13, 2022, documenting the Mississippi State Department of Health ("MSDH"), Division of Health Facilities Licensure and Certification's approval of the site for the new ambulatory surgery center.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Sections 41-7-173, 41-7-191(1)(d) and 41-7-193 of the Mississippi Code of 1972 Annotated, as amended, and the duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. MSDH will also review applications for a CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision*; all adopted rules, procedures, plans, criteria, and standards of MSDH; and the service specific criteria and standards listed below. MSDH reviews projects for the provision of ambulatory surgery 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 of 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 January 30, 2023.

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

A. State Health Plan (SHP)

The *FY 2022 Mississippi State Health Plan* contains policy statements, criteria,

and standards which the Applicant is required to meet before receiving CON authority for the establishment of an ambulatory surgical facility. This application is in substantial compliance with the applicable policy, criteria and standards stated in the *Plan*.

Policy Statement Regarding Certificate of Need Applications for the Establishment of Ambulatory Surgery Services

1. **Ambulatory Surgery Planning Areas (ASPAs):** MSDH shall use the Ambulatory Surgery Planning Areas as outlined on Map 7-1 of the *MS State Health Plan* for planning and CON decisions. The need for ambulatory surgery facilities in any given ASPA shall be calculated independently of all other ASPAs.

The Applicant affirms this project is for Ambulatory Surgery Planning Area III ("ASPAs 3"), which to their knowledge, does not contain any multi-specialty ambulatory surgery centers.

2. **Ambulatory Surgery Facility Service Areas:** An Applicant's Ambulatory Surgery Facility Service Area must have a population base of approximately 60,000 within thirty (30) minutes normal driving time or twenty-five (25) miles, whichever is greater, of the proposed/established facility. Note: Licensure standards require a freestanding facility to be within fifteen (15) minutes traveling time of an acute care hospital and a transfer agreement with said hospital must be in place before a CON may be issued. Additionally, the ambulatory surgery facility service area must have a stable or increasing population.

The Applicant proposes the establishment of a multi-specialty ASC for ASPA 3. The Applicant submitted documentation which indicates a population base greater than 60,000, within a 30-minute normal drive time. The Applicant acknowledges there is no documented population increase for ASPA 3; however, the Applicant states census data demonstrates a stable population and notes there has not been a significant decrease in population over the last three (3) years.

3. **Definitions:** The Glossary of the *Mississippi State Health Plan* includes the definitions in the state statute regarding ambulatory surgery services.

The Applicant acknowledges this Policy Statement.

4. **Surgeries Offered:** MSDH shall not approve single service ambulatory surgery centers. Only multi-specialty ambulatory surgery service proposals may be approved for a CON.

The Applicant states the proposed application is for a multi-specialty ambulatory surgery center, offering a full range of surgical services in

general surgery. The Applicant further states the services offered will be general surgery, vascular surgery, pain management, gynecology, and urology.

5. **Minimum Surgical Operations:** The minimum of 1,000 surgeries required to determine need is based on five surgeries per operating room x five (5) days per week x fifty (50) weeks per year x eighty percent (80%) utilization rate.

The Applicant states the proposed ASC will consist of a three (3) operating room facility, and its physician partners are committed to performing a combined minimum of 3,000 surgeries per year which meets the present criteria.

6. **Present Utilization of Ambulatory Surgery:** MSDH shall consider the utilization of existing services and the presence of valid CONs for services within a given ASPA when reviewing CON applications.

The Applicant submits there are no existing multi-specialty ambulatory surgery centers in ASPA 3. In addition, the Applicant states SSSC will offer surgeries currently not available in the area.

7. **Optimum Capacity:** The optimum capacity of an ambulatory surgery facility is 800 surgeries per operating room per year. MSDH shall not issue a CON for the establishment or expansion of an additional facility(ies) unless the existing facilities within the ASPA have performed in aggregate at least 800 surgeries per operating room per year for the most recent twelve (12) month reporting period, as reflected in data supplied to and/or verified by MSDH. MSDH may collect additional information it deems essential to render a decision regarding any application. Optimum capacity is based on four (4) surgeries per operating room per day x five (5) days per week x fifty (50) weeks per year x eighty percent (80%) utilization rate.

The Applicant acknowledges the above policy statement. However, the Applicant notes there are currently no multi-specialty ambulatory surgery centers within ASPA 3. The Applicant states, by offering surgical services in an ASC setting, healthcare will be provided more efficiently and at a reduced cost.

8. **Conversion of Existing Service:** Applicants proposing the conversion of existing inpatient capacity to hospital ambulatory facility located within the hospital shall receive approval preference over detached or freestanding ambulatory surgery facilities if the conversion is less costly than new construction and if the application substantially meets the other adopted criteria.

This policy statement is not applicable to the proposed project.

9. **Construction of Existing Service:** Any applicant proposing to construct a new facility or major renovation to provide ambulatory surgery must propose to build/renovate no fewer than two (2) operating rooms.

The Applicant states the ASC will have three (3) operating rooms.

10. **Indigent/Charity Care:** The applicant shall be required to provide a “reasonable amount” of indigent/charity care as described in Chapter 1 of the Plan.

The Applicant affirms their facility intends to offer a minimum of five percent (5%) indigent/charity care.

Certificate of Need Criteria and Standards for the Establishment of Ambulatory Surgery Services

SHP Criterion 1 – Minimum Surgeries

The Applicant states it will operate a three (3) operating room facility, and its physician partners are committed to performing a combined minimum of 3,000 surgeries per year. The application contains affidavits from five (5) physicians indicating their commitment to perform a combined total of 3,050 surgeries at the proposed ASC in Indianola.

SHP Criterion 2 – Minimum Population

The Applicant states, based on current census data, the counties within ASPA 3 have a total population of roughly 177,153. The Applicant states, per its research (*application contained exhibits pertaining to population and distance*), Humphrey County’s population of 7,551, Washington County’s population of 43,687, Leflore County’s population of 27,557, and Sunflower County’s population of 25,402 bring the total population, within thirty (30) minutes normal driving time from the ASC, to 104,197. This exceeds the minimum population requirement of 60,000 by 44,197. The Applicant states the current census data suggests the area has a stable population.

According to the *FY 2022 Mississippi State Health Plan*, ASPA 3 has a projected population for FY 2025 of 184,171, indicating a projected increase in population from the current reported census population of 177,153.

SHP Criterion 3 – Present Utilization of Ambulatory Surgery Services

According to the *FY 2022 Mississippi State Health Plan*, there are no existing freestanding multi-specialty ambulatory surgery centers in ASPA 3.

SHP Criterion 4 – Affirmation of Provision of Surgical Services

The Applicant affirms SSSC will offer a full range of surgical services in general surgery. The Applicant states the services it intends to offer are general surgery, vascular surgery, pain management, gynecology, and urology.

SHP Criterion 5 – Financial Feasibility

The Applicant submits the financial tables demonstrate that SSSC will be economically viable within three (3) years of commencement of service. According to the Applicant's Income Statement, the Applicant projects a net operating income of \$6,862,913.00 in the third year of operation.

SHP Criterion 6 – Letters of Support

The application contains fourteen (14) letters of support from health facilities, health care providers, and community leaders. The application also contained affidavits from five (5) physicians indicating their commitment to perform a combined total of 3,050 surgeries at the proposed ASC.

SHP Criterion 7 – Staffing Standards

The Applicant states, in accordance with state staffing requirements, Strategic Solutions will require all staff to live within a twenty-five (25) mile radius of the facility.

SHP Criterion 8 – Transfer Agreements/Follow-up Services

The Applicant submitted a formal patient transfer agreement made and entered into by and between South Sunflower County Hospital and South Sunflower Surgical Center.

SHP Criterion 9 – Indigent/Charity Care

Strategic Solutions certifies its facility intends to offer a minimum of five percent (5%) indigent/charity care. The Applicant submitted documentation of the facility's proposed patient admissions policy.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2019*, 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* policies, criteria and standards governing the establishment of an Ambulatory Surgical Facility.

GR Criterion 2 – Long Range Plan

The Applicant states the proposed plan for this project is to build, develop, and sustain a multi-specialty ambulatory surgery center with the sole focus to provide community-centered care in the vastly underserved Mississippi Delta. The Applicant asserts the planning process for this project included lengthy discussions with hospital administration, participating physicians, and the management team within Strategic Solutions. The Applicant submits it has consulted with healthcare attorneys, accountants, physicians, and local and state officials to determine the need and viability of this project.

The Applicant further states the proposed planning area does not have an existing multi-specialty ambulatory surgery center, which forces patients to access outpatient (minor, same day) surgical services in the hospital or other areas of the state or outside of the state. Strategic Solutions asserts this creates a huge financial burden on the patient. The Applicant indicates it is Strategic Solutions' intention to develop SSSC and provide advanced outpatient modalities for many years to come. The Applicant further indicates, without this new facility, it would be impossible to achieve its stated objectives and would leave the community without a viable option to gain access to this level of care.

GR Criterion 3 – Availability of Alternatives

- a. **Advantages and Disadvantages:** The Applicant states there are currently no alternative approaches available to fit the proposed goal of patient care and access in ASPA 3. Furthermore, the Applicant states the only other approach would be to abandon the project and not allow patients access to this resource.
- b. **New Construction Projects:** The Applicant states South Sunflower County Hospital does not have existing space available to house the proposed ASC. In addition, the Applicant notes South Sunflower County Hospital does not have additional space available to modernize the hospital for purposes of this project. Therefore, the Applicant submits construction of a new facility is the only alternative available to accomplish the goal of the project.
- c. **Beneficial Effects to the Health Care System:** The Applicant states Strategic Solutions has chosen to build a new facility because renovation of an existing facility is not a viable option. The Applicant states ambulatory surgery centers benefit patients by providing easier access to care,

reduced risk of infection and cost-effective alternatives to inpatient care. The Applicant suggests, based upon research conducted by the Ambulatory Surgery Center Association, the benefits that ASCs provide to the healthcare system as a whole are multi-faceted. The Applicant notes given the financial impact that ASCs have already demonstrated on the healthcare system, the Mississippi Delta will not only benefit from a multi-specialty ASC, but the project will also bring cutting edge healthcare to a currently archaic system.

- d. **Effective and Less Costly Alternatives:** Strategic Solutions asserts it is unaware of any less costly alternatives.
 - i. **Unnecessary Duplication of Services:** The Applicant states the services that will be offered at this facility are not currently available to the patient population within ASPA 3. Additionally, the Applicant states that there are no other multi-specialty ambulatory surgery centers in ASPA 3.
 - ii. **Efficient Solution:** The Applicant asserts patients currently must travel out of state or long distances within the state to receive the care SSSC will provide. Therefore, the Applicant believes SSSC will offer patients more convenient access to advanced interventional healthcare.
- e. **Improvements and Innovations:** The Applicant states the services offered in the ASC setting are more convenient for the patient, are performed at a lower cost than in-patient care in a hospital setting, and allows the local hospital to focus on the acute care needs of the current patient population.
- f. **Relevancy:** Strategic Solutions states, over the last few years, the CMS fee schedule has demonstrated a trend indicating increased reimbursements for ASC settings and decreased reimbursement restrictions for surgeries performed at ASC facilities. The Applicant further states the proposed 2023 CMS fee schedule indicates the same trend.

GR Criterion 4 - Economic Viability

- a. **Proposed Charge:** The Applicant states, as this project is in the early planning stages and the required CON has not been obtained, it has not finalized the complete chargemaster for the facility. However, the Applicant states, in order to prepare the application and determine the financial feasibility of the project, Strategic Solutions took an extremely conservative approach in estimating its charges and expected revenue. The Applicant notes all chargemaster decisions will be made in a commercially reasonable manner with the input of the participating physicians and pricing experts.

The Applicant indicates its calculations are based primarily on a multiplier of the CMS fee schedule along with extensive market research of existing facilities offering similar services. Strategic Solutions indicates, in establishing the facility, its goal is to meet a need of ASPA 3 and to provide a service which is not currently available in the area.

- b. **Projected Levels of Utilization:** The Applicant states it believes its projected levels of utilization for SSSC are consistent with similar facilities in other areas of the state. The Applicant notes the healthcare needs in ASPA 3 are severe and states SSSC will fill a gap in care for the area's medically underserved population.
- c. **Financial Feasibility Study:** The Applicant included a financial feasibility study prepared by the facility's Chief Financial Officer.
- d. **Financial Forecasts:** The Applicant states the current financial forecasts do not deviate from the financial statements.
- e. **Covered Expenses:** The Applicant states South Sunflower County Hospital, Strategic Solutions, LLC, and all physician partners will each have ownership in the facility, and all parties are willing to accept the necessary debt burden to ensure the project remains financially viable for the long run.
- f. **Impact of Proposed Project on Health Care Cost:** The Applicant states it believes the proposed project will have a positive impact on healthcare cost due to cost containment. The Applicant further states ASCs have historically exhibited lower costs for patients, federal and commercial payors.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The Applicant asserts the proposed project will give low-income persons and the general population access to affordable healthcare in ASPA 3. The Applicant states the majority of the population, especially low-income persons, racial and ethnic minorities, women, handicapped persons, underserved groups, and the elderly, currently have to travel to other areas of the state and/or out of state to receive care in an ASC setting. The Applicant suggests the proposed location of the facility will allow residents of the area to receive ambulatory surgery services in a facility closer to their homes, making transportation easier to arrange.
- b. **Relocation of Services:** Not applicable. The Applicant does not propose to relocate or replace services.

- c. **Current and Projected Utilization of Comparable Facilities:** The Applicant states there are no multi-specialty ambulatory surgery centers in ASPA 3. In addition, the Applicant notes vascular surgery, pain management, and urology services are surgical services that are currently not available to patients in the proposed area. Strategic Solutions indicates patients needing these services currently travel to Jackson, Mississippi or out of state to receive care. The Applicant states the ASC model will provide patients in the area with access to ambulatory surgery services at a much lower cost, in a convenient setting, utilizing a care approach centered on community.
- d. **Probable Effect on Existing Facilities in the Area:** The Applicant projects the proposed services will not negatively affect existing facilities and/or services because the majority of services SSSC will offer are not currently available. The Applicant states South Sunflower County Hospital is an existing facility that could be potentially impacted; however, the hospital is also a key partner in the project. The Applicant further states, through strategic planning, Strategic Solutions intends to work closely with South Sunflower County Hospital to ensure continued success for both facilities. Strategic Solutions affirms, in the past, the hospital has not been able to successfully attract, retain and offer the diversity of healthcare services that the ASC will provide. Strategic Solutions states the unique model of the ambulatory surgery center allows the Applicant to attract, retain, and offer services that have traditionally been unsustainable in rural hospital settings.
- e. **Community Reaction:** The Applicant's application contained fourteen (14) letters of support from health facilities, health care providers, and community leaders. A letter from the President and CEO of Planters Bank states "South Sunflower County Hospital has been a significant component of the medical arena in Indianola and Sunflower County for over 80 years. It continues to play a vital role in the overall healthcare of our citizens. Its reputation for quality service, fiscal soundness, employee retention, and outstanding administration are all well documented." The President further adds "[b]ased on current offerings in the Mississippi Delta, we believe such a facility would be a valued addition to the current healthcare offerings in Sunflower County and would provide the area with convenient access to affordable, and advanced healthcare."

Additionally, the Applicant's application received one (1) letter of opposition from Bolivar Medical Center.

GR Criterion 6 - Access to the Facility or Service

- a. **Access to Services:** The Applicant states, as a new freestanding ASC, Strategic Solutions does not have historical utilization data. The Applicant

affirms, once the facility is approved and open, all patients, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly, will have access to the ASC. The Applicant states, based on Strategic Solution’s Proforma, it projects indigent/charity care to equal roughly \$350,000.00 per year for the first two (2) years of facility operations. The following table indicates the Applicant’s projected medically indigent and charity care for the first two (2) years of operation.

	Medically Indigent (%)	Charity Care (%)	Medically Indigent (\$)	Charity Care (\$)
Projected Year 1	2.5%	2.5%	\$175,000.00	\$175,000.00
Projected Year 2	2.5%	2.5%	\$175,000.00	\$175,000.00

- b. **Existing Obligations:** The Applicant submits Strategic Solutions does not have existing 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 its facility policy is to accept and treat patients with Medicare, Medicaid and/or medically indigent patients.
- d. **Access to Proposed Facility:** The Applicant confirms there is currently no existing multi-specialty ASC for patients to access in ASPA 3. The Applicant asserts, once the facility is approved and open, all patients (i.e., Medicaid patients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly) will have access to the center.
- e. **Access Issues:**
 - i. **Transportation and Travel:** The Applicant states, due to the close proximity of the surgery center to the hospital, transportation and travel should not be an issue. The Applicant further asserts that currently the residents of ASPA 3 must travel out of state or to other areas within Mississippi to access the same healthcare and surgical services proposed to be provided by SSSC.
 - ii. **Restrictive Admissions Policy:** The Applicant’s application included a copy of the facility’s proposed patient admissions policy.

- iii. **Access to Care by Medically Indigent Patients:** Strategic Solutions states the proposed facility will improve access to care for the medically indigent population within ASPA 3 due to the location of the facility and the various services expected to be offered.
- iv. **Operational Hours of Service:** The Applicant states South Sunflower Surgical Center will operate five (5) days a week, from 7:30am to 5:00pm.

GR Criterion 7 - Information Requirement

Strategic Solutions affirms that it will record, maintain, and provide the information required by this criterion upon request of the Mississippi State Department of Health.

GR Criterion 8 - Relationship to Existing Health Care Baptist System

- a. **Comparable Services:** The Applicant asserts there are no existing multi-specialty ASCs providing ambulatory surgical services in ASPA 3. Strategic Solutions states the targeted population currently accesses the proposed services by either traveling out of state or driving more than three (3) hours to other areas of the state to gain access to comparable services.
- b. **Effect on Existing Health Services:**
 - i. **Complement Existing Services:** The Applicant states there is an ample supply of primary care services available within ASPA 3; however, these providers must refer patients out of the area for specialized care.
 - ii. **Provide Alternative or Unique Service:** The Applicant asserts its multi-specialty ambulatory surgery center is an alternative and unique service for the area because there are no existing multi-specialty ASCs in ASPA 3. Additionally, the Applicant states the services that will be offered at the surgery center include, but are not limited to, the following: pain management; vascular; ear, nose, and throat; gastrointestinal; urologic; and general surgery. Strategic Solutions submits these are all services that are either not currently offered in the area or are offered in a severely limited capacity.
 - iii. **Provide a service for a specified target population:** The Applicant states its target population includes the medically underserved.
 - iv. **Provide services for which there is an unmet need:** The Applicant states the services expected to be offered at SSSC

include, but are not limited to, the following: Pain Management; Vascular; Ear, Nose, And Throat; Gastrointestinal; Urologic; and General Surgery. The Applicant further asserts that these are all services that are either not currently offered in the area or are offered in a severely limited capacity. The Applicant indicates by providing these services in an ASC setting SSSC will fulfill an unmet need in a medically underserved area.

- c. **Adverse Impact:** The Applicant states the proposed project will enhance, not adversely impact, the rural health care system in ASPA 3. The Applicant states the multi-specialty ASC will offer general surgery, pain management, urology, vascular, gynecology, ENT, and gastroenterology through a centralized location at a lower cost to patients and the health care system.
- d. **Transfer/Referral/Affiliation Agreements:** The Applicant's application includes a formal patient transfer agreement with South Sunflower County Hospital.

GR Criterion 9 - Availability of Resources

- a. **New Personnel:** The Applicant states Strategic Solutions has identified the required staffing needed to effectively operate the facility and has garnered tremendous physician support as demonstrated by the signed physician affidavits submitted with its application. The Applicant states it has worked extensively with its hospital partner to identify new personnel and has allocated additional funds for recruitment.
- b. **Contractual Services:** The Applicant states it will enter into a clinically related contractual services if the CON is granted.
- c. **Existing Facilities or Services:** The Applicant affirms this criterion is not applicable.
- d. **Alternative Uses of Resources:** The Applicant affirms this criterion is not applicable.

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. **Support and Ancillary Services:** The Applicant asserts all necessary support and ancillary services (i.e., diagnostic imaging, clinic space, laboratory services, emergency room, etc.) are available through South Sunflower County Hospital. The Applicant further states South Sunflower County Hospital will provide the necessary medical supplies, health information technology, and support staff needed to operate the proposed ASC.

- b. **Changes in Costs or Charges:** The Applicant affirms this criterion is not applicable.
- c. **Accommodation of Changes in Cost or Charges:** The Applicant affirms this criterion is not applicable.

GR Criterion 11 – Health Professional Training Programs

The Applicant states this project will not impact the clinical needs of health professional training programs. The Applicant also states Strategic Solutions welcomes the opportunity to participate in the advancement and training of new professionals within the area.

GR Criterion 12 – Access by Health Professional Schools

The Applicant states Strategic Solutions does not intend to limit access to health professional training programs within ASPA 3. In addition, the Applicant states, if opportunities to support health professional training programs become available, Strategic Solutions welcomes the opportunity to participate in the advancement and training of new professionals within the area.

GR Criterion 13 – Access by Individuals Outside Service Area

The Applicant states services will be primarily provided to individuals residing within ASPA 3. However, the Applicant states it will accommodate patients outside of the planning area should that need arise.

GR Criterion 14 - Construction Projects

The Applicant states the project entails the construction of a 10,890 square foot facility located at 221 Baker Street, Indianola, Mississippi, on property owned by the South Sunflower County Hospital District. The Applicant notes the allocated construction cost is \$259.55 per square foot and the total cost for construction is \$2,401,480.00.

GR Criterion 15 – Competing Applications

There are no competing applications on file with the Mississippi State Department of Health for the establishment of a freestanding multi-specialty ambulatory surgery center.

GR Criterion 16 - Quality of Care

- a. **Past Quality of Care:** This criterion is not applicable.
- b. **Improvement of Quality of Care:** The Applicant states the proposed project will vastly improve the quality of healthcare in the area as SSSC will offer advanced interventional services not currently available in the area.
- c. **Accreditations and/or Certifications:** The Applicant did not list any accreditation and/or certifications in its application.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage of Cost (%)
Construction Cost – New	\$ 2,401,480.00	77.68%
Construction (Renovation)	0.00	0.00%
Capital Improvement	0.00	0.00%
Total Fixed Equipment	0.00	0.00%
Non-fixed Equipment	250,000.00	8.08%
Land Cost	0.00	0.00%
Site Preparation	75,000.00	2.43%
Fees (Architectural)	50,000.00	1.62%
Fees (Legal & Acct.)	15,000.00	0.49%
Contingency Reserve	300,000.00	9.70%
Capitalized Interest	0.00	0.00%
Other	0.00	0.00%
Total Expenditure	\$ 3,091,480.00	100.00%

B. Method of Financing

The Applicant proposes to finance the project with an operating loan of \$2,473,184.00 for a four (4) year term with an interest rate of six percent (6%). The balance of the capital expenditure, \$618,296.00, will be financed by equity contributions.

C. Effect on Operating Cost

The Applicant’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	41%	\$4,207,500
Medicaid	28%	\$856,800
Commercial	23%	\$940,800
Self-Pay	1%	\$37,500
Charity Care	3%	\$350,000
Other	3%	\$300,000
Total	100%	\$3,957,725

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. As of January 20, 2023, no comments have been received from the Division of Medicaid.

VII. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of an Ambulatory Surgery Center as contained in the *FY 2022 Mississippi State Health Plan*, the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision*, and the 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 Strategic Solutions, LLC for the Establishment of a Freestanding Ambulatory Surgery Facility.

Attachment 1

South Sunflower Surgical Center Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:	N/A	N/A	N/A
Inpatient	N/A	N/A	N/A
Outpatient	\$10,166,500.00	\$ 11,857,500.00	\$ 14,393,500.00
Gross Patient Revenue	\$10,166,500.00	\$ 11,857,500.00	\$ 14,393,500.00
Charity Care	\$ 350,000.00	\$ 450,000.00	\$ 600,000.00
Deductions from Revenue	\$ 3,607,725.00	\$ 4,175,125.00	\$ 4,989,875.00
Net Patient Revenue	\$ 6,208,775.00	\$ 7,250,375.00	\$ 8,803,625.00
Other Operating Revenue			
Total Operating Revenue	\$ 6,208,775.00	\$ 7,250,375.00	\$ 8,803,625.00
Expenses			
Operating Expenses:			
Salaries	\$ 660,000.00	\$ 679,800.00	\$ 700,194.00
Benefits	132,000.00	135,960.00	140,380.00
Supplies	312,000.00	330,720.00	400,171.00
Services	397,800.00	409,734.00	422,026.00
Lease	120,000.00	123,600.00	127,308.00
Depreciation	30,000.00	30,000.00	30,000.00
Interest	133,300.00	127,140.00	120,633.00
Other			
Total Expenses	\$ 1,785,100.00	\$ 1,836,954.00	\$ 1,940,712.00
Net Income (Loss)	\$ 4,423,675.00	\$ 5,413,421.00	\$ 6,862,913.00
Assumptions			
Inpatient days	0	0	0
Outpatient days	250	250	250
Procedures	3,000	4,000	5,000
Charge/outpatient day	\$ 40,666.00	\$ 47,430.00	\$ 57,574.00
Charge per inpatient day	N/A	N/A	N/A
Charge per procedure	\$ 3,389.00	\$ 2,964.00	\$ 2,879.00
Cost per inpatient day	N/A	N/A	N/A
Cost per outpatient day	\$ 7,140.00	\$ 7,348.00	\$ 7,763.00
Cost per procedure	\$ 595.00	\$ 459.00	\$ 388.00

Note: Staff's calculation of Total Operating Expenses and Net Income may differ from Applicant's due to rounding.