

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT (THURMAN)  
MAY 2004**

CON Review: HG-NIS-0304-012  
Gulf Coast Medical Center  
Provision of ESWL Services  
Capital Expenditure: \$-0-  
Location: Biloxi, Mississippi

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Gulf Coast Medical Center (GCMC) or (the Hospital) is a short-term, acute care hospital with one hundred forty-four (144) medical/surgical beds and forty-five (45) psychiatric beds. Gulf Coast Medical Center is a for-profit hospital and is owned by Tenet Health System of Santa Barbara, California. GCMC has a ten-member governing board which is selected from nominees submitted by a nominating committee appointed by the Board Chairman. The nominating committee submits names of people who have the professional expertise needed to ensure a well-rounded Board. The full Board then votes from the list of the nominees. Gulf Coast Medical Center is accredited by the Joint Commission on Accreditation of Healthcare Organizations and is certified for participation in the Medicare and Medicaid programs.

The occupancy rates, average lengths of stay (ALOS) and the Medicaid utilization rates for the three most recent fiscal years are as follows (medical/surgical beds only):

<b>Gulf Coast Medical Center</b>			
<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid* Utilization Rate (%)</b>
2001	30.45	4.95	NA
2002	30.88	4.42	16.23
2003	30.01	4.83	16.62

Source: Division of Health Facilities Licensure and Certification, MSDH

**B. Project Description**

Gulf Coast Medical Center requests Certificate of Need (CON) authority for the Provision of ESWL Services. Gulf Coast proposes to expand its scope of care by providing ESWL services to its patients and residents of the community. The Hospital will enter into an agreement with Regional Technology, the owner of a mobile ESWL unit operating in Mississippi pursuant to a Letter of Determination of Non-reviewability, to provide state-of-the-art mobile lithotripsy equipment. The mobile unit will be at the Hospital for a minimum of one day per week and more frequently if needed.

The applicant states that Regional Technology received a Letter of Determination of Non-reviewability, dated February 3, 2004, to provide mobile renal lithotripsy equipment in Mississippi. The ESWL equipment is the state-of-the-art, Karl Storz Modulith SLX-T Transportable Lithotripter.

GCMC currently has in place a pad with appropriate electrical connections that is appropriate

for use by the mobile ESWL unit; therefore, no modification or construction is necessary. The proposed services will be offered on the existing Gulf Coast campus and will use the pad and electrical connections.

The applicant states that any increase in utilization of ancillary services at Gulf Coast can be handled efficiently by its existing ancillary support services. The costs and charges are not expected to be increased in any ancillary support department. There is no capital expenditure for this project. The provision of ESWL services by Gulf Coast will begin immediately upon receipt of a certificate of need.

## II. TYPE OF REVIEW REQUIRED

Projects which propose the Establishment of Renal ESWL Services are reviewed in accordance with Sections 41-7-173, 41-7-191(l) (d)(viii), and 41-7-193, Mississippi Code of 1972, Annotated, as amended, and duly adopted rules, procedures, plans, criteria and standards of the Mississippi State 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 3, 2004.

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

### A. State Health Plan (SHP)

The *FY 2004 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**

Gulf Coast Medical Center's provision of such services by utilizing the equipment of a vendor with a mobile ESWL unit would improve the Hospital's treatment capabilities, offer its patients a needed service, and allow Gulf Coast to offer additional procedures with minimal expense.

According to the population projections for Harrison County, the county will have a population of 196,833 by the year 2005 and is expected to grow to 208,528 by the year 2015. In addition, General Hospital Service Area 7 ("GHSA 7") has a population of 479,244. According the *State Health Plan*, only 281 renal lithotripsy procedures were performed in GHSA 7. According to the applicant, 281 procedures in an area with 479,244 persons is extraordinarily low compared with the number of procedures being performed with respect to Mississippi's population as a whole. By adding an access point for such care, the Hospital will be providing help to those in need of the service. In order to improve access to quality care by the residents in its service area, Gulf Coast respectfully requests authority to establish ESWL services.

In projecting and/or estimating the utilization of ESWL services at Gulf Coast, it is helpful to consider the utilization of ESWL services throughout the state. As demonstrated in the table

below, the utilization of ESWL services in GHSA 7 is considerably lower than in other parts of Mississippi. Applicant submits that it is evident that the Mississippi Gulf Coast is underserved with respect to this service.

GHSA	Population	No. of Renal Procedures	Procedures per 1,000
Area 1	710,546	829	1.17
Area 2	420,937	158	0.38
Area 3	781,961	1,241	1.59
Area 4	162,131	271	1.67
Area 5	131,955	77	0.58
Area 6	304,714	857	2.81
Area 7	479,244	281	0.59
<b>TOTAL</b>	2,991,488	3,714	1.24

Dr. Landry, a urologist on staff at Gulf Coast, anticipates performing 37 lithotripsy procedures at the Hospital in a twelve-month period. Gulf Coast Medical Center has projected that 36 lithotripsy procedures will be performed during the first year ESWL services are provided.

Taking into account the number of lithotripsy procedures that Dr. Landry expects to perform at Gulf Coast Medical Center during a one-year period (37) and the heightened need for the procedure in GHSA 7 demonstrates the need for ESWL services at the Hospital. The Hospital's projected volume of lithotripsy procedures of 36 per year for the first year of ESWL service is conservative and comports with the *2004 State Health Plan* annual ESWL procedures criterion.

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

The applicant states that the referenced medical personnel shall reside within the hospital service area and shall be available 24 hours per day for emergency services required as a result of treatment by renal ESWL.

**SHP Criterion 3 -Imaging Capabilities**

Gulf Coast possesses both modalities, the whole body CT scanner capability and ultrasound imaging capability.

**SHP Criterion 4 - Scope of Privileges**

The applicant affirms that it will grant an appropriate scope of privileges for access to the lithotripter to any qualified physician who applies for privileges.

**SHP Criterion 5 - Accessibility**

All residents of the Gulf Coast, GHSA 7 and the state, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly have access to the services of Gulf Coast and will have access to the proposed mobile ESWL services. Gulf Coast offers services to patients in need of care without regard to race, age, creed, sex, or ethnic origin in full compliance with applicable state and federal regulations. There will be no change in existing admission or utilization criteria of Gulf Coast as a result of this application.

The applicant submitted the following projections as related to this project:

<b>Patients</b>	<b>Percentage</b>
Medicaid recipients	3.0
Charity/medically indigent/bad debt	6.5
Racial/ethnic minorities	25.0
Women	50.0
Medicare recipients	29.0

The applicant submitted the following percentage of gross patient revenue:

	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>
<b>Gross Pat. Rev.</b>	\$ 91,131,852	\$ 96,617,092	\$ 131,784,249
<b>Bad Debt</b>	\$ 4,650,065 (5.1%)	\$ 6,459,544 (6.7%)	\$ 8,365,369 (6.3%)
<b>Charity Discount</b>	\$ 53,391 (.1%)	\$ 10 (0%)	\$ 259,424 (.2%)
<b>Total</b>	\$ 4,703,456 (5.2%)	\$ 6,459,554 (6.7%)	\$ 8,624,793 (6.5%)

**SHP Criterion 6 -Recording of Data**

Gulf Coast affirms that it will record and maintain, at a minimum, the foregoing information regarding charity care, care to the medically indigent, and Medicaid populations and make it available to the Mississippi State Department of Health within fifteen (15) days of request.

**SHP Criterion 7 -Staffing**

The number of full-time employees at Gulf Coast are within acceptable ranges required to provide quality health care. All additional necessary personnel will be provided by Regional Technology pursuant to the agreement. A full listing of Gulf Coast's medical staff is enclosed in the application.

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

The American Urological Association, Inc. (AUA) recommends that (i) urologists be the treating physicians for genitourinary stones because of their expertise in handling all aspects of the disease and (ii) privileges for ESWL treatment of kidney stones be granted at local levels.

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

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

Gulf Coast will provide ESWL services to its patients by utilizing the equipment of Regional Technology, an ESWL equipment vendor that has received a Letter of Determination of Non-reviewability from the Department of Health.

The Regional Technology mobile ESWL equipment is utilized by a network of hospitals in Mississippi in which this facility is to be added. Notice of such addition to that network has been provided to the Division of Health Planning and Resource Development, Mississippi State Department of Health.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revisions*, 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**

The applicant states that the provision of ESWL services by Gulf Coast comports with its goal to provide quality, efficient health care to all residents of the community and is compatible with its long range plans.

### **GR Criterion 3- Availability of Alternatives**

According to the applicant, the provision of ESWL services is compatible with its long range plans to provide its patients with quality care; therefore, the Hospital rejected the alternative of doing nothing. Furthermore, Gulf Coast considered the alternative of purchasing its own ESWL equipment. However, since that would require an outlay of capital which would not be as efficient as using mobile ESWL equipment owned by a vendor, that alternative was also rejected.

### **GR Criterion 4 - Economic Viability**

Three year operating projections reflect a first year net income of \$38,404.00, a second year profit of \$44,727, and a third year profit of \$50,684.00. This project requires no capital expenditure.

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

As stated, all residents of the area, including low income persons, racial and ethnic minorities, women, handicapped persons, and other under-served groups, and the elderly,

have access to the services provided at Gulf Coast and will have access to the ESWL services.

A letter of support and commitment from the five (5) physicians who are currently on the hospital's staff were included in the application.

### **GR Criterion 7- Information Requirement**

The applicant affirms that it will record and maintain, at a minimum, the foregoing information regarding charity care, care to the medically indigent and Medicaid populations and make it available to the Mississippi State Department of Health within fifteen (15) days of request.

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

According to the applicant, the proposed project will have no adverse impact on the existing health care system of the area; on the contrary, it will serve as a complement to that system. Because of the growth the Mississippi Gulf Coast is experiencing, the offering of ESWL services by Gulf Coast using mobile equipment will be an asset to the community and the existing health care system of the area.

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

All additional necessary personnel will be provided by Regional Technology pursuant to the Agreement.

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

GCMC is in compliance with the **Minimum Standards of Operation for Mississippi Hospitals** according to the Division of Health Facilities Licensure and Certification. The Clinics are accredited through the Joint Commission on Accreditation of Healthcare Organizations, and licensed by the Mississippi State Department of Health Division of Licensure and Certification.

## **IV. FINANCIAL FEASIBILITY**

### **A. Capital Expenditure Summary**

This project requires no capital expenditure.

New Construction	\$	0.00
Renovation Cost	\$	0.00
Fixed Equipment Cost	\$	0.00

Other Cost	\$ <u>0.00</u>
<b>Total Expenditure</b>	<b>\$ <u>0.00</u></b>

**B. Method of Financing**

There is no additional cost to the applicant for the proposed project.

**C. Effect on Operating Cost**

The applicant submitted the following expenses, utilization, and results from operation (entire project) for the first three years following completion of the project.

EXPENSES	YEAR 1	YEAR 2	YEAR 3
<b>TOTAL EXPENSES</b>	<b>\$ 113,248</b>	<b>\$ 125,491</b>	<b>\$ 137,734</b>
GROSS PAT. REVENUE	\$ 296,000	\$ 328,000	\$ 360,000
Discounts from Gross	\$ (132,516)	\$ (144,419)	\$ (156,723)
Indigent/Charity	\$ (11,832)	\$ (13,363)	\$ (14,859)
NET PAT. SVC. REV.	<u>\$ 151,652</u>	<u>\$ 170,218</u>	<u>\$ 188,418</u>
<b>NET INCOME (LOSS)</b>	<b><u>\$ 38,404</u></b>	<b><u>\$ 44,727</u></b>	<b><u>\$ 50,684</u></b>
No. of patients	37	41	45
COST PER PROCEDURE	\$ 3,061	\$ 3,061	\$ 3,061
CHARGE PROCEDURE	\$ 8,000	\$ 8,000	\$ 8,000

\* Applicant projects approximately 4 percent of gross revenue for bad debt patients, medically indigent patients and charity care patients.

**D. Cost to Medicaid/Medicare**

<b>Patient Mix by Type Payor</b>	<b>Utilization Percentage</b>	<b>First Year Expenses</b>
<b>Medicaid</b>	3.0%	\$ 3,397.44
<b>Medicare</b>	29.0%	\$ 32,841.92
<b>Managed Care</b>	57.0%	\$ 64,551.36
<b>Self Pay</b>	<u>11.0%</u>	<u>\$ 12,457.28</u>
<b>TOTAL</b>	<b><u>100.0%</u></b>	<b><u>\$ 113,248.00</u></b>

Staff calculated cost to Medicaid/Medicare.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review. Outpatient services are paid as outlined in the State Plan; therefore, the Division of Medicaid took no position on this project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with criteria and standards contained in the 2004 State Health Plan; the Certificate of Need Review Manual, revised 2000; and duly adopted rules, procedures and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Gulf Coast Medical Center for the Provision of ESWL Services.