

**Division of Health Planning and Resource Development
May 2004**

**CON Review HG-COB-0304-008
Singing River Hospital System d/b/a Singing River Hospital
Conversion of a 16-Bed Skilled Nursing Unit into a Level II 20-Bed
Comprehensive Medical Rehabilitation Unit
Capital Expenditure: \$1,506,950
Location: Pascagoula, Mississippi**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Singing River Hospital System ("SRHS") is composed of Singing River Hospital (415 licensed beds) in Pascagoula, Mississippi, and Ocean Springs Hospital (136 licensed beds) in Ocean Springs, Mississippi. Both hospitals are voluntary, not-for-profit institutions, publicly owned and operated by the citizens of Jackson County, Mississippi. SRHS is governed by a nine-member Board of Trustees appointed by the Jackson County Board of Supervisors. Members are appointed as representatives from each District, with two members being appointed from the county-at-large. SRHS is fully accredited by the Joint Commission on Accreditation of Healthcare Organizations, has over 200 physicians on its respective medical staffs, and employs approximately 2,000 people, making it one of the largest health care systems in the state.

Singing River Hospital's (the proposed site for this project) occupancy rates, average lengths of stay (ALOS), and Medicaid utilization rates for the past fiscal years are as follows (medical/surgical beds only):

**Singing River Hospital
Utilization Data**

Year	Occupancy Rate (%)	ALOS (Days)	Medicaid* Utilization Rate (%)
2001	38.10	5.06	11.24
2002	37.03	5.19	19.92
2003	35.71	5.55	17.83

Source: Division of Health Facilities Licensure and Certification, MSDH.

B. Project Description

Singing River Hospital requests certificate of need authority to convert a 16-bed Skilled Nursing Unit into a Level II Comprehensive Medical Rehabilitation (CMR) Unit at Singing River Hospital. The applicant proposes to renovate 6,700 square feet of space on the fourth floor of the hospital to accommodate the Level II CMR unit. The project entails updating the mechanical, electrical, plumbing systems, and fire prevention/detection system to accommodate the unit due to the age of this portion of the hospital and to conform to AIA Guidelines for healthcare. The rooms will be updated to be ADA compliant. An activity, dining, and recreation area is planned to meet the requirements for this type of rehabilitation unit. The project also proposes 20 patient rooms, administrative space, a Physical/Occupational Therapy gym, and training space.

SRHS will enter into a contract with RehabCare, for the provision of management expertise, therapy staffing, medical direction, marketing, social services, and reimbursement/compliance support for the unit.

The applicant expects that there will be no significant change in the use of ancillary or support services due to the proposed project. SRHS projects 6.5 FTE personnel needed for the new rehabilitation unit at an estimated annual cost of \$207,388.

MSDH Division of Licensure and Certification has approved the site for the location of a Level II Rehabilitation Unit. The applicant expects to obligate the capital expenditure upon CON approval, with completion scheduled for October 1, 2004.

II. TYPE OF REVIEW REQUIRED

Projects which involve the establishment of specified institutional health services require certificate of need (CON) review by the State Department of Health, pursuant to Section 41-7-191, subparagraphs (1)(d)(iii) for Comprehensive Inpatient Rehabilitation Services, Mississippi Code 1972, Annotated, as amended.

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 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, criteria, and standards which an applicant is required to meet before receiving CON authority to provide comprehensive inpatient rehabilitation services. Effective February 13, 2004, the State Board of Health amended the *FY 2004 State Health Plan* to allow CON approval of a 20-bed Level II CMR unit for any hospital without CMR beds which holds Level II Trauma Care designation on July 1, 2003, as well as on the date the certificate of need application is filed.

SHP Criterion 1 - Need

The amendment approved by the Board on January 14, 2004, also amended the determination of need for Level II CMR beds/services to 0.623 beds per 1,000 population in the state as a whole for the year 2005. The applicant submits that based on this methodology, Singing River Hospital qualifies for a Level II 20-bed CMR unit.

The application indicates that Jackson County, one of Mississippi's most populous and industrialized counties, currently does not have any inpatient rehabilitation services for patients in need of this type of service.

The applicant further submits that on the entire Gulf Coast, there is only one provider (Memorial Hospital at Gulfport) authorized to provide inpatient rehabilitation services. As a result, patients in need of this service must leave their community and drive over 40 miles to receive the inpatient rehabilitation services. In addition, many of the patients leave the state and travel to Mobile, Alabama, for services.

SHP Criterion 2 - Treatment Limitation

Singing River Hospital affirmed that it will not provide treatment services for the following rehabilitation diagnostic categories: (1) spinal cord injury, (2) congenital deformity, (3) major multiple trauma, (4) brain injury, and (5) neurological disorders, including, but not limited to, multiple sclerosis, motor neuron disease, oloneuropathy, muscular dystrophy, and Parkinson's Disease.

The applicant states that it will include on its *Annual Report of Hospitals* submitted to the MSDH, information regarding average length of stay by diagnosis, patient age, sex, race, zip code, payor source, and length of stay by diagnosis.

SHP Criterion 3B - Staffing

Singing River Hospital affirmed that it will have a Director of Rehabilitation who meets the aforementioned criteria and that the services mentioned in this criterion will be available full time by designated staff.

B. General Review (GR) Criteria

Chapter 8, *Mississippi Certificate of Need Review Manual*, revised 2000, contains general criteria by which all applications for certificate of need are reviewed. This project is in substantial compliance with applicable criteria.

GR Criterion 2 - Long Range Plan

The applicant submits that part of the mission of Singing River Hospital System is to provide state-of-the-art facilities and services to the citizens of Jackson County. This project will meet the need for inpatient rehabilitation services for the communities the Hospital System serves. Applicant submits that the project also complements the neuroscience program at Singing River Hospital, as well as the hospital's Level II Trauma designation.

GR Criterion 3 - Availability of Alternatives

Singing River Hospital believes that this proposal is the less costly and most effective way to provide inpatient rehabilitation services.

GR Criterion 4 - Economic Viability

The project appears to be economically viable. Based on the three-year projected operating statement submitted by the applicant, Singing River Hospital will realize a net loss the first year of \$490,567, and net revenue in excess of expenses of \$808,986 the second year and \$891,985 the third year of operation.

Applicant submits that the projected levels of utilization are reasonably consistent with those experienced by similar facilities in the service area and state.

GR Criterion 5 - Need for Project

The applicant submits that Singing River Hospital does not discriminate against low income persons, racial and ethnic minorities, the elderly, women, handicapped persons, or any other underserved groups in the provision of health care services.

Currently, Jackson County has no provider of inpatient rehabilitation services. Furthermore, there is only one provider (Memorial Hospital at Gulfport) of inpatient rehabilitation services on the Gulf Coast. Therefore, this project is not expected to

impact existing providers.

The application contained over 15 letters of support for the project.

GR Criterion 6 - Access to the Facility or Service

Applicant submits that Singing River Hospital has never discriminated against the poor, the handicapped, women, elderly, or members of racial or ethnic minorities and these patients will continue to have access to the services offered by the organization.

GR Criterion 7 - Information Requirement

Singing River Hospital affirmed that it will keep the appropriate statistical information required and make it available to the Mississippi State Department of Health upon request.

GR Criterion 8 - Relationship to Existing Health Care Systems

The applicant submits that inpatient rehabilitation services will provide an outstanding complement to the existing services and capabilities of Singing River Hospital System. Singing River Hospital is the only Level II Trauma Center on the Gulf Coast. This designation allows the hospital to receive and appropriately treat a significant number of trauma patients from throughout the region. Singing River Hospital believes that access to basic inpatient rehabilitation services is a critical component of the treatment and recovery process and will serve as a tremendous complement to the hospital's ability to get trauma patients back to their everyday lives in as little time as possible.

GR Criterion 9 - Availability of Resources

The applicant submits that in using industry benchmark data from Voluntary Hospitals of America and other widely accepted industry benchmarks, Singing River Hospital maintains staffing ratios that meet or exceed the industry standards for hospitals in the region.

GR Criterion 16 - Quality of Care

Singing River Hospital is in compliance with the *Minimum Standards of Operation for Mississippi Hospitals*. The hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations.

IV. FINANCIAL FEASIBILITY

A. Expenditure Summary

Construction Cost - Renovation	\$1,300,700
Non-Fixed Equipment	93,250
Fees	93,000
Other (Misc. Fees/Testing)	20,000
Total Capital Expenditure	\$1,506,950

The proposed project involves 6,700 square feet of renovated space. The estimated cost per square foot of renovated space is \$211.00.

B. Method of Financing

The applicant proposes to finance the project with internally generated funds.

C. Effect on Operating Cost

The applicant projects the following expenses, utilization, and results from operation for the first three years following completion of this project:

<u>Expenses</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Salaries and Benefits	\$ 442,500	\$ 817,346	\$ 857,649
Professional Fees	281,780	1,635,114	1,793,642
Supplies and Misc.	130,800	455,408	499,452
Purchased Services	18,250	63,551	69,708
Departmental Ancillary	146,000	508,408	557,596
Bad Debt	5,276	36,714	41,775
Depreciation/Amortization	<u>69,869</u>	<u>69,869</u>	<u>69,869</u>
Total Expenses	\$ 1,094,475	\$ 3,586,410	\$ 3,889,691
Gross Patient Revenue	\$ 2,225,898	\$ 7,755,690	\$ 8,508,150
Deductions	<u>(1,621,990)</u>	<u>(3,360,294)</u>	<u>(3,726,474)</u>
Net Patient Revenue	\$ 603,908	\$ 4,395,396	\$ 4,781,676
Income from Operations	\$ (490,567)	\$ 808,986	\$ 891,985
Patient Days	1,825	6,170	6,570
Cost/Patient Day	\$ 600	\$ 581	\$ 592
Charge/Patient Day	\$ 1,220	\$ 1,257	\$ 1,295

D. Cost to Medicaid/Medicare

The applicant states that the impact of the project on third party payors is as follows:

Patient Mix	Utilization Percentage	First Year Cost
Medicaid	0	\$ -0-
Medicare	80	875,580
Other	<u>20</u>	<u>218,895</u>
Total	100	\$ 1,094,475

Note: Applicant projects to provide 7.11 percent care to bad debt and 2.50 percent to charity care patients.

V. **RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid estimates that the additional cost to the Medicaid program as a result of the project will be \$6,661 for inpatient services. Outpatient services will be paid as outlined in the State Plan.

VI. **CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with criteria and standards for the establishment of Level II comprehensive medical rehabilitation services as contained in the amendment to *FY 2004 Mississippi State Health Plan; the Mississippi Certificate of Need Review Manual, revised 2000*; 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 this application submitted by Singing River Hospital System for the establishment of Level II comprehensive medical rehabilitation beds at Singing River Hospital.