

**Division of Health Planning and Resource Development  
January 2005**

**CON Review: HG-CRF-1204-051  
Madison HMA, Inc., dba Madison Regional Medical Center  
Relocation/Replacement of a 67-Bed Hospital  
Location: Canton, Madison County, Mississippi  
Capital Expenditure: \$42,133,956**

Staff Analysis

**I. Project Summary**

**A. Applicant Information**

Madison HMA, Inc., a wholly-owned subsidiary of Health Management Associates, Inc. (HMA) of Naples, Florida, began operation of Madison County Medical Center (MCMC) and certain associated physician medical practices on January 1, 2003. HMA owns, leases, and/or operates nine acute care hospitals, totaling 1,524 beds; employs 4,800 employees; and has a medical staff of over 1,110 physician members, in Mississippi. According to the applicant, HMA owned and/or operated 52 hospitals in 16 states, compared to 32 hospitals in 11 states in 1998, and has invested over \$500 million in capital improvement and equipment purchases in its facilities and services, during Fiscal Year 2003.

The hospital originated as the King's Daughters Hospital in 1929. Subsequently, Madison County acquired the hospital and renamed it Madison General Hospital. In 1965, a new 67-bed facility was constructed on the hospital's present site and the old hospital facility was converted into the Madison County Nursing Home. On January 1, 2003, the Board of Supervisors entered into a lease agreement with HMA for the operation of the facility.

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

Madison County Medical Center Utilization Data 2001-2003			
Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2001	39.30	6.36	33.85
2002	27.09	4.81	33.98
2003	21.93	3.85	33.73

Source: Division of Health Facilities Licensure and Certification, MSDH

**B. Project Description**

The applicant proposes the relocation/replacement of its existing hospital, located at Highway 16 East, Canton, Madison County, Mississippi, to another Madison County location on Nissan Parkway, approximately 0.4 miles west of Interstate 55 interchange at exit 118. Upon completion of the replacement facility and recruitment of additional physicians, MCMC will offer services, including but not limited to the following:

Orthopedics	24-hour Emergency Room
Nephrology	Routine Diagnostic Imaging
Family Medicine	Clinical Laboratory
Plastic Surgery	Physical Therapy
Otolaryngology	Cardio-Pulmonary
Pediatrics	Intensive Care
Obstetrics/Gynecology	Pain Management
Internal Medicine	Cardiology
Inpatient/Outpatient Surgery	Neurology
	Nuclear Medicine

The 39-year-old, functionally obsolete, medical facility was designed at a time when the hospital's role was almost exclusively to treat inpatients. The shift to a largely outpatient orientation in today's health care industry has left the Madison County Medical Center at least 20 years behind accepted industry standards, according to the applicant. The applicant also submits that continual changing building codes, the increased technological advances for patient care, and other factors have increased the pressure for construction, renovation, and/or replacement of the existing facility. Although the cost to replace is substantial in comparison to renovation, the applicant believes that the benefits of replacement outweigh the cost. The applicant states that renovation would not alleviate the deficiencies of the facility. Therefore, the applicant proposes the relocation/replacement of its existing facility, at a minimal cost when compared to the alternatives, with a facility located at Nissan Parkway. The relocation/replacement will transfer all 67 licensed acute care beds, staff, professional services, necessary equipment, and other activities and services associated with the operation of the hospital. The employees, medical staff, support staff, etc. from the Canton location will relocate to Nissan Parkway upon completion of the transfer. Physicians will maintain privileges with the Nissan Parkway hospital as well. The applicant states that upon relocation/replacement of the existing facility, HMA will assess long range plans for the appropriate disposition of the Canton facility.

The applicant expects a first-year increase of 29 additional employees (from 49 to 78) as a result of the relocation. The estimated annual cost for additional personnel is projected for \$4,947,441.

The application contains a letter from the Division of Health Facilities Licensure and Certification approving the proposed new location for the replacement hospital. The applicant expects to obligate the capital expenditure upon issuance of the Certificate of Need (CON).

The applicant further expects the project to be completed within one year and one month from the issuance of the CON.

II. Type of Review Requested

Projects which propose the relocation/replacement of a health care facility and health services are reviewed in accordance with Section 41-7-191, subparagraphs (1) (b), and (e) Mississippi code 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 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 March 7, 2005.

III. Conformance with the *State Health Plan* and other Adopted Criteria and Standards

A. State Health Plan (SHP)

The *FY 2005 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving CON authority for the replacement and/or relocation of a health care facility or portion thereof.

**SHP Criterion 1 - Need**

**a. Projects which do not involve the addition of any acute care beds:** The applicant shall document the need for the proposed project. Documentation may consist of, but is not limited to, citing of licensure or regulatory code deficiencies, institutional long-term plans (duly adopted by the governing board), recommendations made by consultant firms, and deficiencies cited by accreditation agencies (JCAHO, CAP, etc.). In addition, for projects which involve construction, renovation, or expansion of emergency department facilities, the applicant shall include a statement indicating whether the hospital will participate in the statewide trauma system and describe the level of participation, if any (FY 2005 SHP).

The applicant submits that the Madison County Medical Center (MCMC) was built 39 years ago, and now needs major renovation and/or expansion. Continual changes in building codes, the increase in technological advances for patient care, and other factors have increased the pressure for construction, renovation, and/or replacement of the Canton facility. Although the cost to replace is substantial in comparison to renovation, the applicant believes that the benefits of replacement outweigh the cost. The applicant states that renovation would not alleviate the deficiencies of the facility. The relocation/replacement will transfer all 67 acute care beds, staff, professional services, necessary equipment, and other activities and services associated with the operation of the hospital. The hospital will maintain its existing participation in the statewide trauma system as a Level IV trauma unit.

The applicant identified the following structural and spatial problems for the hospital:

- The facility lacks cover for patient drop-off from the parking lot and a clear identity for entrance either to the main lobby or to the emergency department. There is no visual street image for the hospital from Highway 16.

- The entrance lobby is very small with virtually no visual flow for visitors or patients. The adjacent public toilet rooms are tiny and inadequate for public use; therefore, not in compliance with ADA requirements.
- The kitchen floor has broken or shattered floor tiles, which allow water and food to infiltrate. The dining area has water-damaged walls. The dietary department is antiquated in layout and functions poorly.
- Biohazard waste is removed through the same corridor as food delivery. Biohazard storage is in a ramshackle structure adjacent to the loading dock.
- The surgery department has remained unchanged during the last 39 years even though the hospital itself has experienced some minor upgrades. The department contains only one major and one minor operating suite. These rooms are outdated, undersized, and cannot accommodate some types of orthopaedic surgery.
- The surgery suite cannot be expanded without structural modifications to the first floor. Furthermore, the surgery suite is in a remote location on the second floor and is some distance from the only elevator serving the facility, the emergency room, and the radiology department. The secondary means of egress (fire escape) from the second floor does not meet code.
- The doctor's lounge and on-call sleep quarters are inadequate, with no amenities provided.
- One elevator serves the entire hospital. The dumbwaiter transports both sterile and un-sterile instruments, contrary to modern design and practice.
- The facility lacks clear identity for both ambulance and public "walk-in" entrances to the emergency department. The public walk-in entrance is approximately 45-50 feet from the closest parking space and the walk-way is uncovered. The ambulance entrance is inadequate. Stretchers must make a 90-degree turn at the unloading point then transport up an uncovered 20 foot, seven-degree grade, walkway to enter the emergency department. The emergency department is not sprinkled and has no fire protected structural materials in the roof assembly. ER triage is remote from the patient walk-up entrance.
- The wall and ceiling tiles throughout the facility show water damage. The finishes throughout are worn and dated. The doors and frames need replacement. They are severely worn and their hardware is antiquated or missing altogether. All mill work in the main hospital wing is dated and various metal cabinets are rusting. All ceiling systems in the main hospital building need to be replaced. The existing systems are rusting and mismatched, or crumbling. All plumbing fixtures in the main hospital need to be replaced. The roof has numerous leaks which has caused extensive damage and continues to be a constant maintenance issue.
- The laboratory is cramped and cannot effectively or adequately accommodate the necessary equipment or staff. As with the rest of the facility, the finishes, millwork, and cabinetry are outdated and worn.

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- The pharmacy is undersized.
- Patient corridors are seven feet-ten inches wide, not eight feet, as required by code. All patients bedrooms are undersized for today's use and codes. Patient rooms have no shower available. There is no sufficient space for stretcher storage throughout the facility. Dressing room doors are too small and existing toilet rooms are being used as dressing rooms.
- The inpatient and outpatient registration area barely meets current HIPAA requirements. Patients must register at an open window facing the ER waiting room.
- The Emergency Department has only one trauma room and it is undersized by current design standards. The ER relies on curtained treatment bays that provide little privacy from other patients or visitors in the ER. The triage room is located within the main corridor for all public and ambulance/emergency traffic.

The Division of Health Facilities Licensure and Certification cited the facility for the following discrepancies during the most recent survey. The facility failed to do the following:

- Maintain the generators,
- Conduct the required fire drill,
- Properly maintain the fire alarm system, and
- Properly maintain the sprinkling system.

The present facility consists of approximately 59,930 square feet. The first and second floors, occupying 45,700 square feet, were constructed in 1965 with later additions. The emergency department (3,000 square feet) was constructed in 1987, and an Outpatient Department and the Medical Office Building (11,230 square feet) were both constructed in 1995.

The applicant submits that the proposed relocation and replacement of the MCMC does not involve the addition of any acute care beds. The need for this proposal is established by several factors. These include, but may not be limited to, the following:

- c The existing facility is old, worn, functionally obsolete, and inadequate for the community's need,
- c Architects and engineers have investigated the existing facility and determined that a comprehensive renovation would cost between \$15 million and \$20 million;
- c Upon completion of such a renovation, the design limitations and inadequacies would not have been addressed;
- c There is no contiguous land available for horizontal expansion;
- c The hospital is not easily accessible to the population it serves;
- c Several life safety code issues exist that cannot be remedied by renovation;
- c The population of the hospital service area is expected to increase by nine percent by the end of the decade;

- c The recent (and continuing) introduction of major industry in Madison County requires the development of a modern health care facility to accommodate community needs;
- c The existing facility cannot meet JCAHO accreditation standards;
- c HMA has planned for the relocation and/or replacement of the existing facility since it was first leased from Madison County; and
- c The foregoing conditions hinder physician recruitment, a problem that should be ameliorated in the new location.

**SHP Criterion 2 - Bed Service Transfer/Reallocation/Relocation**

The applicant stipulates that MCMC will meet all regulatory/licensure requirements for the acute care beds being transferred/relocated to the Nissan Parkway facility.

**SHP Criterion 3 - Charity/Indigent Care**

The applicant affirms that it has provided, and will continue to provide, a reasonable amount of indigent/charity care as described in Chapter I of the applicable *Mississippi State Health Plan*.

**SHP Criterion 4 - Reasonable Cost**

The applicant submits that the proposal, including land cost, site development, and fixed and movable equipment cost, is comparable to other relocation projects in the state and should not exceed, by more than 15 percent, the cost of those similar projects approved by the Department, after adjustment for inflation.

The Department has approved two hospital replacement projects in recent history: Lackey Memorial Hospital in June 2004 and Newton Regional Hospital in February 2003. Lackey's replacement involved 35 beds, occupying 68,971 square feet, at a cost of \$225 per square foot. Newton Regional Hospital, a 49-bed, 48,935 square foot facility, was approved for \$124.78 per square foot replacement cost. The MCMC proposed replacement cost (\$286.86) exceeds the Lackey and Newton cost by 28 and 130 percent, respectively.

**SHP Criterion 5 - Floor/Space Requirement**

MCMC submits that the existing Canton facility encompasses 59,930 square feet. The proposed Nissan parkway facility is expected to encompass 122,464 square feet. The applicant asserts that the gross square footage of the proposed project is comparable to state and national norms for similar projects.

SHP Criterion 6 - Cost of Replacement vs Renovation

The applicant estimates that the cost to renovate MCMC will be between \$15 million and \$20 million, but such a renovation would still not eliminate major design problems or permit horizontal expansion of critical areas of the hospital.

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 proposed relocation/replacement of MCMC is in substantial conformance with FY 2005 *State Health Plan*, the *Plan* in effect during the review of this project.

GR Criterion 2 - Long Range Plan

The applicant stipulates that the proposed replacement facility is consistent with the intent of the long-range plans developed by HMA prior to the lease of MCMC. This replacement proposal reflects HMA's recognition that the existing facility is inadequate to meet current and projected needs of the community, that renovation of the facility is neither practical nor feasible, and that replacement and relocation within Madison County is the only workable solution.

**GR Criterion 3 - Availability of Alternatives**

The applicant considered three possible options to correct the deplorable conditions of the existing MCMC. These are as follows: (1) do nothing; (2) overhaul the existing facility at great expense; or (3) replace and relocate the 67-bed facility.

Due to the age, design, location, and condition of the existing facility, maintaining the status quo is not an appropriate alternative, according to the applicant. Such a move would eventually undermine the quality of care in the community, resulting in a further erosion of physician retention and loss of public confidence and acceptance. The applicant rejected this alternative.

An overhaul of the existing MCMC facility will cost between \$15 million and \$20 million. Such an undertaking would seriously interrupt patient care activities and result in a facility still with a basic design unsuitable to today's health care environment, according to the applicant. Furthermore, the facility is sited on less than nine acres of land, making horizontal expansion impossible. The applicant also rejected this alternative.

The applicant determined that the replacement and relocation of MCMC is the only viable option.

GR Criterion 4 - Economic Viability

The three-year operating statement and the financial feasible study included in the application project a net profit of \$1,757,000, \$4,709,000, and \$7,180,000 during the first, second, and third years of operation, respectively. Therefore, the project appears to be economically viable.

**a. Proposed Charges:**

The applicant attests that the proposed charges for the replacement facility are based on current charges at Madison County Medical Center, and they are comparable to, or less than, charges for similar services in the metro-Jackson area. However, no comparison of such charges was presented in the application.

**b. Projected Levels of Utilization:**

The applicant declared that the average occupancy rate statewide during 2002 was 47.4 percent of licensed beds. About 12 percent of hospitals within the state had occupancies above 60 percent. Another 20 percent had average annual occupancies between 45 and 59 percent. Hospitals in the metro-Jackson area operated at an annual average of 54 percent. Giving the location, facility size, demographic conditions of the service area, and the utilization of other similar-sized facilities in the state and the area, the applicant believes the utilization projections are reasonably consistent.

**c. Financial Feasibility Study:**

All Certificate of Need applications with a capital expenditure in excess of \$2,000,000 must contain a financial feasibility study prepared by an accountant, CPA, or the facility's financial officer. The application contained a letter from the Chief Financial Officer of Madison County Medical Center stating that the proposed project is feasible and in the best interest of not only MCMC but of the residents of the Madison County area as well. The CFO further stated that together with the strong financial performance of HMA, the parent corporation, she believes the hospital has the ability to service the anticipated debt from operations and cash reserves.

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

- a. **The need that the population served or to be served has for the services proposed to be offered or expanded and the extent to which all residents of the area - in particular low income persons, racial and ethnic minorities, women, handicapped persons, other undeserved groups, and the elderly are likely to have access to those services.**

The applicant cited patient origin data for 2003 that reflects that 69 percent of MCMC inpatients originated from Madison County, twelve percent from Holmes, four percent from Leake County, and three percent from Yazoo County. This suggests a four-county service area that comports fairly well with the ZIP Code level data. The applicant expects the service area to remain largely unchanged for the new facility. Madison County Medical Center is the only hospital located in Madison County and serves primarily a population that is mostly non-white, older, and less affluent than one might expect from Madison County.

The applicant further cited a study conducted by Solucient Consulting that states demographic changes alone could result in a 51 percent increase in acute care bed demand in the South by 2027. Total acute care admissions could also increase by almost 13 million cases in the next quarter century – a growth of 41 percent from the current number of national admissions. The study further reports that over the next 25 years, seniors will become the dominant patient type in need of hospitalization. Currently, seniors nationwide account for about 40 percent of inpatient admissions and about 49 percent of beds. By 2027, senior patients could make up a majority of acute care services – 51 percent of admissions and 59 percent of beds. The applicant proposed to address this expected change in patient population dynamics.

The applicant states that the proposed facility will also address the needs of women in the service area. The applicant states that currently, no hospitals located within MCMC's service area and 30-minute drive time of the proposed site (other than MCMC) offer obstetrical services. CMMC contends that the closest such facility (within MCMC's service area) is located at University-Holmes County in Lexington, approximately 52 minutes to the north, and where only 54 deliveries occurred in 2002.

**Note:** Department records indicate that St. Dominic-Jackson Memorial Hospital, located less than 30-minute's normal driving time from the proposed site, offers obstetrical services, and had 357 deliveries in 2003.

- b. **In the case of the relocation of a facility or service, the need that the population presently served has for the services.**

According to the applicant, the vast majority of the residents of the primary service area that seek hospital care obtain such care from hospitals located in the Jackson area. Approximately 16 percent of Madison County residents remained in the county

for hospital care. Of those traveling to Jackson, about 23 percent obtained care in HMA owned facilities. The applicant contends that GHSA III hospital incidence rates for 2002 suggest that by 2006 MCMC's service area will generate 21,647 admissions, 15,000 surgeries, and 68,000 emergency room visits.

The applicant proposes to relocate approximately five mile southwest of the existing location. The applicant contends that the new location will still be closer to the county's service area population than hospitals located in Jackson. The applicant expects that the new location will ensure greater penetration into the market area. The applicant believes that the replacement facility will improve access for all patients.

- c. The current and projected utilization of like facilities or services within the proposed service area will be considered in determining the need for additional facilities or services.**

This proposal does not include additional facilities or services but rather proposes the replacement and relocation of existing facilities and services.

- d. The probable effect of the proposed facility or service on existing facilities or services providing similar services to those proposed to be considered.**

The applicant projects the volume at the proposed replacement facility to occur from four sources: (1) the volume attributable to population growth; (2) the volume attributable to the aging of the population; (3) the volume attributable to increased acceptance by residents and businesses; and (4) the existing patient volume. The applicant states that 55 percent of the patient volume will be attributable to increased acceptance of the hospital's service, reflecting a shift in utilization patterns. Approximately 16 percent of Madison County residents remain in the county for hospital care. Of those traveling outside of Madison County, about 23 percent obtain care in HMA owned facilities. The remaining patients obtain inpatient care at other Jackson area hospitals. The total impact on all Jackson hospitals is expected to reflect a shift of about two percent. Given the synergy of local HMA facilities, the joint management, and similar goal setting, it is likely that a meaningful proportion of that shift will be from those facilities, submits the applicant.

#### **GR Criterion 6 – Accessibility**

The applicant reports that MCMC will continue its long history of caring for medically under-served persons in the new location even though only 20 percent of Madison County residents use MCMC for hospital care. (Of all the Madison County patients hospitalized, only 20 percent were hospitalized in Madison County). MCMC expects to serve the following traditionally under-served groups during the first three years of operation in the new facility:

Madison County Medical Center Proposed Frequency of Admission among traditionally Under Served Groups ( In Percent)			
	Year 1	Year 2	Year 3
Medicare	39.5	39.5	39.5
Medicaid	46.9	46.9	46.9
Medically Indigent	2.2	2.2	2.2

**GR Criterion 7 – Information Requirement**

The applicant promises to record and maintain data regarding charity care provided to the medically indigent, Medicare, and Medicaid populations. These data will be made available to the Department within 15 business days of request.

**GR Criterion 8 – Relationship to Existing Health Care System**

The applicant states that MCMC is the only hospital located in Madison County. Due to its aging physical plant, location, and design inadequacies, MCMC serves the inpatient demands of less than 20 percent of the Madison County population. However, MCMC is an integral component of the existing health care system. The replacement and relocation of this facility will improve access, quality, and continuity of care within that system, according to the applicant.

**GR Criterion 9 – Availability of Resources**

The applicant affirms that MCMC, through its owner, HMA, Inc., has the financial and human resources to implement this project without increasing charges at its facility or detrimentally affecting other health care facilities in the area. Due to the nature of the proposal and its relationship to MCMC's ability to continue its mission into the 21<sup>st</sup> century, there are no more appropriate uses for these resources, according to the applicant.

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

The applicant expects ancillary and support services to increase, when applicable and appropriate, to accommodate the larger physical plant and expected increase in patient volume. There should be no changes in charges as a result of this project, according to the applicant. The applicant states that cost increase will be related to increased fixed costs associated with facility and equipment depreciation and variable costs associated with volume related staffing increase, supplies, and other operational factors. Additional costs are expected to be accommodated by revenue generated by additional patient volume.

**GR Criterion 16 – Quality of Care**

Madison County Medical Center complies with the Minimum Standards of Operation for Mississippi Hospitals, according to the Division of Health Facilities Licensure and Certification.

**IV. Financial Feasibility**

**A. Capital Expenditure Summary**

Cost Item	Projected Cost	Percentage Of Total
Construction Cost – New	\$ 21,431,200	50.86
Total Fixed Equipment Cost	3,790,380	9.00
Total Non-Fixed Equipment Cost	4,953,616	11.76
Land Cost	2,000,000	4.75
Site Preparation Cost	6,600,000	15.66
Fees (Architectural-Engineers, etc.)	1,800,000	4.27
Contingency Reserve	1,508,760	3.58
Other Cost ( Legal and Consultation Fees)	<u>50,000</u>	<u>0.12</u>
<b>Total Proposed Expenditures</b>	<b><u>\$ 42,133,956</u></b>	<b><u>100.00</u></b>

**B. Cost Per Square Foot**

New Construction	\$ 21,431,200
Fixed Equipment	3,790,380
Site Preparation	6,600,000
Fees	1,800,000
Contingency	<u>1,508,760</u>
<b>Total New Construction</b>	<b><u>\$ 35,130,340</u></b>

**\$ 35,130,340/122,464 square feet = \$286.86 per sq. ft.**

The applicant proposes the capital expenditure to finance the relocation and replacement of the Madison County Medical Center from its present Madison County location to Nissan Parkway, also in Madison County. New construction consists of 122,464 square feet at a cost of approximately \$286.86 per square foot. The proposed cost of new construction is above the high range for construction of a hospital as contained in the *Means Construction Cost Data, 2004 Edition* of \$248 per square foot.

**C. Method of Financing**

The applicant proposes to finance the project through inter-company financing. The application contained a letter from HMA Corporate Controller verifying the financing.

**D. Effect on Operating Cost**

The applicant's projected three-year operating statement is included in Attachment I.

**E. Cost to Medicare/Medicaid**

The applicant's projected increased first year cost of the project to third party payers is as follows:

Patient Mix	Utilization Percentage	First Year Increased Cost* (In Thousands)
Medicare	35.10	\$ 14,397
Medicaid	41.80	17,145
Other Payors**	<u>23.10</u>	<u>9,476</u>
<b>Total</b>	<b>100.00</b>	<b>\$ 41,018</b>

\* Estimated patient revenue increase from present to first year of operation after completion of project.

\*\* Staff Calculations.

The applicant projects approximately 4.3 percent of its budget toward uncompensated care.

**V. Recommendations of Other Affected Agencies**

The Division of Medicaid estimates the increased annual cost to Medicaid for the capital expenditure to be \$653,117 for inpatient hospital services.

**VI. Conclusions and Recommendations**

This project is in substantial compliance with the criteria and standards for the relocation/replacement of a health care facility as contained in the *FY 2005 State Health Plan*; the *Mississippi Certificate of Need Review Manual, 2000 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The applicant has adequately documented the need for the proposed project, based on the reports submitted and an assessment of the available alternatives. The need for significant renovations and upgrades to the existing facility has been demonstrated. The staff finds that the proposal presented in this application is the most cost effective and desirable alternative for addressing documented needs. In addition, the applicant projects that the proposed project will result in no increase in the cost per patient day. As a result, the project will benefit consumers and third party payors.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted on behalf of Madison HMA, Inc. for the relocation and replacement of the Madison County Medical Center.

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Attachment I

<b>Madison County Medical Center Three Year Operating Statement</b>				
	<b>2004</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Key Statistics:</b>				
Average Daily Census	14.7	35.5	40.9	49.1
Inpatient Days	5,397	12,973	14,917	17,924
Adjusted Inpatient Days	11,066	26,600	30,586	36,751
Admissions (Excluding Nursery)	1,474	3,243	3,552	4,168
Adjusted Admissions (Excluding Nursery)	3,022	6,649	7,283	8,546
<b>Patient Revenue (\$ Thousands)</b>				
Inpatient Revenue	14,251	34,256	39,389	47,329
Outpatient	<u>14,969</u>	<u>35,982</u>	<u>41,373</u>	<u>49,714</u>
<b>Total Patient Revenue</b>	<b><u>29,220</u></b>	<b><u>70,238</u></b>	<b><u>80,762</u></b>	<b><u>97,043</u></b>
<b>Deductions from Revenue</b>				
Contractual Adjustments	14,973	32,479	36,539	43,904
Medicaid Disproportionate				
Group Insurance Write-Off	<u>2,423</u>	<u>5,824</u>	<u>6,697</u>	<u>8,047</u>
Total Revenue Deductions	<u>17,396</u>	<u>38,303</u>	<u>43,236</u>	<u>51,951</u>
Other Operating Revenue	<u>122</u>	<u>146</u>	<u>154</u>	<u>161</u>
Net Revenue	<u>11,946</u>	<u>32,081</u>	<u>37,680</u>	<u>45,253</u>
<b>Operating Expenses (\$ Thousands)</b>				
Salaries and Wages	5,639	10,586	11,304	13,576
Taxes and Benefits	1,045	2,011	2,261	2,851
Supplies, Drugs, Blood	865	2,079	2,391	2,873
Medical Specialty Fees Contract Services	0600	5001,729	5501,988	5782,389
Utilities	866	2,382	2,501	2,626
Repairs and Maintenance	285	784	823	864
Insurance	349	960	1,056	1,214
Other	488	1,342	1,409	1,480
Depreciation	682	4,102	4,307	4,522
Interest	1			
Provision for Bad Debts	<u>864</u>	<u>3,048</u>	<u>3,580</u>	<u>4,299</u>
Total Operating Expenses	<u>11,684</u>	<u>29,523</u>	<u>32,170</u>	<u>37,272</u>
Income (Loss) from Operations	262	2,558	5,510	7,981
Non-Operating Expenses	<u>599</u>	<u>801</u>	<u>801</u>	<u>801</u>
<b>Net Income (Loss)</b>	<b><u>(337)</u></b>	<b><u>1,757</u></b>	<b><u>4,709</u></b>	<b><u>7,180</u></b>

Source: A Certificate of Need Application for Replacement and Relocation of a 67-Bed Acute Care Hospital submitted on behalf of Madison County Medical Center.

Attachment 1 (Con't)

Current and First Year Projections			
	Current Total	Projected Total*	Percent Change
Patient Days	5,397	12,973	140
Cost/Patient Day	\$2,165	\$2,275	5
Charge/Patient Day	\$2,641	\$2,641	0.00
Hospital Admissions	1,395	4,200	201
ER Visits	10,266	13,000	27
Surgeries	255	3,000	1,076

\* No method of projection was found in the application.