

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
MAY 2006**

**CON REVIEW: HG-NIS-0306-003  
TRI-LAKES MEDICAL CENTER  
RELOCATION /ADDITION OF 10 ADOLESCENT CHEMICAL DEPENDENCY BEDS  
CAPITAL EXPENDITURE: \$0  
LOCATION: BATESVILLE, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

Tri-Lakes Medical Center (TLMC) is a 64-bed medical/surgical general acute care hospital. On August 11, 2005, Tri-Lakes filed a notice of intent to change ownership by sale of assets to Physicians and Surgeons Hospital Group (PSHG), Batesville, Mississippi. The hospital is now owned and operated by PSHG.

Tri-Lakes Medical Center offers a wide range of general acute care services accompanied by a full medical staff to operate each department in the hospital. The hospital is presently governed by a five-member Board who are appointed by the City of Batesville and the Panola County Board of Supervisors. The facility is certified to participate in the Medicare and Medicaid programs.

The licensed bed complement of TLMC consists of 41 medical/surgical beds (including 22 geriatric psychiatric beds), 10 adolescent chemical dependency beds, and 13 adult chemical dependency beds (CDU). The facility also houses Batesville Specialty Hospital, a 29-bed long term acute care hospital. In addition, TLMC has legislative authority to transfer 60 acute care beds from the North Panola Hospital, and CON authority to establish a 10-bed adult psychiatric unit (leased from Brentwood in Jackson) and a 20-bed Alzheimer's unit.

For medical /surgical beds, the occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate
2003	23.24	3.52	36.24
2004	35.88	5.55	14.95
2005	44.09	5.38	18.40

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

In July 2004, Tri-Lakes Medical Center (TLMC) received Certificate of Need (CON) approval to establish a 10-bed child/adolescent chemical dependency bed unit (adolescent CDU) by leasing from with Mississippi Baptist Medical Center, Incorporated (MBMC).

**B. PROJECT DESCRIPTION**

Tri-Lakes Medical Center requests CON authority to expand its adolescent CDU by leasing 10 additional adolescent CDU beds from MBMC and relocating the beds to TLMC's facility in Batesville. The application contains a proposed lease agreement between TLMC and MBMC for the 10 adolescent CDU beds.

The applicant indicates the existing adolescent CDU is located less than one mile from TLMC at its West Campus, Tri-Lakes Behavioral Health. The size of the unit is estimated at 3,000 square feet and is located on the first floor, south wing of one of the buildings on campus. Tri-Lakes Medical Center states there will be no new construction or major renovations needed to relocate/add the 10 adolescent CDU beds. The site has been approved by the Mississippi State Department of Health, Division of Licensure and Certification.

The applicant includes a three year projected operating statement and audited financial statements. The applicant states that the current adolescent chemical dependency unit's staff consists of 13 full time equivalents (FTEs) in the following positions: one program director, one community education director, one lead nurse, one clinical therapist, one activity therapist, two CNAs, two LPNs, one psychiatrist, one psychologist, one social worker, and one recreational therapist. No additional staffing will be required as a result of this project. There is no capital expenditure associated with this project. The applicant proposes to implement the 10 additional adolescent CDU beds immediately upon the CON approval.

## II. TYPE OF REVIEW REQUIRED

The Mississippi Department of Health reviews applications for establishment of chemical dependency services in accordance with Section 41-7-191, subparagraph (1)(c) (e) and (g) Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi Department of Health.

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 June 5, 2006.

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

### A. State Health Plan (SHP)

The *FY 2006 Mississippi State Health Plan* contains both general and service specific criteria and standards which the applicant is required to meet before receiving CON authority for the establishment of an adolescent chemical dependency unit and addition of beds. This application is not in substantial compliance with applicable criteria and standards.

### General Criteria And Standards

#### **SHP Criterion 1- Need**

The *FY 2006 State Health Plan* indicates that the state as a whole needs an additional 66 adolescent CDU beds. However, the *State Health Plan* states that notwithstanding the service specific statewide statistical bed need requirement, the Department may only approve additional beds for existing facilities which have maintained an occupancy rate of at least 80 percent for the most recent 12-month licensure reporting period or at least 70 percent for the most recent two (2) years.

In accordance with the Mississippi Supreme Court Ruling [No. 2004-SA-02468-SCT (*Biloxi Regional Medical Center vs Singing River Hospital System, March 30, 2006*)], the relocation of unused beds from one facility to another constitutes the addition of beds and must meet the standard in the *State Health Plan* for the addition of beds.

Tri-Lakes Medical Center opened its adolescent CDU on October 6, 2004, and reported an FY 2005 occupancy rate of 32.25 percent. The adolescent CDU beds have not been in operation for two years, and the applicant has not maintained an occupancy rate of 80 percent for the most recent 12-month period as required by this criterion; therefore, the applicant is not in compliance with the need criterion.

### **SHP Criterion 2 -Information Recording/Maintenance**

The applicant asserts that TLMC will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

### **SHP Criterion 3 – Memoranda of Understanding**

The applicant did not provide a signed memoranda of understanding from a mental health center; however, TLMC submitted a letter from Delta Health Center, a medical health center in Batesville, indicating they will refer and admit charity and medically indigent patients within their patient service area.

### **SHP Criterion 4 - Letters of Support**

The applicant provided a letter of support from Delta Health Center stating that the center is in support of TLMC adding a 10 bed adolescent chemical dependency program to its medical services.

### **SHP Criterion 5 - Scope of Services**

Within Tri-Lakes Medical Center's scope of available services, the applicant affirms that neither the facility nor its participating staff will have policies that will exclude patients based on race, color, age, sex, ethnicity, or ability to pay.

### **SHP Criterion 6 - Charity/Indigent Care**

The applicant affirms that Tri-Lakes will provide a reasonable amount of indigent care to patients who cannot financially meet their obligation to pay for services rendered.

## **Service Specific (SS) Criteria and Standards**

### **SHP SS Criterion 1- Statistical Need**

The Department bases the statistical need for adolescent chemical dependency services on a ratio of 0.44 beds per 1,000 population aged 12 to 17 for 2005 in the state as a whole. Based on this ratio, the *FY 2006 State Health Plan* has identified the need for 66 additional child/adolescent chemical dependency beds in the state. However, this project is for the lease of already licensed adolescent chemical dependency beds and will not result in an increase of the adolescent chemical dependency bed inventory in the state.

### **SHP SS Criterion 2- Size of Facility/Unit**

The existing 10-bed adolescent CDU is located on the campus of Tri-Lakes Behavioral Health and TLMC is requesting to add 10 beds to the unit. The applicant states the facility is not a freestanding chemical dependency facility with more than 60 beds; however, it is a hospital-based facility. If this CON is approved, the hospital will be licensed for 20 adolescent CDU beds which will include detoxification beds. The applicant states TLMC will provide a home-like environment for the child and adolescent population.

### **SHP SS Criterion 3- Staffing**

The applicant affirms that TLMC will have specialized trained staff to address the needs of children and adolescents; the staff will consist of psychiatrists and psychologists that will provide a multi-disciplinary psychosocial medical approach to chemical dependency treatment. The applicant states that TLMC will involve parents and significant others in the treatment program and will provide an after care service program.

### **SHP SS Criterion 4- Structural Design**

The applicant affirms that the structural design of the adolescent CDU and building will separate the child/adolescent chemical dependency patients from adult patients for treatment and living purposes.

## **SHP SS Criterion 5 - Chemical Dependency Aftercare and Follow-up Services**

Upon discharge from TLMC's program, the applicant affirms that the hospital will provide services to adolescent chemical dependency patients in order to help them overcome their addiction by offering counseling, medical, and psychiatric services provided by physicians and qualified staff. The applicant states 12-step AA or NA principles will be used as the foundation for the treatment program and they will be implemented by a multi-disciplinary staff.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 Revisions*, address general criteria by which all CON applications are reviewed. This application is not in substantial compliance with general review criteria.

#### **GR Criterion 2 - Long Range Plan**

The long range development plan of Tri-Lakes Medical Center (TLMC) is to provide access to medical services for Panola County residents. The applicant asserts that the project is compatible with TLMC's long range goals.

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

The applicant states that TLMC considered the following alternatives before deciding to request 10 additional adolescent CDU beds: (1) TLMC looked to partner with several providers but those plans never developed; (2) the hospital consulted with experts to develop a comprehensive system to sustain Panola's population using its existing adolescent CDU program; however, the proposed plans would not meet all regulatory and clinical guidelines set forth by affiliated agencies; and (3) the applicant requested private funding from other agencies to aid the adolescent CDU patient population but agreements were not acted upon. In this case, the applicant states there are no other alternative methods of providing treatment for children/adolescents in Panola County who suffer from chemical abuse.

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

The three year operating projections reflect a first year net profit of \$76,310, a second year profit of \$133,880, and a third year profit of \$186,200. Based on net profits reported, the project appears to be economically viable.

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

The applicant states that it reviewed health care data from American and Mississippi Hospital Associations, the Delta Rural Health Network, and population projections for Panola County. The applicant contends that mental health issues and chemical addiction are steadily increasing while adequate access to basic health and mental care by rural county residents is at a minimum. Also, the applicant found that the county's population is increasing; however, there is a shortage of adolescent CDU services in the Batesville area, including the surrounding counties.

The applicant states that Parkwood Behavioral Health System (DeSoto County) is the only other chemical dependency program within close proximity of Batesville; however, the chemical abuse program only treats adult patients. To meet the ever changing needs of the Panola community, the applicant believes TLMC must expand its existing adolescent CDU program to address alcohol and substance abuse among Panola County adolescent residents.

Tri-Lakes Medical Center states that the facility will serve all patients without respect to race, color, age, sex, ethnicity, or ability to pay.

In the case of relocation of a facility or service, the Department must consider the need that the population presently served has for the service.

Based on the chemical dependency bed utilization for FY 2004 and updated data for FY 2005, the occupancy rate and inpatient days for MBMC are 1.86% and 68, respectively. These numbers are far lower than other facilities offering adolescent chemical dependency treatment in the state of Mississippi. The *Plan* shows an occupancy rate of 47.38% and 2,081 inpatient days for the remaining adolescent CDU program in General Hospital Service Area 3 for FY 2004. Thus, the relocation of these adolescent CDU beds from the Jackson area to Batesville will not have an adverse impact on other adolescent CDU programs. Since Tri-Lakes is the only adolescent CDU in Panola County, the expansion of the program would complement CDUs located in neighboring counties.

An endorsement letter from Delta Health Center was included in the CON application stating that TLMC complies with all federal regulations regarding community service and supports TLMC's efforts to service all patients in Service Area 1.

### **GR Criterion 6- Accessibility**

Tri-Lakes Medical Center affirms the hospital is in compliance with federal and state regulations in regards to serving all patients in regardless of race, creed, sex, or ability to pay. The applicant states that the 2002 to 2004 percentage of gross patient revenue and the actual dollar amount of health care TLMC provided to medically indigent patients were: 9.8%, (\$2,764,829); 8.4%, (\$2,357,519), and 10%, (\$3,358,237), respectively.

Tri-Lakes Medical Center projects that 9% of the patients served at the center will be medically indigent patients. The applicant indicates the expected payor mix by type payor will be as follows: Medicaid will be 90%, and Self and Private Pay 10.00%.

The applicant asserts that the inpatient adolescent CDU and emergency medical services will be operated by required staff seven days per week, 24 hours per day.

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

Tri-Lakes Medical Center affirms that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

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

The applicant asserts that the child/adolescent chemical dependency unit/program should not have a significant impact on the health care systems in the state. The adolescent CDU will be located on the Tri-Lakes Behavioral Health campus to deliver treatment to the Panola County adolescent population who suffers from chemical addiction.

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

The applicant submitted a 3 year operating statement indicating it will cost \$394,250 to utilize an existing staff of 13 FTEs. The applicant recalculated the salary expense and affirms it will cost \$323,786 to utilize the existing staff. The applicant did not submit a revised 3 year operating statement to reflect the change; thus, total operating expenses for the first year should be \$510,586 and income from operations will be \$146,774. No additional staffing will be required as a result of this project.

Tri-Lakes Medical Center states the hospital has demonstrated a successful staffing history and asserts that sufficient physicians are available to ensure proper implementation of this program. As an alternative, the applicant affirms that resources will be used to fund other ancillary and emergency services to operate the hospital 24 hours per day/ 7 days per week.

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

The applicant asserts TLMC currently provides ancillary and support services and there will be no increase in the utilization of ancillary and support services as a result of this project.

**GR Criterion 16 - Quality of Care**

The applicant states TLMC has been providing care to residents of Panola County and GHSA 1 by complying with the Minimal Standards of Operation from Mississippi Hospitals and will continue to deliver quality healthcare.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

There is no capital expenditure associated with this project.

**B. Method of Financing**

Since there is no capital expenditure projected, no financing is required for this project. Tri-Lakes Medical Center will use current operating funds to fund the project.

**C. Effects on Operating Costs**

The applicant projects gross revenues of \$775,500, \$881,250, and \$987,000, the first, second, and third year of operation, respectively; and expenses of \$581,050, \$613,120, and \$650,440. Also, net income for the first three years of operation is as follows: \$76,310, \$133,880, and \$186,200. Utilization, cost, and charges are included in the applicant's Three-Year Projected Operating Statement (See Attachment 1).

**D. Cost to Medicaid/Medicare**

Payor	Utilization Percentage	First Year Expense
Medicaid	90.00%	\$522,945
Medicare	-----	-----
Other	10.00%	<u>\$58,105</u>
<b>Total</b>	100.00%	<u>\$581,050</u>

TLMC projects that bad debt, medically indigent, and charity care are approximately 3.61% of gross patient revenues.

**Note:** Applicant did not provide revise 3 year operating statement. Staff calculated first year expense based on new utilization percentages.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application; however, no written comments were received from the Division.

**VI. CONCLUSION AND RECOMMENDATION**

This project is not in substantial compliance with the criteria and standards for the addition of child/adolescent chemical dependency beds as contained in the *FY 2006 Mississippi State Health Plan*, Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health. Specifically, the State Health Plan requires that the applicant documents that the facility has maintained at least an occupancy rate of 70 percent for the most recent two (2) years or 80 percent for the most recent 12-month licensure reporting period. The applicant failed to document compliance with this criterion.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of this application submitted by Tri-Lakes Medical Center (TLMC) for the addition of 10 adolescent chemical dependency beds.

**Attachment 1**

<b>Tri-Lakes Medical Center Three-Year Projected Operating Statement</b>			
	<b>First Year</b>	<b>Second Year</b>	<b>Third Year</b>
<i>Revenue</i>	\$ 775,500	\$ 881,250	\$ 987,000
<b>Gross Patient Revenue</b>	<u>\$ 775,500</u>	<u>\$ 881,250</u>	<u>\$ 987,000</u>
<b>Deductions from Revenue</b>	<b>\$ 118,140</b>	<b>\$ 134,250</b>	<b>\$ 150,360</b>
<b>Net Revenue</b>	<b>\$ 657,360</b>	<b>\$ 747,000</b>	<b>\$ 836,640</b>
<u><i>Operating Expenses</i></u>			
Salaries	\$ 394,250 *	\$ 421,420	\$ 448,840
Professional Fees-Medical Director	\$ 24,000	\$ 24,000	\$ 24,000
Consulting Fees	\$ 35,000	\$ 30,000	\$ 30,000
Other	\$ 22,000	\$ 25,000	\$ 28,000
Benefits (Estimated @ 20% of Salary Expense)	\$ 78,900	\$ 84,300	\$ 89,800
Laundry	\$ 3,700	\$ 4,200	\$ 4,700
Dietary	\$ 6,900	\$ 7,900	\$ 8,800
Housekeeping	\$ 6,900	\$ 6,900	\$ 6,900
Operation of Plant	\$ 9,400	\$ 9,400	\$ 9,400
<b>Total Operating Expenses</b>	<b>\$ 581,050</b>	<b>\$ 613,120</b>	<b>\$ 650,440</b>
<b>Income (Loss) from Operations</b>	<b><u>\$ 76,310 *</u></b>	<b><u>\$ 133,880</u></b>	<b><u>\$ 186,200</u></b>
Occupancy Rate	80%	85%	87%
Patient Days	1,110	1,250	1,400
Cost per Day	\$ 705	\$ 705	\$ 705
Charge per Day	\$ 528	\$ 528	\$ 528

\*The applicant recalculated the first year salary expense to reflect \$323,786; thus, total operating expenses for the first year should be \$510,586 and income from operations will be \$146,774.