

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
FEBRUARY 2008**

**CON REVIEW HG-R-1207-031
SINGING RIVER HOSPITAL
RENOVATION OF EMERGENCY DEPARTMENT AND PATIENT CARE AREA
CAPITAL EXPENDITURE: \$9,473,202
LOCATION: PASCAGOULA, JACKSON COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Singing River Hospital System (SRHS) is composed of Singing River Hospital (404 licensed beds) located in Pascagoula, and Ocean Springs Hospital (136 licensed beds) in Ocean Springs. Both hospitals are voluntary, not-for-profit institutions, publicly owned 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.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for Singing River Hospital are as follows for the years 2004 through 2006 (medical/surgical beds only):

**Singing River Hospital
Utilization Rate**

Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2004	33.16	5.26	17.64
2005	N/A	N/A	N/A
2006	25.59	4.51	16.38

Source: The Division of Health Facility Licensure and Certification, MDH

B. Project Description

Singing River Hospital ("Singing River", "the applicant", or "SRH") requests Certificate of Need (CON) authority to renovate and refurbish certain patient care areas and the emergency department in order to bring the units up to current standards of care. The renovation projects, the square footage, and the completion schedules are outlined in the following table:

Renovation Projects	Square Feet	Estimated Completion Dates	
(1) First Floor Northeast	5,760	December	2008
(2) First Floor Northwest	7,405	December	2008
(3) Nursery Renovation	4,136	January	2009
(4) Ground Floor Northeast	5,760	August	2009
(5) First Floor North Central	5,910	February	2010
(6) Emergency Department	21,000	December	2008
Total Renovation Square Feet	49,971		

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for construction, renovation, expansion, or capital improvement involving a capital expenditure in excess of \$2,000,000, under the applicable statutory requirements of Section 41-7-173, 41-7-191 (1) (j), and 41-7-193, Mississippi Code of 1972, 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 March 6, 2008.

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

A. State Health Plan (SHP)

The *FY 2007 Mississippi State Health Plan (FY 2007 MSHP)* contains criteria and standards which the applicant is required to meet before receiving CON authority for construction, renovation, and the acquisition of major medical equipment. This application is in substantial compliance with all applicable criteria and standards.

SHP Criterion 1 - Need

Patient Care Unit Renovation

According to the applicant, patient care areas of hospitals require routine renovations. The applicant affirms that the planned renovation at Singing River will provide increased efficacy in patient-care delivery.

Emergency Department Expansion

According to the applicant, Singing River Hospital has suffered a number of facility-related problems that have reduced its ER's ability to provide the level of services that the community expects. Some of these problems include:

- Ambulance diversions resulting in lost patient revenue;
- Reduced patient satisfaction stemming from long wait times, inadequate, and outdated facility;
- Long delays in patient registration, patient triage, admitting, and the provision of diagnostic and ancillary services;
- Patient's inability to effectively access emergency services because of the frustration they experience with long wait times, perceived or real.

Additionally, according to the applicant, Gulf Coast Medical Center has announced the closure of its emergency department, indicating that not all hospitals operating an emergency department within the area are committed to or are able to stay operational during the time of need. This closure will produce increased pressure on Singing River's emergency department to provide needed emergency and trauma care.

SHP Criterion 2 - Bed Service Transfer/Reallocation/Relocation

The applicant asserts that this project does not involve a transfer, reallocation, or relocation of beds to another facility. Therefore, this criterion is not applicable to the proposed project.

SHP Criterion 3 - Charity/Indigent Care

Singing River Hospital affirms that it will provide a "reasonable amount" of indigent/charity care as described in Chapter I of the *2007 State Health Plan*.

SHP Criterion 4 - Cost of Proposed Project

The applicant states that the proposed project will cost approximately \$189.57 per square foot to renovate. The *2007 Means Construction Cost Data* publication does not compare costs of renovation projects. This cost per square foot compares favorably to other hospital renovation projects approved by the Department during the most recent six-month period.

This project does not involve the purchase of equipment.

The applicant affirms that these projects are expected to have reasonable positive impact on the cost of health care at Singing River Hospital by modernization of patient areas and improvements to the emergency department that will lead to better customer experiences and increased efficiencies.

SHP Criterion 5 - Floor Area and Space Requirements

The applicant affirms that the proposed project complies with state and national norms for similar projects. The applicant does not list any architectural design constraints of the existing building, nor does SRH list any "special considerations due to local conditions."

SHP Criterion 6 – Cost of Proposed Renovation or Expansion Project

The applicant certifies that the proposed renovation project will not exceed 85% of the cost of a replacement facility.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 8, 2007 revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 – State Health Plan

The application is in substantial compliance with all criteria, standards, and policies of the FY 2007 *State Health Plan*.

GR Criterion 2 - Long Range Plan

The applicant affirms that the proposed project confirms to the long range plan adopted by its board of trustees.

GR Criterion 3 - Availability of Alternatives

Emergency Department Expansion

The applicant asserts that various options relating to examination rooms and triage areas were considered. Each option had its logistical issues. To add more than two examination rooms would have realistically forced the organization to expand the existing footprint of the facility which would have been more costly and effectively not possible. Therefore, this option was eliminated. Also, the in-house maintenance/construction department was considered to determine the feasibility of that department performing the needed renovations. It was determined that this project would be beyond the scope of that department, resulting in the present plan of using contract labor to implement the plan.

Renovation to Patient Care Areas

According to the applicant, the patient area renovations within a hospital are routine and reoccurring in nature and the only realistic options are who will perform them, inhouse personnel or contract labor. Singing River's In-house personnel are skilled and knowledgeable enough to perform these renovations but they are engaged with other ongoing facility projects. Therefore, contract labor was chosen for the renovation of patient care units, according to the applicant.

GR Criterion 4 - Economic Viability

The applicant provided a three-year projected operating statement that indicated that net operating income projected for three consecutive years will be \$2,990,809, \$3,142,819 and \$3,547,352 during the first, second and third years, respectively. (Attachment I).The applicant affirms that these projects are expected to have reasonably positive impact on the cost of health care in Singing River Hospital through implementing strategic goals such as modernization of patient areas and process improvements to the emergency department that will lead to better customer experiences and increasing efficiency. No material impact on Medicaid is expected, according to the applicant.

The application contained evidence that this project was approved by the Board of Trustees of the Singing River Hospital System and that the chief financial officer has determined that Singing River Hospital System has the ability to undertake this obligation.

GR Criterion 5 - Need for the Project

The applicant states the facility will serve all patients in GHSA 7 without respect to race, color, age, sex, ethnicity, or ability to pay. Singing River Hospital will operate 7 days per week, 24 hours per day, and 365 days a year.

The applicant asserts that this project does not involve the relocation of the facility or service.

The application contained letters of support for this proposed project.

GR Criterion 6 - Accessibility

The applicant affirms that SRH will serve all patients without regard to race, color, age, sex, ethnicity, and/or ability to pay. SRH currently serves Medicare, Medicaid, and medically indigent patients and will continue to provide same. The hospital operates 7 days per week, 24 hours per day, and 365 days per year. The transportation and travel time to the facility will not change since this project is in the existing hospital.

GR Criterion 7 - Information Requirement

The applicant affirms that SRH will record and maintain the information required by this criterion and shall make the data available to the Department within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

The applicant states that no new service is proposed in this application. SRH is only enhancing its facility to continue to provide state of the art services to the community. SRH believes that failure to implement the proposed project would limit the growth of the hospital, therefore, limiting the access and availability of necessary healthcare services for the community, contrary to the hospital's mission. Thus, the applicant asserts this project will not have an adverse impact on existing facilities in GHSA 7.

GR Criterion 9 - Availability of Resources

The applicant asserts that no new personnel will be required, as this project is only a renovation of existing services

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts that the project is not expected to have an adverse effect upon the delivery of ancillary health or support services.

GR Criterion 11 - Health Professional Training Programs

The applicant affirms that the proposed project will allow students to benefit from being part of a modernized healthcare facility. Students will be able to see first-hand the benefits of an efficient process. The renovation of the patient care area will give students the opportunity to work in an environment that takes into account the need of the patients.

GR Criterion 12- Access by Health Professional Schools

The applicant affirms that students enrolled in health professional schools will continue to have access to nursing care services at SRH for training purposes. SRH has participated in professional training programs for nurses, aides, phlebotomists, and radiology technologist.

GR Criterion 14 - Construction Projects

This proposal does not require new construction. The total project is projected to include 49,971 square feet of renovation at a cost of \$189.57 per square foot.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

SITE	Projected Cost	Percentage
1. Land Cost	\$	
2. Site Preparation and/or Improvement	675,000	
3. Other (specify)		
SUBTOTAL	\$ 675,000	10.00
BUILDING		
1. New Construction	2,875,000	
2. Renovation	350,000	
3. Capital Improvement	300,000	
4. Fees (architectural, Consultant, etc)	800,000	
5. Contingency reserve	900,000	
6. Capitalized interest	250,000	
7. Other (specify)		
SUBTOTAL	\$ 5,475,000	81.11
EQUIPMENT		
1. Fixed equipment	\$ 600,000	
2. Non-fixed equipment		
SUBTOTAL	\$ 600,000	8.89
PROJECT DEVELOPMENT		
1. Legal and accounting fees	\$	
2. Other (specify)		
SUBTOTAL	\$	
TOTAL PROJECT COST	\$ 6,750,000	100.00

COST COMPARISON

Comparison to Means Construction Cost Data Book		N/A
DATES		
Obligation of capital expenditure		Within 30 days of approval
Anticipated date of completion		February 2010
TOTAL SQUARE FOOTAGE		
1. Construction area (square feet)		
2. Renovation area (square feet)		49,971
Total Square Feet		49,971
CONSTRUCTION COST		
1. Construction cost per square foot		
2. Renovation cost per square foot	\$	189.57

Singing River Hospital will renovate 49,971 square feet of space in the existing hospital. The cost to renovate 49,971 square feet of space will be approximately \$189.57 per square foot (see Attachment II).

B. Method of Financing

The proposed project will be financed through a bond referendum.

C. Effects on Operating Costs

The applicant projects gross patient revenue of \$548,982; \$592,900,571; and \$640,332,616 for the first, second, and third year of operation, respectively. Utilization, cost, and charges are included in the applicant's Three-Year Projected Operating Statement (See Attachment I).

D. Cost to Medicaid/Medicare

Patient Mix	Utilization Percentage	First Year Cost
Medicaid	43	\$ 236,062,264
Medicare	12	\$ 65,877,841
Other	45	\$ 247,041,905
Total	100	\$ 548,982,010

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, outpatient services will be paid as outlined in the Medicaid State Plan. The Division does not oppose the application.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for construction, renovation, and expansion projects as contained in the *2007 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 8, 2007*; 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.

ATTACHMENT I

Singing River Hospital			
Renovation of Patient Care Units and Emergency Department			
	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$ 294,294,546	\$ 317,838,110	\$ 343,265,158
Outpatient Care Revenue	254,687,464	275,062,461	297,067,458
Gross Patient Care Revenue	\$ 548,982,010	\$ 592,900,571	\$ 640,332,616
Charity Care			
Deduction from Revenue	386,118,724	423,271,718	463,472,747
Net Patient Care Revenue	\$ 162,863,286	\$ 169,628,853	\$ 176,859,869
Other Operating Revenue	5,355,217	5,355,217	5,355,217
Total Operating Revenue	\$ 168,218,503	\$ 174,984,070	\$ 182,215,086
Operating Expenses			
Salaries	\$ 67,313,107	\$ 70,005,631	\$ 72,805,857
Benefits	17,437,489	18,201,464	18,929,523
Supplies	34,428,559	36,149,987	37,957,486
Services	11,693,820	12,044,635	12,405,974
Lease	1,453,936	1,497,554	1,542,481
Depreciation	7,354,204	7,721,914	8,108,010
Interest	1,161,374	1,103,305	1,048,140
Other	24,385,205	25,116,761	25,870,263
Total Operating Expense	\$ 165,227,694	\$ 171,841,251	\$ 178,667,734
Net Operating Income (Loss)	\$ 2,990,809	\$ 3,142,819	\$ 3,547,352
Assumptions			
Outpatient Days	562,177	579,042	596,414
Inpatient Days	44,659	45,999	47,379
Charge per Outpatient Day	\$ 453	\$ 475	\$ 498
Charge per Inpatient Day	\$ 6,590	\$ 6,910	\$ 7,245
Cost per Outpatient Day	\$ 294	\$ 297	\$ 300
Cost per Inpatient Day	\$ 3,700	\$ 3,736	\$ 3,771

**SINGING RIVER HOSPITAL
 COMPUTATION OF CONSTRUCTION AND RENOVATION COST**

ATTACHMENT II

Computation of Construction and Renovation Cost

<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>	<u>Renovation</u>
New Construction Cost	\$0	\$0	
Renovation Cost	\$7,758,202		\$7,758,202
Total Fixed Equipment Cost			
Total Non-Fixed Equipment Cost			
Capital Improvement			
Land Cost	\$0		
Site Preparation Cost	\$0	\$0	
Fees (Architectural, Consultant, etc.)	\$765,000	\$0	\$765,000
Contingency Reserve	\$950,000	\$0	\$950,000
Capitalized Interest		\$0	\$0
Total Proposed Capital Expenditure	\$9,473,202	\$0	\$9,473,202

Square Footage	49,971		49,971
Allocation Percent		0.00%	100.00%

Costs Less Land, Non-Fixed Eqt. & Cap. Improvement		\$0	\$
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Cost Per Square Foot		\$189.57
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