

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
MAY 2010**

**CON REVIEW: HP-CB-0310-010
VICKSBURG HEALTHCARE, LLC D/B/A
RIVER REGION HEALTH SYSTEM, VICKSBURG
RENOVATION/ADDITION OF 20 ADOLESCENT PSYCHIATRIC BEDS/SERVICES
CAPITAL EXPENDITURE: \$805,058
LOCATION: VICKSBURG, WARREN COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Vicksburg Healthcare, LLC d/b/a River Region Health System (RRHS), is a 372-bed, limited liability, acute care hospital based at 2100 Highway 61 N located in Vicksburg, Warren County, Mississippi. The licensed bed complement consists of 261 general acute care beds, 40 adult psychiatric beds, 28 adult chemical dependency beds, 12 adolescent chemical dependency beds and 31 long-term care beds which are temporarily de-licensed.

River Region Health System currently offers the following services:

- Adult Psychiatric Services, aged 18-54
- Geriatric Psychiatric Services, aged 55 and older
- Adult Chemical Dependency Services, aged 18 and older
- Adolescent Chemical Dependency Services, aged 13-17

River Region Health System is owned by Community Health Systems of Franklin, TN, which is qualified to do business in the State of Mississippi.

River Region Health System has three (3) directors and five (5) officers.

B. Project Description

River Region Health System (RRHS) is requesting Certificate of Need (CON) authority to add twenty (20) adolescent acute psychiatric beds to its existing behavioral health program.

The applicant affirms that these 20 beds will be created by renovating an 8,855 square foot medical surgical unit constructed originally in 1972, located on the second floor of the East wing of the River Region West Campus. The applicant states that the entirety of that space will be utilized for the inpatient adolescent psychiatric unit and will include 20 private patient rooms, 2 day rooms, 2 group rooms, a seclusion room, a dining room, and a nurses' station. The applicant submits equipment involved in the proposed project consists primarily of the following: closed circuit monitoring system, access control system, furniture and equipment for exam room, nursing station, dining rooms, activity rooms, and certain other moveable equipment required to offer adolescent psychiatric services at the West Campus location. These renovations include construction, plumbing, mechanical and engineering work.

The applicant asserts that the proposed renovation will address physical safety and security for the proposed patients by converting all areas for the use as a Behavioral Health unit with the focus on the safety of the adolescent population.

The applicant states that all ancillary services required to operate the adolescent service are already present on the West Campus. The applicant further states that by offering all behavioral health services on one campus these services can be offered in the most cost-efficient means.

The completed project will require 15.6 full-time-equivalent personnel, at an estimated first year annual cost of \$1,082,640.

River Region Health System (RRHS) believes that the addition of the 20 adolescent acute psychiatric beds will complete River Region Health System's continuum of psychiatric care and will provide a much needed treatment option for troubled adolescents in Warren County and surrounding areas.

If the proposed project is CON approved, the applicant asserts that the project shall commence by July 2010, and be completed by December 2010.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-191, subparagraph (1)(c), d(iv), and 4(a)(iii) 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 7, 2010.

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

A. State Health Plan (SHP)

The *FY 2010 State Health Plan* contains policy statements, criteria and standards which an applicant is required to meet prior to offering or adding adolescent psychiatric beds. River Region Health System is a licensed facility currently providing adult psychiatric and both adult and adolescent chemical dependency services.

General Criteria and Standards for Psychiatric, Chemical Dependency and Psychiatric Residential Treatment Facilities

SHP General Criterion 1 – Need

RRHS is an existing provider of psychiatric services and is requesting the addition of 20 adolescent psychiatric beds. The 2010 projected bed need is based on .55 beds per 1,000 population aged 7 to 17. Utilizing this methodology, the *Plan* indicates that the state has an excess of 2 adolescent psychiatric beds.

Section 41-7-191(4)(a)(iii) Mississippi Code Annotated states: The department may issue a certificate or certificates of need for the construction or expansion of child/adolescent psychiatric beds or the conversion of other beds to child/adolescent psychiatric beds in Warren County. For purposes of this subparagraph (iii), the provisions of Section 41-7-193(1) requiring substantial compliance with the projection of need as reported in the current *State Health Plan* are waived. The total number of beds that may be authorized under the authority of this subparagraph shall not exceed twenty (20) beds. There shall be no prohibition or restrictions on participation in the Medicaid program (Section 43-13-101 et seq.) for the person receiving the Certificate of Need authorized under this subparagraph or for the beds converted pursuant to the authority of that Certificate of Need.

The statue further states that if previously issued CON expires, the department may accept applications for issuance of another CON for the beds authorized under this subparagraph, and may issue a CON of need to authorize the construction, expansion or conversion of the beds authorized under this subparagraph.

These beds were previously granted under Certificate of Need to another provider; however, the beds were never put into service. That prior CON was revoked by the Department due to the holder's inaction, and the beds are now available again. The applicant asserts that River Region is committed to building these beds, putting them into service, and providing the psychiatric services to needy adolescents in Warren County and the rest of its primary service area as the Legislature intended when it initially recognized the need for these beds and authorized the Department's approval.

The statue further states that if previously issued CON expires, the department may accept applications for issuance of another CON for the beds authorized under this subparagraph, and may issue a CON of need to authorize the construction, expansion or conversion of the beds authorized under this subparagraph.

RRHS affirms that currently there are no inpatient psychiatric services for adolescents who are 13 to 17 years of age in the primary service area. RRHS Behavioral Health program's primary service area includes: Warren, Issaquena, Sharkey, Yazoo, Hinds, Claiborne, and Copiah counties. Conversely, the *FY 2010 State Health Plan* indicates that the University Hospital and Clinics, located in Hinds County has 12 adolescent psychiatric beds with an occupancy rate of 35.41% for FY 2008 (See Attachment 2). The Division of Health Planning and Resource Development affirms that the entire state is considered to be the service area for Psychiatric Facilities; however, there is a void of adolescent psychiatric services in the Warren County area.

The applicant believes that the addition of 20 adolescent acute psychiatric beds will complete River Region Health System's continuum of psychiatric care and will provide a much needed treatment option for troubled adolescents in Warren County and the surrounding areas. The applicant suggests that psychiatric services for adolescents are in great need and will continue to be so in the foreseeable future.

SHP General Criterion 2 – Information Requirement

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

SHP General Criteria 3 – Memorandums of Understanding

The application contained a signed memorandum of understanding with Warren Yazoo Mental Health Services, pertaining to the referral and admission of charity and medically indigent patients.

SHP General Criteria 4 – Letters of Comment

The application contained three signed letters of support. Such letters were from the Medical Directors of River Region Health System and Warren-Yazoo Mental Health Service.

SHP General Criterion 5 – Policy of Exclusion

The applicant affirms that within the scope of its available services, neither the facility nor its participating staff will have policy or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

Service Specific (SS) Criteria and Standards for Acute Psychiatric Beds for Children and Adolescents

SHP SS Criterion 1 – Need

The FY 2010 State Health Plan indicates that by using the formula of .55 beds per 1,000 population aged 7 to 17 to calculate need for adolescent psychiatric beds, the state is over bedded by 2 adolescent psychiatric beds.

SHP SS Criterion 2 – Facility Size

The applicant proposes to add 20 adolescent acute psychiatric beds to its existing behavioral health program. The applicant affirms that these 20 beds will be created by renovating 8,855 square feet of space. The entirety of that space will be utilized for the inpatient adolescent psychiatric unit and will include 20 private rooms, 2 day rooms, 2 group rooms, a seclusion room, a dining room, and a nurses' station.

SHP SS Criterion 3 – Staffing

The applicant proposes to employ 15.6 full-time-equivalent personnel, upon the completion of this proposal. The applicant projects that the additional staff will have an estimated first year annual cost of \$1,082,640.

SHP SS Criterion 4 – Separation of Children and Adolescents

The applicant proposes addition of a 20-bed adolescent psychiatric unit dedicated to the residential treatment of adolescents from 13 to 17 years of age. No children under the age of 13 years will be admitted to the facility and there will be no adults 18 years of age or older admitted or treated in the facility, according

to the applicant. The applicant proposes that the adolescent psychiatric unit will be located on RRHS's current West Campus.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, December 1, 2009 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

This project has been reviewed for compliance with the *2010 State Health Plan*. Section 41-7-191(4)(a)(iii) provides that the requirement of compliance with the *State Health Plan*'s projection of need be waived for a 20-bed child/adolescent psychiatric project in Warren County.

GR Criterion 2 - Long Range Plan

According to the applicant, River Region Health System (RRHS) undergoes a comprehensive strategic planning process with hospital management, physicians, the hospital Board of Trustees and corporate leadership annually.

The applicant affirms that in the five-year plan beginning in 2010, enhancing the organization's Behavioral Health services offerings and community access to these services was made a significant growth strategy. The applicant submits that this project is consistent with the hospital's long range development plan.

GR Criterion 3- Availability of Alternatives

The applicant considered the following options in the development of this proposal:

- **Maintain the status quo** – RRHS affirms that to maintain status quo would be to ignore the needs of the community and not respond to changes in the health care environment. Access to these services by individuals in the proposed service area would continue to be hindered.
- **Addition of 20 Adolescent Acute Beds** – RRHS considers the addition of 20 adolescent acute psychiatric beds to be the most viable alternative. This project is a vital component to the overall efforts of River Region to respond to continuing changes in the health care marketplace. This proposal responds to the need for maximizing the efficiency and accessibility of patients and physicians for high quality psychiatric care.

The applicant believes that the addition of the adolescent psychiatric services to the health care services offered by RRHS is the most efficient and cost-effective method of meeting the behavioral health needs of the hospital system and the patients it serves.

GR Criterion 4 - Economic Viability

- a. **Proposed Charge:** The applicant projects charges of \$2,700 per inpatient day for years 1-3 of operation for the proposed project.
- b. **Projected Levels of Utilization:** The applicant projects 3,650 inpatient days and a 50% utilization rate for year one, 4,380 inpatient days and a 60% utilization rate for year two, and 5,110 inpatient days and a 70% utilization rate for year three.

Acute Adolescent psychiatric beds in the state as a whole had an occupancy rate of 92.46% during 2008. Therefore, the applicant's projected levels of utilization are reasonable.

- c. **Project's Financial Feasibility Study:** The capital expenditure for the proposed project is below \$2,000,000

GR Criterion 5 - Need for the Project

The applicant states that as the Legislature has previously determined, there is a need for inpatient adolescent psychiatric services in Warren County.

The applicant states that the operation of these 20 adolescent inpatient psychiatric beds in Warren County will permit adolescents to receive care in their own community, thus reducing the cost of transportation and increasing the involvement of families in their children's care.

RRHS insists that they project a very conservative 50% occupancy for the first year given the demonstrated need in their service area. The applicant suggests that the closest beds are located in Rankin County where the 59 beds operated by Brentwood maintain an occupancy rate of nearly 90%. The next closest beds are located in Lauderdale County, more than 140 miles away. Those beds are operated by Alliance Health Center and maintain an occupancy rate of 176%. As previously mentioned, University Hospital and Clinics located in Hinds County maintains an occupancy rate of 35.41%.

The application contained three letters of support from medical directors. Brentwood Acquisition, Inc. d/b/a Brentwood Behavioral Healthcare, Alliance Health Center, Inc. and Diamond Grove Center, LLC submitted a letter in opposition to the project.

GR Criterion 6 – Accessibility

According to the applicant, all residents including Medicaid and Medicare recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services of the proposed project.

The applicant affirms that services will be available to patients 24 hours per day, 7 days a week, 365 days a year.

The applicant states that the proposed facility has no existing obligations under any federal regulation requiring the provision of uncompensated care or access by minority and handicapped persons.

The following table shows the percentage of estimated gross patient revenue and actual dollar amount of health care provided to medically indigent patients for the last fiscal year and the projections for years 2011 and 2012.

Fiscal Year	Percent of Gross Patient Revenue	Dollar Amount
Historical Year 2009	1.25%	\$7,236,181
Projected Year 1 (2011)	1.15%	\$7,423,266
Projected Year 1 (2012)	1.13%	\$7,676,864

GR Criterion 7- Information Requirement

RRHS indicates that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

RRHS affirms that a transfer agreement exists with Warren Yazoo Mental Health Services.

The applicant believes that the proposed project should not have an adverse effect on existing facilities in the service area, rather the existing health care system will be improved.

GR Criterion 9 - Availability of Resources

The applicant states that by locating the 20 additional adolescent beds on the same campus as its existing behavioral health services RRHS will minimize the need for additional personnel. The applicant further states that any new personnel will be recruited through existing recruiting efforts and affiliate relationships.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts that all ancillary services required to operate the adolescent service are already present on RRHS's West Campus.

GR Criterion 11– Health Professional Training Programs

RRHS asserts the facility will coordinate with area health professional schools to have access to the services for training purposes.

GR Criterion 14 – Construction Project

The application contained site drawing and cost estimates signed by an architect licensed to do business in Mississippi.

GR Criterion 16– Quality of Care

The applicant asserts that RRHS has an excellent record for providing quality of care to its acute care and adult psychiatric patients. RRHS is accredited by the Joint Commission on Accreditation of Healthcare Organizations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Item	Cost	Percentage of Total
a.	Construction Cost – New		
b.	Construction Cost – Renovation	\$496,677	61.69 %
c.	Capital Improvements	\$ 0	0%
d.	Total Fixed Equipment Cost	\$ 47,000	5.84%
e.	Total Non-Fixed Equipment Cost	\$104,297	12.96%
f.	Land Cost	\$ 0	0%
g.	Site Preparation Cost	\$ 0	0%
h.	Fees (Architectural, Consulting, etc.)	\$ 57,615	7.16%
i.	Fees (Legal & Accounting)	\$ 20,000	2.48%
j.	Contingency Reserve	\$ 49,668	6.17%
k.	Capitalized Interest	\$ 0	0%
l.	Other (Bonds)	\$ 29,801	3.70%
Total Proposed Capital Expenditure		\$805,058	100 %

River Region Health System proposes to add twenty (20) adolescent acute psychiatric beds to its existing behavioral health program. The proposed project includes the renovation of an 8,855 square foot medical surgical unit. The cost to renovate the 8,855 square feet of space will be \$68.21 per square feet. The RSMeans Building Construction Cost Data, 2009 Edition does not contain cost per square feet estimates for renovation projects.

B. Method of Financing

The applicant intends to finance the proposed project by reserves accumulated from the parent company, Community Health Systems.

C. Effect on Operating Cost

The applicant's three-year operating statement is included in Attachment 1.

D. Cost to Medicaid/Medicare

The applicant projects the following:

Patient Mix by Payor	Utilization Percentage	First Year Revenue
Medicaid	95%	\$9,362,250
Medicare	0%	0
Other	5%	492,750
Total	100%	\$9,855,000

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for comment. The Division of Medicaid states that based on their analysis the increased annual cost to Medicaid will be \$211,185 in inpatient hospital services. The Division of Medicaid affirms that any portion which may relate to outpatient services will be paid as outlined in the *FY 2010 State Health Plan*. The Division of Medicaid opposes the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This project is not in substantial compliance with the need criteria and standards for the establishment of adolescent psychiatric beds as contained in the *2010 Mississippi State Health Plan*. However, Section 41-7-191(4)(a)(iii) waives the provision of Section 41-7-193(1) requiring substantial compliance with the projection of need as reported in the current *State Health Plan*.

The statute further states that if previously issued CON expires, the department may accept applications for issuance of another CON for the beds authorized under this subparagraph, and may issue a CON of need to authorize the construction, expansion or conversion of the beds authorized under this subparagraph.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by River Region Health System for the renovation/addition of 20 child/adolescent psychiatric beds/services.

ATTACHMENT 1

River Region Health System (RRHS)
Renovation/Addition of 20 Adolescent Psychiatric Beds/Services
Three-Year Operating Statement

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$9,855,000	\$11,826,000	\$13,797,000
Outpatient Revenue			
Gross Patient Revenue	\$9,855,000	\$11,826,000	\$13,797,000
Charity			
Deductions from Revenue	\$6,680,347	\$8,016,416	\$9,352,486
Net Patient Care Revenue	\$3,174,653	\$3,809,584	\$4,444,514
Total Operating Revenue	\$3,174,653	\$3,809,584	\$4,444,514
Operating Expenses			
Salaries	\$1,082,640	\$1,344,720	\$1,378,338
Benefits	\$ 270,660	\$ 336,180	\$ 344,585
Supplies	\$ 100,000	\$ 120,000	\$ 140,000
Services	\$ 0	\$ 0	\$ 0
Lease Expenses	\$ 0	\$ 0	\$ 0
Depreciation	\$ 52,337	\$ 52,337	\$ 52,337
Other	\$ 100,000	\$ 220,000	\$ 231,000
Total Operating Expenses	\$1,605,637	\$2,073,237	\$2,146,260
Net Operating Income	\$1,569,016	\$1,736,347	\$2,298,255
	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient days	3,650	4,380	5,110
Charge per inpatient day	\$ 2,700	\$ 2,700	\$ 2,700
Cost per inpatient day	\$ 440	\$ 473	\$ 420

ATTACHMENT 2
Acute Adolescent Psychiatric Bed Utilization
FY 2008

Facility	County	Licensed/CON/ Abeyance Beds	Inpatient Days	Occupancy Rate(%)	ALOS
Alliance Health Center	Lauderdale	22		14,189	176.22
Brentwood Behavioral Health Care *	Rankin	59		19,017	88.07
Diamond Grove Center	Winston	20	20**	7,298	99.70
Forrest General Hospital	Forrest	16		6,150	105.02
Memorial Hospital at Gulfport	Harrison	30		5,809	52.91
Parkwood Behavioral Health System	DeSoto	52		17,388	91.36
University Hospital & Clinics	Hinds	12		1,555	35.41
Total Adolescent Psychiatric Beds		211	20**	71,406	92.46
					.37

*Brentwood Behavioral Healthcare-CON approved for 11 beds; however, CON expired November 2007.

**CON Approved

***Beds held in abeyance by the Mississippi State Department of Health

Source: *FY 2010 State Health Plan*