

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2004**

**CON REVIEW: HG-NIS-1203-036
PHC-CLEVELAND, INC.
dba BOLIVAR MEDICAL CENTER
ACQUISITION OF EIGHT CHEMICAL DEPENDENCY BEDS AND
ELEVEN GERIATRIC PSYCHIATRIC BEDS AND PROVISION OF
CHEMICAL DEPENDENCY SERVICES
CAPITAL EXPENDITURE: \$ 0**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Bolivar Medical Center (BMC) is a short-term acute care, 165-bed hospital located in Cleveland, Mississippi. Twenty-four of the 165 beds are distinct part sub-acute skilled nursing facility beds and 35 are licensed long-term care beds. The hospital is operated as a for-profit hospital under a long-term lease between Bolivar County Board of Supervisors and PHC-Cleveland, Inc., a Mississippi corporation wholly owned by Province Healthcare Company, Inc. BMC offers a wide range of general acute care services accompanied by a full medical staff to operate each department in the hospital. The hospital offers a wide variety of services ranging from acute medical/surgical to volunteer services. PHC-Cleveland, Inc. filed Articles of Incorporation on March 9, 2000, with the Secretary of State, received Certificate of Existence on May 29, 2001, and is presently governed by a seven-member board. The facility is certified to participate in the Medicare and Medicaid programs, and is participating with the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). Also, under Hill Burton regulations, the hospital provides services to uninsured patients and is in compliance with all requirements in Section 504 of the Rehabilitation Act of 1974 and the Americans with Disabilities Act. The site for providing geriatric, psychiatric, and chemical dependency care by BMC has been approved by the Mississippi State Department of Health, Division of Licensure and Certification.

The facility is licensed for 165 beds set up and staffed. The occupancy rates, average lengths of stay (ALOS), and Medicaid Utilization for the three most recent years are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate
2000	36.27%	4.45	48.04
2001	38.24%	3.94	44.72
2002	40.49%	3.93	41.59

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

B. PROJECT DESCRIPTION

Bolivar Medical Center is requesting CON authority to expand its scope of services by adding geriatric psychiatric and chemical dependency care to its existing range of services. BMC will enter into an agreement with the Sunflower County Board of Supervisors to lease 11 acute care beds, certified as geriatric psychiatric beds and 8 chemical dependency beds. Currently, these 19 beds are located at North Sunflower County Hospital (NSCH).

The administration of NSCH has evaluated the hospital's financial status and determined that the facility would better serve the residents of Sunflower County by converting its facility to a critical access hospital. The applicant states that if NSCH dissolved both units mentioned above, the patients would be transferred to another facility and employees would lose their jobs. To include all affected parties, NSCH requested to be certified by the Center for Medicare and Medicaid Services as a critical access hospital. Briefly, NSCH would require a license for 25 acute care beds, 15 designated as medical/surgical beds, and 10 allowed as swing beds. Also, NSCH would be required not to own or operate a geriatric psychiatric unit or a chemical dependency unit.

To remedy the problem, NSCH and BMC implemented a plan that would allow BMC to operate 11 geriatric psychiatric beds and 8 chemical dependency beds at NSCH's campus. BMC stated it is more cost effective to keep both units at NSCH campus rather than move the units to BMC's campus. Thus, both hospitals entered a non-operating lease agreement instead of a capital lease to allow BMC to operate both units eight miles from its campus under BMC's license.

There will be no new construction or major renovation needed for the geriatric psychiatric unit or the chemical dependency unit. This project does not require a capital expenditure summary; however, a Three Year Projected Operating Statement and an audited Financial Statement were included in the application. Twelve FTEs from the NSCH geriatric psychiatric unit and 10 FTEs from the NSCH chemical dependency unit will become employees of BMC. The Three Year Projected Operating Statement projects the following costs associated with employee salaries/benefits: \$841,921 the first year, \$867,179 the second year, and \$893,194 for the third year. BMC will have transfer/referral/affiliation agreements with 12 area facilities and 4 clinically-related contractual services agreements purchased by the hospital. Upon the approval of the project, delivery of services will take place immediately.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for establishment of chemical dependency services in accordance with Section 41-7-191, subparagraph (1)(c) and (d)(v) 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 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 February 25, 2004.

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

A. State Health Plan (SHP)

The *FY 2004 State Health Plan* 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 applicable criteria and standards.

General CON Criteria and Standards

SHP General Criterion 1- Need

The Certificate of Need criteria and standards for acute psychiatric, chemical dependency, and/or psychiatric residential treatment facility beds/services outlined in the *FY 2004 Mississippi State Health Plan* state that an entity must document the need for the proposed project.

Based on NSCH's financial status, it was determined that the facility would better serve NSCH employees and residents of Sunflower County by converting to a critical access hospital. To keep NSCH from dissolving an 11-bed geriatric psychiatric unit and an 8-bed chemical dependency unit, transferring patients to another facility, and employees from losing their jobs, NSCH entered into an agreement with BMC to transfer those beds to BMC's license.

To address the relocation issue, NSCH and BMC decided to allow BMC to operate the 11 geriatric psychiatric beds and 8 chemical dependency beds at NSCH's campus. The non-operating lease agreement between BMC and NSCH would be a more cost effective method to keep both units at NSCH campus rather than move the units to BMC's campus.

SHP General Criterion 2 -Information Recording/Maintenance

BMC affirms that they 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 General Criterion 3 - Charity/Indigent Care

The applicant will service patients who cannot financially meet their obligation to pay for services rendered; thus, the hospital does not limit access to services based on the ability to pay.

SHP General Criterion 4 - Letters of Support

Several letters of support from various physicians were included in the CON application. The doctors are in support of BMC expanding its scope of services by providing geriatric psychiatric and chemical dependency care.

SHP General Criterion 5 - Scope of 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.

Service Specific (SS) Criteria And Standards For Acute Psychiatric, Chemical Dependency, And/or Psychiatric Residential Treatment Facility Beds/services

SHP SS Criterion 1- Statistical Need For Adult Chemical Dependency Beds

This project proposes to lease, in-place, an 11-bed geriatric psychiatric unit and an 8-bed chemical dependency unit from North Sunflower County Hospital. Because geriatric psychiatric beds are acute beds, certified to provide distinct-part geriatric psychiatric services, this section is dedicated to the chemical dependency portion of the project only.

Table IX-6 indicates a chemical dependency bed need of 9 for a 2005 projected population of 2,455,561. The projected bed need is 343 and there are 334 licensed/CON approved beds; thus, indicating a difference of nine adult chemical dependency beds.

In this case, NSCH will only be shifting its chemical dependency beds to BMC; resulting in a cost effective, non-operating lease agreement between BMC and NSCH. This agreement will allow BMC to operate eight chemical dependency beds at NSCH's campus without adding any beds to the existing licensed total.

SHP SS Criterion 2- Size of Facility/Unit

Currently, NSCH's space for the geriatric psychiatric unit is 6,244 square feet and the chemical dependency unit is 10,920 square feet (17,164 sq. ft.). BMC is requesting to lease an eight-bed chemical dependency unit from North Sunflower County Hospital. The applicant states BMC will adhere to the criterion by providing specialized staff, physicians, nurses, psychologists, and various treatment counselors to implement the adult chemical dependency program. In addition, NCGH will offer an on-site detoxification service for persons who need the medical service, and a multi-disciplinary psycho-social medical treatment model which involves the family and significant others.

SHPSS General Criterion 3- Aftercare and Follow-up Services

Upon discharge of persons from BMC chemical dependency program, the applicant affirms that it will monitor the progress of each patient through the individual's participation in its continuing care program.

SHP General Criterion 4- Clients and Provision of Services

The applicant states BMC will provide treatment services to persons who suffer from substance and/or alcohol abuse.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revisions*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 2 - Long Range Plan

The long range development plan of Bolivar Medical Center (BMC) is to provide quality, efficient health care to all residents in Bolivar County and the area surrounding BMC. The expansion of the geriatric psychiatric unit and the chemical dependency unit allows the hospital to continue its goal to provide the best source of care to area residents.

GR Criterion 3- Availability of Alternatives

The applicant submits that the acquisition of an 11-bed Medicare certified geriatric psychiatric unit and an 8-bed chemical dependency unit by Bolivar Medical Center is compatible with its long range plans to provide its patients with quality care. Furthermore, North Sunflower County Hospital found it necessary to convert to a Critical Access Hospital in order to remain open and the only way it can do so is to divest itself of the 19 beds requested in this application. Both North Sunflower County Hospital and Bolivar Medical Center agree that utilizing the space already allocated for the two units is a less costly approach than to relocate the beds to Bolivar Medical Center's campus.

GR Criterion 4 - Economic Viability

Three year operating projections reflect a first year net profit of \$391,101, a second year profit of \$402,833, and a third year profit of \$414,917. This project does not require a capital expenditure. The applicant also states that the financial statements contained in the application indicate that BMC will be viable.

GR Criterion 5 - Need for the Project

Based on NSCH's financial status, it was determined that NSCH facility would better serve its employees and residents of Sunflower County by converting its facility to a critical access hospital. To do this required that the facility divest itself of the geriatric psychiatric unit and the chemical dependency unit.

To address the relocation issue, NSCH and BMC decided to allow BMC to operate 11 geriatric psychiatric beds and 8 chemical dependency beds at NSCH's campus. The non-operating lease agreement between BMC and NSCH would be a more cost effective method to keep both units at NSCH campus rather than move the units to BMC's campus.

Several endorsement letters from physicians were included in the CON application dated December 16, 2003. The physicians recognize that BMC complies with all federal regulations regarding community service and support BMC's efforts to serve all patients in Service Area 2 regardless of race, creed, sex, or ability to pay.

GR Criterion 6- Accessibility

BMC affirms the hospital will serve all patients in General Service Area 2 regardless of race, creed, sex, or ability to pay.

GR Criterion 7- Information Requirement

BMC affirms that they 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.

GR Criterion 8 - Relationship to Existing Health Care System

This proposal is not expected to have any significant impact on the health care system in the area.

GR Criterion 9 - Availability of Resources

Currently, 22 existing FTEs are employed with North Sunflower County Hospital from two different units. They will become employees of BMC with no annual cost.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant will enter an agreement with North Sunflower County Hospital to provide ancillary and support services. As a result of this project, there will be no increase in the utilization of ancillary services.

GR Criterion 16 - Quality of Care

The facility is certified to participate in the Medicare and Medicaid programs, and participates with the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). Under Hill Burton regulations, the hospital provides services to uninsured patients and is in compliance with all requirements in Section 504 of the Rehabilitation Act of 1974 and the Americans with Disabilities Act.

The applicant states that BMC has a history of providing quality care to residents in the area. To ensure that quality care is not compromised in any way, the hospital has implemented a plan of care to monitor their healthcare system to make sure patients are served in the most efficient and effective way possible with resources available.

IV. FINANCIAL FEASIBILITY

A. EXPENDITURE SUMMARY

This project does not require a capital expenditure.

B. Method of Financing

The project does not require a capital expenditure; therefore, no method of financing is required.

C. Effects on Operating Costs

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

Expenses	First Year	Second Year	Third Year
Salaries/Benefits	\$ 841,921	\$ 867,179	\$ 893,194
Supplies	22,142	22,806	23,491
Other Dir. Expenses	230,747	237,669	244,799
Admin. & General	157,863	162,599	167,477
Other Indir. Expenses	49,723	51,214	52,751
Depreciation	<u>264,000</u>	<u>271,920</u>	<u>280,078</u>
Total Expenses	\$1,566,396	\$1,613,387	\$1,661,790
Gross Revenue	\$3,035,154	\$3,126,207	\$3,219,993
Deductions	<u>1,077,657</u>	<u>1,109,987</u>	<u>1,143,286</u>
Net Revenue	\$1,957,497	\$2,016,220	\$2,076,707
Net Income (Loss)	\$ 391,101	\$ 402,833	\$ 414,917
Est. Gero-Psych Days	2,231	2,298	2,367
Est. CDU Days	1,705	1,756	1,808
Total Est. Days	3,936	4,054	4,175
Cost per Day	\$ 398	\$ 398	\$ 398
Charge per Day	\$ 771	\$ 771	\$ 771
Charge per Admission	\$ 7,423	\$ 7,423	\$ 7,423

D. Cost to Medicaid/Medicare

Payor	Utilization Percentage		First Year Cost
	Gero-Psych	CDU	
Medicaid	-0-	57	\$ 485,583.00
Medicare	100	36	\$ 642,222.00
Other	-0-	7	\$ 438,591.00
Total	100	100	\$ 1,566,396.00

BMC projects 3% bad debt. Medically indigent, and charity care are approximately 1% and 1.8% of gross patient revenues.

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 in substantial compliance with the criteria and standards for chemical dependency beds/services outlined in the *FY 2004 Mississippi State Health Plan*, Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000*, and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Bolivar Medical Center (BMC).