

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
JULY 25, 2022**

CON REVIEW: HG-CO-0622-011

NORTH MISSISSIPPI MEDICAL CENTER, INC D/B/A NORTH MISSISSIPPI MEDICAL CENTER

COST OVERRUN TO CON REVIEW HG-COB-0821-005; CON NUMBER R-0975

CONVERSION OF SEVENTEEN (17) ADULT CHEMICAL DEPENDENCY BEDS TO CHILD/ADOLESCENT PSYCHIATRIC BEDS

ORIGINAL CAPITAL EXPENDITURE: \$1,088,690.80

ADDITIONAL CAPITAL EXPENDITURE: \$302,394.00

REVISED CAPITAL EXPENDITURE: \$1,391,084.80

LOCATION: TUPELO, LEE COUNTY, MISSISSIPPI

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

North Mississippi Medical Center, Inc., a 501 (c)(3) tax-exempt, not-for-profit Delaware corporation, owns and operates North Mississippi Medical Center (“NMMC”), a 640-bed full service acute care hospital located in Tupelo, Mississippi. NMMC, a subsidiary of North Mississippi Health Services, Inc. (“NMHS”), is a Level II trauma center and serves a twenty-four (24) county service area across north Mississippi, northwest Alabama, and portions of Tennessee. NMMC’s current licensed bed complement consists of 544 acute care beds, thirty-three (33) adult psychiatric beds, thirty-three (33) adult chemical dependency unit beds, and thirty (30) rehabilitation beds. NMMC’s governing board consists of fourteen (14) directors and four (4) officers.

The original CON Application contained a Certificate of Good Standing from the Office of the Secretary of State indicating North Mississippi Medical Center’s good standing with the state of Mississippi as of July 7, 2021.

B. Project Background

North Mississippi Medical Center, Inc. d/b/a North Mississippi Medical Center was granted Certificate of Need (CON) No. R-0975 on November 8, 2021, for the conversion of seventeen (17) adult chemical dependency beds to

child/adolescent psychiatric beds.

The original application explained NMMC would not operate the child/adolescent psychiatric beds, but instead, would lease the beds to Oceans Behavioral Health of Tupelo, LLC (“Oceans”) to operate. The applicant submits Oceans is a subsidiary of Oceans Healthcare, a nationally recognized provider of behavioral health services. The original application contained a Certificate of Good Standing from the Secretary of State indicating Oceans’ good standing with the state of Mississippi as of March 12, 2021.

The applicant affirmed, in addition to their main campus located at 830 South Gloster Street in Tupelo, NMMC operates the NMMC-Behavioral Health Center (“NMMC-Behavioral Health”), a provider-based location of NMMC located at 4579 South Eason Boulevard, Tupelo, Mississippi, which offers mental health services. The applicant further stated NMMC-Behavioral Health currently offers outpatient psychiatric, intensive outpatient care, adult inpatient care, transcranial magnetic stimulation, and counseling for children and adolescents. According to the original application, thirty-three (33) adult chemical dependency beds were unutilized at the facility.

The original application indicated the proposed project encompassed the following: (1) renovation of 14,490 square feet of an existing wing of the first floor of NMMC-Behavioral Health to establish physical space for a seventeen (17) bed child/adolescent psychiatric unit and a seventeen (17) bed geriatric psychiatric unit (collectively, the “Renovated Wing”); (2) converting seventeen (17) of its existing chemical dependency unit beds to acute child/adolescent psychiatric beds; (3) converting the remaining sixteen (16) chemical dependency unit beds and one (1) adult psychiatric bed to geriatric psychiatric beds; and (4) leasing the Renovated Wing and thirty-four (34) beds contained therein to Oceans.

C. Project Description

North Mississippi Medical Center, Inc. d/b/a North Mississippi Medical Center now requests CON authority for a cost overrun amount of \$302,394.00 for CON No. R-0975. The cost overrun application filed with the Department requests authority to increase the capital expenditure from \$1,088,690.80 to \$1,391,084.80.

The applicant affirms the capital cost of the project increased to cover higher renovation costs, contingency reserve cost, and architectural costs due to a rise in inflation related construction costs since the filing of the original CON Application.

1. Provide a photocopy of the original Certificate of Need.

The applicant included a copy of the original Certificate of Need.

2. Describe all proposed changes not approved in the original CON application (e.g. changes in square footage, construction, or renovation; changes in range, facilities served, or types of services, bed changes; equipment changes; etc.)

North Mississippi Medical Center and Oceans Behavioral Hospital of Tupelo, LLC affirm there have been no changes to the project since the original CON approval. The applicant further states there have not been any changes in square footage, construction, range, facilities served, types of services offered, changes in bed complement, or changes in equipment.

a. Transfer of CON:

The proposed project does not involve the transfer of a CON.

b. Change of Site:

The proposed project does not entail a site change.

3. If project is related in whole or in part to compliance with requirements of the Licensure and Certification Division of the MSDH, or any other certification or licensing authority, provide documentation.

The applicant states this is not applicable to the project. The applicant further states Oceans will seek licensure from MSDH

following completion of renovations and prior to the operation of Oceans Hospital.

- 4. If the project is related to a construction/expansion project, enclose a copy of the revised cost estimate signed by a licensed architect or licensed Mississippi building contractor.**

The applicant states this item is not applicable to the project.

- 5. If actual construction has not begun, give date it will begin and the reasons for the delay.**

The applicant affirms construction has commenced.

- 6. Provide evidence that the Division of Radiological Health has approved the plans for provision of radiation therapy services, if applicable.**

The applicant states this is not applicable to the project.

- 7. If the project involves the purchase/lease/change in vendor or manufacturer of major medical equipment, not included in the originally approved certificate of need project, provide the following:**

- a. Type of equipment, capacity, and manufacturer
- b. Purchase price of equipment
- c. Purchase and installation date(s) of equipment; and
- d. Explanation of cost variance from original quotes.

The applicant states these items are not applicable to the project.

- 8. Will the amendment require any change in facility staffing? If so, identify changes in terms of personnel skills, number of personnel and indicate your recruitment plan which will obtain the services of these personnel.**

The applicant states this is not applicable to the project.

9. **List all transfer/referral/affiliation agreements between your facility and other providers of health care within your service area, which have changed since the original application was submitted or will change as a result of this amendment.**

The applicant states this is not applicable to the project.

10. **Provide the estimated date this project will be implemented/completed if the amendment/cost overrun is granted.**

The applicant affirms NMMC's and Oceans' estimated completion date for renovation is October 1, 2022.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviewed the original project pursuant to Sections 41-7-191(1) and 41-7-193 of the Mississippi Code of 1972 Annotated, as amended, and the duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. This project continues to be in substantial compliance.

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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires August 4, 2022.

III. FINANCIAL ANALYSIS

A. Capital Expenditure Summary

1. **Complete the Capital Expenditure Summary.**

Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase or (Decrease)
New Construction	0	0	0
Construction/ Renovation	\$ 898,380.00	\$1,157,986.00	\$259,606.00
Land	0	0	0
Site Work	0	0	0
Fixed Equipment	0	0	0
Non-Fixed Equipment	0	0	0
Contingency	98,972.00	115,799.00	16,827.00
Fees (Architectural, Consultant, etc.)	89,838.00	115,799.00	25,961.00
Capitalized Interest	0	0	0
Capital Improvement	0	0	0
Other	1,500.00	1,500.00	0
Total Capital Expenditure	\$1,088,690.00	\$1,391,084.00	\$302,394.00

The above capital expenditure table represents approximately a 21.74% (i.e., \$302,394.00) increase in the original capital expenditure. The project involves 14,490 square feet of renovation and is 10% complete.

2. Provide line-item justification for each increase (or decrease) in capital expenditure.

The applicant states renovation costs, contingency reserve cost, and architectural costs have increased due to inflation in construction costs since the filing of the original CON application.

a. Document capital expenditure made to date and the percentage of completion.

The CON holder affirms, as of the date of its Cost Overrun Application, the capital expenditure made to date is \$54,434.00 and the project is 10% complete.

3. Enclose a revised projected operating statement for the first full year of operation after completion of the project (for the proposed project/service only); include increased or decreased

cost per day/procedure and charges per day/procedure.

The applicant states Oceans does not project any changes to the Operating Statement, and the application includes the applicant's Operating Statement.

4. Disclose source of all financing (if debt attach creditor's letter).

a. Provide amount of loan/lease, interest rate, term of loan and payment/lease amount.

NMMC confirms the proposed project will be financed through its existing reserves.

b. Enclose a loan amortization schedule for all loans.

The applicant states this item is not applicable to the project.

5. Provide audited or un-audited financial statements for the past year.

The applicant included their financial statements in the application.

6. Enclose a revised depreciation schedule for all assets.

The applicant included a revised depreciation schedule in the application.

7. Show effect of project on Medicaid patients, Medicare patients and other payers.

The applicant affirms there is no anticipated impact on Medicaid patients, Medicare patients, or other payors as a result this Cost Overrun Application.

B. Method of Financing

NMMC confirms the project will be financed through existing reserves.

C. Effect on Operating Cost

The applicant’s projections of gross revenues for the first year of operation are shown in Attachment 1.

D. Cost to Medicaid/Medicare

Based on the applicant’s projections, Oceans’ will have the following revenue sources for each payor category listed below.

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	31.00%	\$1,573,000.00
Medicaid	17.00%	871,000.00
Commercial	7.00%	351,000.00
Self-Pay	0.00%	0.00
Charity Care	2.00%	\$100,757.00
Other	43.00%	\$2,172,000.00
Total	100.00%	\$5,067,757.00

IV. COMPLIANCE WITH STATE HEALTH PLAN, POLICIES AND PROCEDURES

A. State Health Plan (SHP)

The *FY 2020 Mississippi State Health Plan (“MSHP”)* was in effect at the time the original CON Application was submitted to the Department. The original application was found to be in substantial compliance with the *FY 2020 MSHP*. The cost overrun project was submitted under the *FY 2022 Mississippi State Health Plan*. The applicant’s Cost Overrun Application is also in substantial compliance with the *FY 2022 MSHP*.

B. General Review (GR) Criteria

The *Mississippi Certificate of Need Review Manual (April 9, 2017, Revision)* was in effect at the time the original CON Application was submitted to the Department. The original project was found to be in compliance with the *CON Review Manual*.

Chapter 8 of the *Mississippi Certificate of Need Review Manual (September*

1, 2019, Revision) addresses general criteria by which all CON applications are reviewed. The applicant's Cost Overrun Application is also in substantial compliance with the general review criteria contained in the *CON Review Manual*.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. The Division of Medicaid had not responded on this application as of July 25, 2022.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the conversion of seventeen (17) adult chemical dependency beds to child/adolescent psychiatric beds as contained in the *FY 2022 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision*; 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 the Cost Overrun Application submitted by North Mississippi Medical Center, Inc. d/b/a North Mississippi Medical Center for a cost overrun to CON No. R-0975. The cost overrun will allow the CON holder to increase the authorized capital expenditure from \$1,088,690.80 to \$1,391,084.80 for the conversion of seventeen (17) adult chemical dependency beds to child adolescent psychiatric beds.

Attachment 1
North Mississippi Medical Center, Inc. d/b/a North Mississippi Medical Center
Conversion of Seventeen (17) Adult Chemical Dependency Beds to Child
Adolescent Psychiatric Beds
Cost Overrun to CON No. R-0975
Three-Year Projected Operating Statement
(Project Only)

Revenue and Expenses	Year I
Patient Revenue:	
Inpatient	\$ 4,715,721.00
Outpatient	352,036.00
Gross Patient Revenue	5,067,757.00
Charity Care	100,757.00
Deductions from Revenue	204,470.00
Net Patient Care Revenue	4,762,530.00
Other Operating Revenue	0
Total Operating Revenue	\$ 4,762,530.00
Expenses	
Operating Expenses:	
Salaries	\$ 2,079,920.00
Benefits	519,980.00
Supplies	515,300.00
Services	213,100.00
Lease	707,000.00
Depreciation	154,000.00
Interest	0
Other	1,390,800.00
Total Expense	\$ 5,580,100.00
Net Operating Income (Loss)	\$ (817,570.00)
Assumptions	
Inpatient days	5,500
Outpatient days	5,310
Procedures	0
Charge/inpatient day	\$ 0
Charge per outpatient day	\$ 66.00
Charge per procedure	\$ 0
Cost per inpatient day	\$ 1,015.00
Cost per outpatient day	\$ 1,051.00
Cost per procedure	\$ 0