

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
NOVEMBER 2007**

**CON REVIEW: HG-RLS-0907-021  
PHYSICIANS AND SURGEONS HOSPITAL GROUP, D/B/A TRI-LAKES  
MEDICAL CENTER  
RELOCATION/ADDITION OF FIVE ADULT PSYCHIATRIC BEDS  
CAPITAL EXPENDITURE: \$3,000  
LOCATION: BATESVILLE, PANOLA COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Physicians and Surgeons Hospital Group, d/b/a Tri-Lakes Medical Center (Tri-Lakes) is a Mississippi non-profit short term acute care hospital located in Batesville, Mississippi. Tri-Lakes' licensed capacity includes 77 acute care hospital beds (including 22 inpatient geriatric psychiatric beds), 13 adult chemical dependency beds, 10 adolescent chemical dependency beds, and 10 adult psychiatric beds. Tri-Lakes Medical Center also houses Batesville Specialty Hospital consisting of six long-term acute care beds.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for the three most recent fiscal years for Tri-Lakes Medical Center (medical/surgical beds only) are shown below.

Tri-Lakes Medical Center Utilization FY 2004, 2005, and 2006			
FISCAL YEAR	OCCUPANCY RATE (%)	ALOS (DAYS)	MEDICAID UTILIZATION RATE (%)
2004	35.88	5.55	14.95
2005	42.83	5.89	20.56
2006	87.76	5.90	28.00

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

**B. Project Description**

Tri-Lakes Medical Center requests Certificate of Need (CON) authority to expand its adult psychiatric unit bed capacity from the present 10 to 15 beds. The applicant has entered into a lease agreement with Brentwood Behavioral HealthCare for lease of ten adult psychiatric beds and proposes to amend

that lease for five additional beds. Lease payments are estimated to be \$2,300 per month which will be paid from operating revenue. The application contains correspondence between Tri-Lakes and Brentwood regarding the terms of the amendment. In addition, Tri-Lakes proposes to de-license its 10 adolescent chemical dependency beds in order to make space available for the additional five adult psychiatric beds.

The project requires no capital expenditure; however, the applicant anticipates to pay \$3,000 in legal and accounting fees.

The applicant does not expect that the project will require an increase in personnel. The applicant submits that the staff in the existing 10-bed adult psychiatric unit will be adequate for the initial phase of operation of the project.

The applicant submits that the final objective of the project is to expand services in an effort to meet the demand for inpatient adult psychiatric that currently is overwhelming the hospitals in the area.

The MSDH Division of Health Facilities Licensure and Certification has approved the Tri-Lakes Medical Center site for the project. The applicant expects that implementation of the project will begin immediately upon CON approval.

## **II. TYPE OF REVIEW REQUIRED**

Projects which propose the lease and relocation of adult psychiatric beds are reviewed in accordance with Section 41-7-191, subparagraphs (1)(b), (c), and (g), 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 1972 Annotated, as amended, any 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 December 5, 2007.

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

### **A. State Health Plan (SHP) Criteria**

The *FY 2007 State Health Plan* contains policy statements, criteria, and standards which an applicant is required to meet before receiving CON authority for the expansion of an existing adult psychiatric service. This application is in substantial compliance with applicable policy statements, criteria, and standards.

## **General Criteria and Standards**

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

The *FY 2007 State Health Plan* indicates that the state as a whole is over-bedded by 73 adult psychiatric beds. However, the applicant is requesting to lease and relocate existing unused adult psychiatric beds from a current provider. The Department may 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 a recent Mississippi Supreme Court ruling [No. 2004-SA-02468-SCT (Biloxi Regional Medical Center – vs – Singing River Hospital Systems, March 30, 2006)], the court opined that the relocation of beds from one facility to another must meet existing standards for addition of beds.

Tri-Lakes obtained licensure for 10 adult psychiatric beds on November 11, 2006, and report that the unit has maintained a utilization rate of 99% for the 10 months operated in 2006-2007.

This application is in compliance with this criterion.

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

Tri-Lakes affirmed 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 - Memoranda of Understanding**

The applicant proposes to expand an existing adult psychiatric unit, and indicates that its charity policies are available for inspection by any facility.

### **SHP General Criterion 4 - Letters of Comment**

The application contains four letters of support from community leaders, and no letters of opposition have been received.

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

The applicant submits that existing policies preclude discrimination because of race, color, age, sex, ethnicity, or ability to pay.

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

The applicant submits that it provides and will continue to provide a reasonable amount of indigent/charity care.

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

#### **SHP SS Criterion 1 – Need**

The MSDH bases the statistical need for adult psychiatric beds on a ratio of 0.21 beds per 1,000 population aged 18 and older for 2010 in the state as a whole. The current SHP indicates that the state is over-bedded by 73 adult psychiatric beds. However, this Plan allows an existing program to increase its bed capacity if it has maintained an occupancy rate of at least 80% for the most recent 12 month period, or 70% for the most recent two-year period. Tri-Lakes began offering adult psychiatric services on November 14, 2006, and submits that it has maintained an average daily census of 9 or 99%.

#### **SHP SS Criterion 2 – Size/Location of Unit**

The applicant proposes to expand its existing 10-bed adult psychiatric unit by 5 beds, thereby creating a 15-bed adult unit, which is less than the 30 bed maximum for hospital based adult psychiatric units. The applicant meets this criterion.

#### **SHP SS Criterion 3- Aftercare/Follow-up Services**

The applicant currently provides adult psychiatric services utilizing 10 beds. No additional staff is projected for the project.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, effective November 12, 2006, (as amended) addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

#### **GR Criterion 1 – State Health Plan**

The proposed project complies with the *FY 2007 State Health Plan's* Certificate of Need Criteria and Standards for the addition of adult psychiatric beds.

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

The applicant submits that Tri-Lakes Medical Center's long range strategic plan calls for the expansion of comprehensive behavioral health services. The addition of five beds for adult psychiatric services is consistent with this plan. The applicant further states that the addition of more beds is considered key in their efforts to meet the demand of the residents of Tri-Lakes' service area.

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

The applicant states that there are no identifiable alternatives. Tri-Lakes state that it has a great need for adult psychological services and due to current utilizations in surrounding areas it has limited resources for referral when inpatient stays are required.

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

The project appears to be economically viable. The three-year operating projections reflect a net income from operations of \$212,137 for the first year, \$293,787 for the second year, and \$304,417 for the third year.

Based on the three-year projected operating statement, the cost per patient day for the first, second, and third years of operation are \$619, \$638, and \$657, respectively. The charge per patient day during the same time period is \$1,275 for the first year, \$1,339 the second year, and \$1,364 the third year. These costs and charges at Tri-Lakes are based on projected occupancy rates of 100% each year for the additional five beds. These projected occupancy rates greatly exceed the reported occupancy rate for adult chemical dependency facilities in the state, an average of 55.98% for FY 2006. However, Tri-Lakes has indicated that its utilization rate for 10 beds has been 99% for the past 10 months. In addition, the closest provider of adult psychiatric services to Tri-Lakes, Parkwood Behavioral Health Services, Olive Branch, reported 108% utilization for FY 2006.

### **GR Criteria 5 – Need for the Project**

As documented under the *State Health Plan* Section of this staff analysis, the applicant maintained an occupancy rate of 99% for its 10 existing adult psychiatric beds for the ten months that in operation. The applicant submits that this clearly demonstrates the need for these beds in this area.

Under this proposal, the beds will be relocated from Brentwood Behavioral Healthcare of Mississippi, located in Jackson, which according to the *2007 State Health Plan*, had an occupancy rate of 37.81% for FY 2005 for its adult psychiatric beds. According to the 2006 Report on Hospitals, the adult psychiatric unit at Brentwood Behavioral Healthcare had an occupancy rate of 39.97% for FY 2006.

The application contained four letters of support from community leaders.

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

The applicant affirmed that Tri-Lakes is accessible to all residents of the health planning service area, hospital service area, or patient service area.

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

Tri-Lakes affirmed that it 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**

According to the applicant, this project will not add new adult psychiatric beds within the state, but will provide a more even distribution of the state's licensed adult psychiatric beds.

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

The applicant affirmed that adequate qualified staff is available at Tri-Lakes for the initial operation of the proposed five-bed expansion of the adult psychiatric program.

### **GR Criterion 10 – Relationship to Ancillary or Support Services**

The applicant submits all ancillary services are available through its acute care services.

### **GR Criterion 16 - Quality of Care**

Tri-Lakes is in compliance with the *Minimum Standards of Operation for Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification.

## **IV. FINANCIAL FEASIBILITY**

### **A. Capital Expenditure Summary**

The project requires no capital expenditure; however, the applicant projects \$3,000 in legal and accounting fees.

### **B. Method of Financing**

The applicant has entered into a lease agreement with Brentwood Behavioral HealthCare for lease of ten adult psychiatric beds and proposes to amend that lease for five additional beds. Lease payments are estimated to be \$2,300 per month which will be paid from operating revenue. The application contains correspondences between Tri-Lakes and Brentwood regarding the terms of the amendment.

**C. Effects on Operating Cost**

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

<b>Tri-Lakes Medical Center Adult Psychiatric Unit (5 Additional beds) Three-Year Projected Operating Statement</b>			
	<b>First Year</b>	<b>Second Year</b>	<b>Third Year</b>
<b><u>Revenue</u></b>			
Gross Patient Revenue	\$2,326,875	\$2,443,218	\$ 2,489,756
Deductions	( 985,498)	( 985,498)	( 985,498)
<b>Net Revenue</b>	<b>\$1,341,377</b>	<b>\$1,457,720</b>	<b>\$1,504,258</b>
<b><u>Operating Expenses</u></b>			
Salaries	\$ 372,000	\$385,020	\$ 398,496
Benefits	100,440	103,955	107,594
Supplies	180,000	186,300	192,821
Services	300,000	310,500	321,368
Lease	138,000	138,000	138,000
Depreciation	28,800	29,808	30,851
Interest	6,000	6,210	6,427
Other	4,000	4,140	4,285
<b>Total Operating Expenses</b>	<b>\$1,129,240</b>	<b>\$1,163,933</b>	<b>\$1,199,841</b>
<b>Net Income</b>	<b>\$ 212,137</b>	<b>\$ 293,787</b>	<b>\$ 304,417</b>
<b><u>Assumptions</u></b>			
No. of Beds	5	5	5
Occupancy Rate	100	100	100
Patient Days	1,825	1,825	1,825
Cost/Patient Day	\$ 619	\$ 638	\$ 657
Charge/Patient Day	\$ 1,275	\$ 1,339	\$ 1,364

**D. Cost to Medicaid/Medicare**

The cost of the project to third party payors is as follows (based on net patient revenue):

<b>Patient Mix</b>	<b>Utilization Percentage</b>	<b>First Year Cost</b>
<b>Medicaid</b>	31.0	\$ 415,827
<b>Medicare</b>	43.0	576,792
<b>Other</b>	26.0	348,745
<b>Total</b>	<b>100.0</b>	<b>\$1,341,377</b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of the application for comment; however, no written comments had been received from the Division of Medicaid as of this writing.

The Department of Mental Health was also provided a copy of the application for comment; however, no comments were received.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the addition of adult psychiatric beds as contained in the *FY 2007 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual*, effective November 12, 2006; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by Physicians and Surgeons Hospital Group d/b/a Tri-Lakes Medical Center for the lease and relocation of five adult psychiatric beds from Brentwood Behavioral Healthcare of Mississippi in Jackson to the Tri-Lakes Medical Center in Batesville, Mississippi.