

**Division of Health Planning  
and Resource Development  
July 2004**

**CON Review HG-NIS-0303-002  
Tri-Lakes Medical Center  
Establishment of a 10-Bed Adolescent Chemical Dependency Program  
Capital Expenditure: \$-0-  
Location: Batesville, Mississippi**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

Tri-Lakes Medical Center is a short term acute care hospital located in Batesville, Mississippi. The Medical Center is jointly owned by the City of Batesville and Panola County. Of a five-member governing board, three members are appointed by the City of Batesville and two are appointed by the Panola County Board of Supervisors.

Tri-Lakes Medical Center is licensed for 70 acute care beds, including 16 inpatient geriatric psychiatric beds. In FY 2003, the facility received CON approval to establish a 13-bed adult chemical dependency program.

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

<b>FISCAL YEAR</b>	<b>OCCUPANCY RATE (%)</b>	<b>ALOS (DAYS)</b>	<b>MEDICAID UTILIZATION RATE (%)</b>
<b>2001</b>	20.42	3.13	32.26
<b>2002</b>	23.24	3.52	36.24
<b>2003</b>	23.24	3.52	36.00

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

**B. PROJECT DESCRIPTION**

Tri-Lakes Medical Center is requesting Certificate of Need (CON) authority to establish an adolescent chemical dependency unit (CDU). Because new adolescent chemical dependency beds cannot participate in the Medicaid program, Tri-Lakes amended its application originally submitted on March 3, 2003, by entering into a contract with Mississippi Baptist Medical Center to lease 10 adolescent chemical dependency beds. The applicant submits that the program will be overseen by a psychiatrist as well as a physician who will attend to the patients' medical needs. They will be supported by a multi-disciplinary staff that possess knowledge of counseling with a specialty in addictions evaluation and treatment.

The applicant proposes to relocate the 10 adolescent CDU beds from Baptist Medical Center in Jackson to its campus in Batesville. The program will be established in existing space within the hospital; therefore, no capital expenditure will be required. However, some cosmetic issues, such as painting the rooms and hallways, will have to be addressed. The applicant states that the program will allow the hospital to more fully utilize empty space.

Tri-Lakes states that the increases in ancillary and support services will be in the area of food service, laundry, and housekeeping. All of those services are currently available within the hospital and any incremental cost increases will be borne by revenue generated by the program. The applicant projects 15.82 FTE personnel at an estimated annual cost of \$519,370.

The Division of Health Facilities Licensure and Certification has approved the site for establishment of chemical dependency services. The applicant expects to initiate these services by August 1, 2004, or upon CON approval.

## II. TYPE OF REVIEW REQUESTED

This project, for the establishment of chemical dependency services, is reviewed in accordance with Section 41-7-191 (1)(d)(v) and (e) of the 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 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 July 28, 2004.

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

### A. State Health Plan (SHP)

The *FY 2003 State Health Plan*\* contains criteria and standards which the applicant is required to meet before receiving CON authority for the establishment of an adolescent chemical dependency unit. This application is in substantial compliance with applicable criteria and standards.

#### General Certificate of Need Criteria

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

Tri-Lakes submits that a survey was developed and distributed to organizations within a 100-mile radius of Batesville. The survey was sent to principals, counselors, judicial members, police departments and other key organizations. Approximately 167 surveys were received by the intended organizations. Of 31 organizations responding to the survey, 29 expressed a need for an adolescent chemical dependency unit. It was stated that the organizations come into contact with approximately 630 adolescents annually who would benefit from an inpatient program for alcohol and/or drug problems. It was stated that on the average, 68 percent of these 630 adolescents are actually referred yearly to such programs.

**\*Note:** All applications are required to be reviewed under the Plan in effect at the time the application is received. This application was received on March 3, 2003, and the FY 2004 State Health Plan had an effective date of August 11, 2003.

Applicant cites the need in the *FY 2003 State Health Plan* for 74 adolescent chemical dependency beds. However, adolescent chemical dependency beds stated in the Plan are prohibited from participation in the state Medicaid program.

Applicant has entered into an agreement with Mississippi Baptist Medical Center to lease 10 adolescent chemical dependency beds. This application seeks to relocate these beds to Tri-Lakes' campus in Batesville.

Tri-Lakes further submits that the program will conform to the Minimum Standards of Chemical Dependency Units required by the Department. This will be a multi-disciplinary approach utilizing physicians, nurses, psychologists, and various treatment counselors. A 12-step model will be implemented. The patients will be involved in a very intensive and aggressive treatment milieu. Medical detoxification services, offered on-site at the unit, will be available to those manifesting this need.

#### **SHP Criterion 2 - Information Requirement**

Applicant affirms that it will record and maintain information required by this criterion and make same available to the Mississippi State Department of Health upon request.

#### **SHP Criteria 3- Memorandum of Understanding**

The application contained letters from the Magnolia Counseling Associates, South Panola School District and Youth Court Services.

#### **SHP Criterion 4 - Letters of Support**

The application contained five letters of support for the project.

#### **SHP Criterion 5 - Accessibility**

Applicant submits that individuals will not be discriminated against in their desire to access the adolescent chemical dependency program. As a department of Tri-Lakes Medical Center, services will be provided to indigent and charity care patients, thus increasing access.

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

Applicant projects 15 percent care for medically indigent for the chemical dependency program. The percentage of indigent care provided at the facility increased from 14.3 percent in FY 2000 to 16.0 percent in FY 2002.

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

##### **SHP SS Criterion 1- Statistical Need For Adolescent Chemical Dependency (CDU)**

Table VII-6 of the FY 2003 State Health Plan documents a statewide need for 74 additional adolescent chemical dependency beds. Applicant proposes to relocate 10 beds from an existing facility.

**SHP SS Criterion 2- Size of Facility/Unit**

Applicant proposes to place the 10 adolescent chemical dependency beds in the old South Panola Hospital.

**SHP SS Criterion 3- Staffing**

The applicant affirmed that staff will have specialized training in the area of adolescent alcohol and substance abuse treatment and a multi-disciplinary psychosocial medical treatment model which involves the family and significant others will be used.

**SHP SS Criterion 4- Structural Design**

The applicant affirms that the child/adolescent patients shall be separated from adult patients for treatment and living purposes. The children's unit is a separate distinct unit.

**SHP SS Criterion 5 - Aftercare or Follow-up Services**

The applicant states that aftercare and follow-up services will be done in conjunction with existing providers of chemical dependency treatment.

**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 3 - Availability of Alternatives**

Tri-Lakes indicates that there is a significant shortage of chemical dependency services in its primary and secondary service area. Therefore, the applicant believes that the project is the most effective alternative for the delivery of chemical dependency services to its patients.

**GR Criterion 4 - Economic Viability**

Three year operating projections reflect a first year net profit of \$571,775, a second year profit of \$760,671, and a third year profit of \$785,102. Therefore, the project appears to be economically viable.

**GR Criterion 5 - Need for the Project**

Tri-Lakes submits that the proposed facility will be available to all persons in the service area including low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups.

The applicant submits that there is only one program in close proximity to Tri-Lakes, in Lee County. This program is in excess of one hour driving distance away.

**GR 6 - Accessibility**

Applicant submits that the proposed program and the facilities involved will be accessible to all residents, regardless of their ethnic, racial, gender, age, or handicapping conditions.

**GR Criterion 7 - Information Requirement**

Tri-Lakes Medical Center affirms 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**

The applicant affirms that this project will have no adverse effect on facilities currently offering the service in the area. Existing adolescent chemical dependency beds are proposed to be leased from Mississippi Baptist Medical Center.

**GR Criterion 9 - Availability of Resources**

The applicant submits that Tri-Lakes possesses the capacity to hire the necessary staff to operate this program. Specifically, Dr. Rayudu, psychiatrist, will provide consultations as necessary and Dr. Rosenkrantz will provide medical oversight.

**GR Criterion 16 - Quality of Care**

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

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

No capital expenditure is required for this project.

**B. Method of Financing**

Since no capital expenditure is required, no financing is required as well.

**C. Effect on Operating Costs**

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

Expense	Year 1	Year 2	Year 3
Nursing Services	\$ 436,286	\$ 537,441	\$ 551,000
Other Professional Fees	425,600	102,451	212,000
Benefits (20%)	86,000	106,000	110,000
General Services	67,233	71,234	74,111
Lease Arrangement (Baptist)	54,000	54,000	54,000
Fiscal/Administrative	82,000	82,821	177,000
Interest Expense	48,000	48,343	36,000
Depreciation/Amort.	59,756	59,456	55,226
Prov. For Uncollectible	107,000	124,746	129,667
<b>Total Operating Costs</b>	<b>\$1,365,875</b>	<b>\$1,186,492</b>	<b>\$1,399,004</b>
Revenue			
Net Patient Revenue	\$1,879,150	\$1,900,600	\$2,116,050
Other Operating Revenue	63,000	36,563	68,050
<b>Total Revenue</b>	<b>\$1,942,150</b>	<b>\$1,937,163</b>	<b>\$2,184,100</b>
<b>Net Income</b>	<b>\$576,275</b>	<b>\$750,671</b>	<b>\$785,096</b>
Patient Days	2,737	2,937	3,337
Charge per Day*	\$499	\$404	\$401
Cost per Day*	\$710	\$660	\$655

\* Staff calculations.

**D. Cost to Medicaid/Medicare**

Payor Mix	Utilization Percentage	Cost for First Full Year
Medicaid	90	\$1,229,287
Medicare	0	0
Other Payors	10	136,588
<b>Total</b>	<b>100</b>	<b>\$1,365,875</b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid estimates that the increased annual cost to the Medicaid program for the capital expenditure will be \$650,134 for inpatient hospital services.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the establishment of adolescent chemical dependency services contained in the *FY 2003 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual*, 2000 revisions; 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 Tri-Lakes Medical Center for the establishment of adolescent chemical dependency services.