

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
MAY 2005**

**CON REVIEW: HP-CB-0205-003  
UHS OF PARKWOOD, INC. D/B/A PARKWOOD BEHAVIORAL HEALTH SYSTEM  
EXPANSION BY 16 ADOLESCENT PSYCHIATRIC BEDS  
CAPITAL EXPENDITURE: \$73,000  
Location: Olive Branch, Mississippi**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

UHS of Parkwood, Inc., d/b/a Parkwood Behavioral Health System (Parkwood) is a for-profit, Delaware corporation authorized to do business in the state of Mississippi. Parkwood's current licensed bed capacity includes 22 adult psychiatric, 14 adult chemical dependency (CDU), and 36 child/adolescent psychiatric beds. The facility is also licensed for 40 adolescent residential treatment facility beds. Parkwood is located in Olive Branch, Mississippi.

Parkwood is governed by a five-member governing board and is accredited by the Joint Commission on Accreditation of Healthcare Organizations.

**B. Project Description**

Parkwood is requesting certificate of need (CON) authority for the expansion of its acute child/adolescent psychiatric beds. Parkwood is currently licensed for 36 child/adolescent psychiatric beds and is proposing an additional 16 beds. The applicant states that the expansion will be accomplished by renovation of Building A, which currently houses school services, to meet acute care service building codes and standards. The school services will be moved to Building D.

The applicant submits that increases will occur in the following ancillary departments due to the increase of patients: pharmacy, laboratory, and psychological testing. Increases will occur on a per patient day basis for dietary, as well as an increase in housekeeping services.

The project will require 21.65 FTE personnel at an estimated cost of \$731,022 the first year.

The MDH Division of Health Facilities Licensure and Certification has approved the site for the project. The applicant anticipated that the project will be complete within six months of CON approval.

## II. TYPE OF REVIEW REQUIRED

The Mississippi Department of Health reviews applications for the expansion of psychiatric services in accordance with Section 41-7-191, subparagraphs (1)(c) of the Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi 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 on June 6, 2005.

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

### A. State Health Plan (SHP)

The *FY 2005 Mississippi State Health Plan* contains policy statements and both general and service specific criteria and standards which an applicant is required to meet before receiving CON authority for the adolescent psychiatric services. This application is in substantial compliance with applicable criteria and standards.

Parkwood Behavioral Health System is a current provider of child/adolescent psychiatric services and seeks through this application to add 16 beds.

#### **SHP General Criterion 1(c) Need**

The *FY 2005 Mississippi State Health Plan* states that (for projects which involve the addition of beds) the applicant shall document the need for the proposed project. The *Plan* provides that the Department may approve additional beds for 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.

Parkwood submits that its occupancy rate has been 87.2 in 2003 and 85.3 in 2004. The applicant further states that it has a policy that it blocks double occupancy rooms for single occupancy when patients' clinical conditions indicate that sharing a room with another patient is not warranted, thus preventing full utilization of present bed capacity.

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

Parkwood affirmed that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

### **SHP General Criterion 3 - Memoranda of Understanding**

The applicant submitted letters from Life Health (a Comprehensive Community Mental Health Center), the Department of Human Services, Youth Services counselors, county Youth Court referees, and others.

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

The application also contains letters from community and political leaders, and other interested groups that may be affected by the provision of these services.

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

The applicant submits that it does not have policies or procedures which would exclude patients 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 – Statistical Bed Need**

The statistical bed need as reported in the *FY 2005 Mississippi State Health Plan* is .55 beds per 1,000 population aged 7 to 17 for 2005 in the state as a whole. Based on this ratio, the *Plan* shows a need for 13 child/adolescent psychiatric beds statewide.

As stated earlier, Parkwood is a current provider of child/adolescent services and seeks, by this application, to expand its bed capacity by 16 beds. If approved, the expansion would increase the child/adolescent psychiatric bed capacity at Parkwood from 36 to 52.

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

The applicant proposes that the 16 additional beds will be located in a building on campus but not adjoining the general hospital. The applicant is in compliance with this criterion.

**SHP SS Criterion 3- Staffing**

The applicant affirmed that the proposed unit will meet the requirements of this criterion

**SHP SS Criterion 4- Structural Design**

The applicant submits that the facility layout provides for separate group rooms, educational areas, patient rooms by program, and separate nurses areas. Recreational, dining, and family therapy rooms are made available by each program through schedule differences so that programs remain separate.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, (May 13, 2000, as amended), 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**

Parkwood submits that its long term plan is to respond to the needs of the community for behavioral health care. Its stated mission is: “To provide healthcare services that patients recommend to families and friends, physicians prefer for their patients, purchasers select for their clients, employees are proud of, and investors seek for long term results.”

**GR Criterion 3- Availability of Alternatives**

The applicant submits that it considered utilizing other acute care treatment facilities and alternative levels of care for referral of youth requiring acute mental health services. Other alternatives to acute care would be partial hospitalization, day treatment, intensive outpatient, residential treatment, or group home placement. The applicant states that Parkwood has utilized all levels of care appropriate to presenting clinical symptomatology with numerous public and private health agencies.

**GR Criterion 4 - Economic Viability**

The three year operating projections reflect a net income of \$555,621 the first year, \$915,629

the second year, and \$1,179,721 the third year. The proposed charges of \$1,303 per patient day are comparable to those charges proposed by other facilities for similar services. The projected levels of utilization are also comparable.

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

Parkwood cites occupancy rates of 87.2 percent in 2003 and 85.3 percent in 2004 as justification for the additional beds. The *Plan* allows a facility to add beds if the facility's occupancy rate has been 80 percent for the most recent 12 months or 70 percent for the most recent two years.

The applicant further submits that North Mississippi Medical Center, located in Lee County, no longer offers acute care pediatric psychiatric services. With the increase in population in north Mississippi, and the limited available providers, residents are forced to go out of state, or to travel further away from their support systems for treatment, decreasing the opportunity for families to be active participants in treatment.

Parkwood states that it is the only provider of psychiatric services in north Mississippi, creating a void in access for mental health consumers. This expansion is expected to decrease the need for mental health consumers to seek treatment out of state. The applicant expects that the additional beds would assist in keeping families close to the treatment facility for their children. Other facilities that could serve this population are at least three hours from Parkwood, according to the applicant.

The application contained numerous letters from Life Health (a Comprehensive Community Mental Health Center), the Department of Human Services, Youth Services counselors, county Youth Court referees, and others.

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

The applicant affirms that Parkwood is accessible to all residents of the health planning service area, hospital service area, or patient service area. The applicant projects that it provides 1.20 to 2.61 percent care to medically indigent and 38.9 percent care to Medicaid patients.

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

Parkwood affirmed that it will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

**GR Criterion 8 - Relationship to Existing Health Care System**

This application is not expected to have a significant impact on other providers of child/adolescent psychiatric services in the state.

**GR Criterion 9 - Availability of Resources**

The applicant affirmed that qualified staff is available in the area due to its close proximity to metro Memphis and the number of universities in the Memphis, Tennessee, and north Mississippi area.

**GR Criterion 16 - Quality of Care**

Parkwood is in compliance with the *Minimum Standards of Operation for Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification. The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations.

**IV. FINANCIAL FEASIBILITY**

**A. Expenditure Summary**

Capital Improvements	\$ 9,000
Non-Fixed Equipment Cost	<u>64,000</u>
Total Proposed Capital Expenditure	<b>\$73,000</b>

The proposed capital expenditure includes minor painting, repairs, and refurbishing of space to house 16 new child/adolescent psychiatric beds.

**B. Method of Financing**

The applicant proposed to finance the project through its parent corporation, Universal Health Services, Inc.

**C. Effect on Operating Cost**

The applicant's three year projected operating statement is included as attachment 1.

**D. Cost to Medicaid/Medicare**

The cost of the project to third party payors is as follows:

<b>Patient Mix</b>	<b>Utilization Percentage</b>	<b>First Year Cost</b>
<b>Medicaid</b>	38.9	\$328,586
<b>Medicare</b>	9.0	76,023
<b>Other</b>	52.1	440,087
<b>Total</b>	<b>100.0</b>	<b>\$844,695</b>

Parkwood projects 2% bad debt, 1.3% medically indigent, and 1.2 % charity care.

**Note:** The above utilization percentages represent the applicant's current patient mix. The applicant points out that the beds requested in this application are non-Medicaid beds, and therefore, will have negligible impact on the Medicaid program.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application. The Division of Medicaid took no position on the proposed project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the addition of adolescent psychiatric beds as outlined in the *FY 2005 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual*, (May 13, 2000, as amended); and all adopted rules, procedures and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Parkwood Behavioral Health System for the addition of 16 child/adolescent psychiatric beds.

<b>Parkwood Behavioral Health System</b>			
<b>Three Year Operating Statement</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Key Statistics:</b>			
Average Daily Census	8.4	12.5	15.5
Average Occupancy Rate	53%	78%	97%
Patient Days	3,079	4,555	5,648
<b>Patient Revenue</b>			
Inpatient Room	-	-	-
Inpatient Ancillary	4,010,519	5,933,067	7,356,743
<b>Gross Patient Revenue</b>	<b>4,010,519</b>	<b>5,933,067</b>	<b>7,356,743</b>
<b>Deductions from Revenue</b>			
Medicare	-	-	-
Medicaid	1,433,278	2,120,358	2,629,151
Blue Cross	-	-	-
HMO/PPO	1,036,631	1,533,567	1,901,556
Bad Debt	90,638	134,087	166,262
Miscellaneous	49,656	73,460	91,087
Total Revenue Deductions	2,610,203	3,861,472	4,788,056
<b>Net Patient Revenue</b>	<b>1,400,316</b>	<b>2,071,595</b>	<b>2,568,687</b>
Other Operating Revenue	-	-	-
<b>Net Revenue</b>	<b>\$ 1,400,316</b>	<b>\$ 2,071,595</b>	<b>\$ 2,568,687</b>
<b>Operating Expenses</b>			
Salaries	401,623	589,534	731,022
Professional Fees	73,326	108,477	134,507
Supplies	64,398	95,269	118,129
Travel/Education	300	500	500
Maintenance	20,248	20,248	20,248
Purchased Services	41,626	56,977	68,346
Other	31,961	44,303	53,443
Benefits	53,191	78,078	96,817
Insurance	9,506	14,064	17,438
Non-Allocated Other	125,000	125,000	125,000
Depreciation	21,333	21,333	21,333
Lease/Rental	2,183	2,183	2,183
<b>Total Operating Expenses</b>	<b>\$ 844,695</b>	<b>\$ 1,155,966</b>	<b>\$ 1,388,966</b>
Income (Loss) from Operations	555,621	915,629	1,179,721
Non-Operating Expenses	-	-	-
<b>Net Income (Loss)</b>	<b>\$ 555,621</b>	<b>\$ 915,629</b>	<b>\$ 1,179,721</b>