

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
AUGUST 2008**

**CON REVIEW HP-RLS-0408-014  
BRENTWOOD ACQUISITION, INC. D/B/A BRENTWOOD BEHAVIORAL  
HEALTHCARE OF MISSISSIPPI  
RELOCATION/ADDITION OF CHEMICAL DEPENDENCY BEDS  
CAPITAL EXPENDITURE: \$-0-  
LOCATION: FLOWOOD, RANKIN COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

A. Applicant Information

Brentwood Acquisition, Inc. d/b/a Brentwood Behavioral Healthcare of Mississippi (Brentwood) is a private, for-profit, freestanding behavioral healthcare facility located in Flowood. Brentwood Acquisition, Inc. is a Tennessee business corporation authorized to do business in the state of Mississippi. Brentwood is currently licensed for 107 acute psychiatric beds, specializing in psychiatric and dual diagnosis services for adults, children, and adolescents.

The facility is an affiliate of Psychiatric Solutions, Inc., based in Franklin, Tennessee, and is accredited by the Joint Commission for the Accreditation of Health Care Organizations. The facility is governed by five officers and directors and licensed by the Mississippi State Department of Health (MSDH).

According to the *Application for Renewal of Hospital License for Calendar Year 2007 and FY 2006 Annual Hospital Report*, the occupancy rate of adult psychiatric services at Brentwood was 34.23 percent for 2006.

According to the *Application for Renewal of Hospital License for Calendar Year 2008 and FY 2007 Annual Hospital Report*, the occupancy rate of adult psychiatric services at Brentwood was 42.96 percent for 2007.

B. Project Description

Brentwood Acquisition, Inc. d/b/a Brentwood Behavioral Healthcare of Mississippi requests Certificate of Need (CON) authority to lease/relocate four (4) adult chemical dependency unit (CDU) beds from Mississippi Baptist Medical Center, Inc. of Jackson to Brentwood's campus. The referenced beds will allow Brentwood to offer chemical dependency services for adults. The applicant asserts that the project will expand Brentwood's psychiatric services and enable it to better serve those in need of chemical dependency services. The application contains a lease agreement between Brentwood Behavioral Healthcare of Mississippi and Mississippi Baptist

Medical Center, Inc. of Jackson concerning the proposed project. Brentwood will be a new provider of chemical dependency beds/services in the service area, and the proposed project will increase Brentwood's current bed capacity from 107 to 111 beds; however, the proposed project will not increase the chemical dependency bed inventory in the state.

The project requires no capital expenditure; however, the applicant will pay \$35,040 per month for a total lease cost of \$420,480 for the first year of operation. According to Brentwood, Psychiatric Solutions, Inc. (PSI) the parent corporation of Brentwood Acquisition, Inc. d/b/a Brentwood Behavioral Healthcare of Mississippi will provide all funding or financial resources required for this project.

The MSDH Division of Health Facilities Licensure and Certification found the project's site acceptable for the intended use.

According to the applicant, the anticipated date for completion of the proposed project is within 30 days of CON approval.

**Note:** The Department received a letter dated August 5, 2008 from Brentwood, which states that Brentwood Acquisition, Inc. d/b/a Brentwood Behavioral Healthcare of Mississippi decided it should withdraw that portion of the this application which involves the relocation/addition of two (2) adolescent chemical dependency beds.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the relocation of health care facilities, or a portion thereof, and the relocation of health services from one physical facility or site to another physical facility or site and offering of chemical dependency services in accordance with Section 41-7-191, subparagraphs (1) (b), (c), (d) (v), and (e), 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 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 August 27, 2008.

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

### A. State Health Plan (SHP)

The *FY 2007 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 acute chemical dependency facility bed/services. The applicant has documented compliance with these criteria as follows:

**SHP Policy Statement 1 – Indigent Care**

The applicant affirms that the facility will provide a reasonable amount of charity care consistent with the demands of the community and comparable with levels of similar services and facilities in the area.

**SHP Policy Statement 2 – Mental Health Planning Areas**

The applicant recognized the state as a whole in addressing the application of the need methodology as contained in the *Plan*. The applicant asserts that Brentwood and Mississippi Baptist Medical Center, Inc. are located in the metro Jackson area and believes that the proposed project will not have any effect on the number of chemical dependency beds in this service area.

**SHP Policy Statement 3 – Public Sector Beds**

According to the applicant, Brentwood has not, in its analysis of need, included any acute psychiatric, chemical dependency, or psychiatric residential treatment facility beds operated directly by the Mississippi Department of Mental Health.

**SHP Policy Statement 4 – Comments from the Department of Mental Health**

The Mississippi Department of Mental Health was provided an opportunity to review and comment on this proposal: however, no comments were received as of this publication.

The applicant submits that Brentwood promotes a productive and cooperative relationship with the Mississippi Department of Mental Health.

**SHP Policy Statement 6 – Separation of Males and Females**

The proposed project seeks to relocate four (4) adult chemical dependency beds. The applicant proposes to place the four adult CDU beds on the adult wing.

**SHP Policy Statement 7 – Dually Diagnosed Patients**

Brentwood will not require swing-bed services.

**SHP Policy Statement 8 – Comprehensive Program of Treatment**

According to Brentwood, the proposed project does not seek the approval of additional mental health beds because the referenced four (4) adult chemical dependency beds are already CON approved. As previously mentioned, the

proposed project entails the lease/relocation of four (4) adult chemical dependency unit (CDU) beds from Mississippi Baptist Medical Center, Inc. of Jackson to Brentwood's campus.

### **SHP Policy Statement 9 – Medicaid Participation**

The applicant states that Brentwood's acute psychiatric facility is currently Medicaid certified. Brentwood attests that it will seek Medicaid certification for the proposed chemical dependency beds.

### **SHP Policy Statement 10 – Licensure and Certification**

The applicant affirms that the proposed four (4) chemical dependency beds will meet all applicable licensing and certification regulations established by the Division of Health Facilities Licensure and Certification, MSDH.

### **General (G) Criteria and Standards for Psychiatric, Chemical Dependency and Psychiatric Residential Treatment Facilities**

#### **SHP G Criterion 1 – Need**

The *FY 2007 Mississippi State Health Plan (SHP)* states that: "The applicant shall document a need for ... chemical dependency beds/services using the appropriate bed need methodology as presented in this section under the service specific criteria and standards". The *FY 2007 Plan* shows a statewide need of 12 adult chemical dependency beds statewide.

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 the existing standards in the *Plan* for the addition of beds.

Brentwood will be a new provider of adult chemical dependency bed/services in the state.

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

The applicant affirms that it will record and maintain information required by this criterion and make it available to the Department within 15 days of such request.

#### **SHP G- Criterion 3 and 4 – Memorandums of Understanding**

The application contains a copy of a signed letter/memorandum of understanding from Region 9 Hinds Behavioral Health to confirm an understanding between both organizations that both will refer to the other based on the medical necessity and client needs.

The application contains two letters of support for the project.

### **SHP G-Criterion 5 – Policy of Exclusion**

The applicant affirms that within the scope of its available services, neither the facility nor its participating staff will have a policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

### **Service Specific (SS) Criteria and Standards for Chemical Dependency Beds/Services for Adults**

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

The *State Health Plan* states that the Department shall base statistical need for chemical dependency beds/services for adults on a ratio of 0.14 beds per 1,000 population aged 18 and older for 2010 in the state as a whole. This calculation yields a statewide need of 313 beds. The state currently has 301 licensed and CON approved beds. Thus, the state has an unmet statewide need of 12 adult CDU beds. See table below.

#### **Statewide Chemical Dependency Bed Need 2007**

<b>Bed Category and Ratio</b>	<b>2010 Projected Population</b>	<b>Projected Bed Need</b>	<b>Licensed/ CON Approved Beds</b>	<b>Difference</b>
Adult Chemical Dependency: <u>0.14 beds per 1,000 population aged 18+</u>	2,238,274	313	301	12

**Source:** *FY 2007 State Health Plan*

According to the *Application for Renewal of Hospital License for Calendar Year 2007 and FY 2006 Annual Hospital Report*, the occupancy rate of adult psychiatric services at Brentwood was 34.23 percent for 2006. The application is consistent with the projection of need for adult CDU beds as projected in the *FY 2007 State Health Plan*.

#### **SHP SS Criterion 2 – Facility Size**

The applicant submits that Brentwood will provide chemical dependency services in an existing freestanding, home-like environment by using the four (4) adult chemical dependency unit (CDU) beds leased from Mississippi Baptist Medical Center, Inc.,

Jackson.

### **SHP SS Criterion 3 – Aftercare or Follow-up Services**

The applicant submits that it will refer discharged patients to providers within their home communities. Referrals will include partial programs geared for chemical dependency issues, long term residential rehabilitation programs, and other outpatient providers.

### **SHP SS Criterion 4 – Type of Clients**

According to the applicant, Brentwood will provide chemical dependency services to adult substance and alcohol abusers.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised February 23, 2008*; addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

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

According to the applicant, Brentwood offers a full range of psychiatric services. The proposed project will complement its existing services by serving Jackson metro-area patients that need chemical dependency bed/services.

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

According to the applicant, leasing unused chemical dependency beds was determined to be the best and most cost efficient course of action as opposed to requesting that additional beds be added to the service area. Brentwood asserts that Mississippi Baptist Medical Center, Inc. does not utilize the referenced beds to be leased to Brentwood. The lease of these beds by Brentwood will benefit the healthcare system by putting to use existing chemical dependency beds/unit to address projected unmet need.

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

Financial projections indicate that the project is economically viable. Brentwood will realize a first year net profit of \$463,828, a second year profit of \$487,019, and a third year profit of \$511,370 after completion of the project.

### GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** According to the applicant, Mississippi Baptist Medical Center, Inc. does not utilize these (4) adult chemical dependency beds. The applicant asserts that the relocation of these beds to Brentwood will increase the availability of chemical dependency services in the Jackson-metro area without adding any additional bed capacity to the area. The applicant believes that the project will expand Brentwood's psychiatric services and enable it to better serve its patients that are in need of chemical dependency services.

According to the applicant, the proposed project does not seek to add new chemical dependency beds to the state; rather, it is proposing to make currently unused CDU beds available to those in need of such services in the Jackson metro area. The applicant states that Brentwood's existing acute psychiatric facility obtains referrals from 71 counties in Mississippi. However, the majority of patients originate from Hinds and Rankin counties, and utilization of these unused beds will help meet the need the *Plan* has recognized for adult CDU services.

- b. **Relocation of Services:** According to the applicant, currently, no one is being served by these unused beds. The relocation of the beds to Brentwood will help meet the need for adult chemical dependency service as referenced in the *Plan*. The project will put already approved CDU beds into service in order to help meet the recognized need for chemical dependency services. The applicant asserts that utilization of these beds at Brentwood will offer Brentwood's patients, in need of such services, a continuum of care in one location.
- c. **Current and Projected Utilization of Like Facilities in the Area:** The average occupancy rate of adult chemical dependency facilities in the state was 31.47 percent for 2006.

Brentwood projects occupancy rates of 58 percent for the first two years and 66 percent for the third year of operation for the proposed project.

- d. **Probable Effect on Existing Facilities in the Area:** As previously mentioned, this application proposes to relocate from Mississippi Baptist Medical Center, Inc. four (4) adult chemical dependency unit beds to Brentwood. The applicant asserts that the proposed project will not have any effect on the number of existing chemical dependency beds/services in the service area. The *Plan* recognizes that currently adults are underserved throughout the state when dealing with chemical dependency issues. The *FY 2007 Plan* shows a statewide need of 12 adult chemical dependency beds statewide. There has not been an addition of chemical dependency beds since the *FY 2007 Plan*.

- e. **Community Reaction:** The application contains two letters of support for the project.

The Department received one letters of opposition concerning the proposed project.

**GR Criterion 6 - Access to the Facility or Service**

- a. **Medically Underserved Population:** Brentwood asserts that all residents of its health planning service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly have access to the existing facility and will have access to the proposed chemical dependency beds/services.
- b. **Performance in Meeting Federal Obligations:** The applicant submits that Brentwood is under no federal obligations to provide uncompensated care.
- c. **Unmet Needs to be Served by Applicant:** Brentwood submits that the projected percentage of gross patient revenue (GPR) and dollar amount of health care to be provided to medically indigent patients for the first two years are as follows for this project only:

	GPR Percentage (%)	GPR (Dollar Amount)
Projected Year 1	4	\$82,814
Projected Year 2	4	\$86,955

**GR Criterion 7 - Information Requirement**

The applicant asserts that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of request.

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

The relocation of four (4) adult chemical dependency beds from Mississippi Baptist Medical Center, Inc., Jackson to Brentwood are not expected to have an adverse effect on any existing health care facility within the service area. There will be no increase in bed complement to the health care planning service area as a result of this project.

The applicant believes that the proposed project will enhance and increase the availability of chemical dependency beds/services in the area.

The Department received one letters of opposition concerning the proposed project.

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

The applicant projects three (3) full-time equivalent personnel, at an estimated first-year annual cost of \$90,000 for the proposed project.

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

Brentwood submits that ancillary and support services will be increased where applicable and appropriate to accommodate the adult chemical dependency beds/services unit.

According to the applicant, the only change in costs and charges will be those associated with the chemical dependency beds/services and any change in costs or charges will be accommodated by the chemical dependency beds/services unit itself or through Brentwood's existing operations.

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

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

### **IV. FINANCIAL FEASIBILITY**

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

There is no capital expenditure associated with this project.

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

The project requires no capital expenditure; however, the applicant will pay \$35,040 per month for a total lease cost of \$420,480 for the first year of operation of the project.

According to Brentwood, Psychiatric Solutions, Inc. (PSI), the parent corporation of Brentwood Acquisition, Inc. d/b/a Brentwood Behavioral Healthcare of Mississippi will provide any and all funding or financial resources required for this project.

**C. Effect on Operating Cost**

Brentwood's three-year projected operating statement is presented at Attachment 1.

**D. Cost to Medicaid/Medicare**

Based on the applicant's projections, the cost to third party payors the first year of operation is as follows:

<b>Patient Mix</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
Medicaid	-0-	\$-0-
Medicare	66	1,406,925
Other	34	<u>724,779</u>
<b>Total</b>	<b><u>100</u></b>	<b><u>\$2,131,704</u></b>

The applicant projects 4 percent care to charity care patients.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. However, no comments were received as of publication of this staff analysis.

The Mississippi Department of Mental Health was also provided an opportunity to comment on this project. No comments had been received from the Department of Mental Health as of publication of this staff analysis.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for chemical dependency beds/services as contained in the *FY 2007 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised February 23, 2008*; 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 Brentwood Acquisition, Inc. d/b/a Brentwood Behavioral Healthcare of Mississippi to lease/relocate four (4) adult chemical dependency unit (CDU) beds from Mississippi Baptist Medical Center, Inc. of Jackson to Brentwood to offer chemical dependency beds/services.

**Attachment 1**

Brentwood Behavioral Healthcare of Mississippi Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
<b>Revenue</b>			
Patient Revenue:			
Inpatient	\$ 2,131,704	\$ 2,238,289	\$ 2,350,204
Outpatient	0	0	0
<b>Gross Patient Revenue</b>	<b>\$ 2,131,704</b>	<b>\$ 2,238,289</b>	<b>\$ 2,350,204</b>
Charity Care	(82,814)	(86,955)	(91,303)
Deductions from Revenue	<u>(1,370,272)</u>	<u>( 1,438,785)</u>	<u>(1,510,724)</u>
<b>Net Patient Revenue</b>	<b><u>\$ 678,618</u></b>	<b><u>\$ 712,549</u></b>	<b><u>\$ 748,177</u></b>
<b>Expenses</b>			
Operating Expenses:			
Salaries	\$ 90,000	\$ 94,500	\$ 99,225
Benefits	16,000	16,800	17,640
Supplies	38,000	39,900	41,895
Services	29,750	31,238	32,799
Lease	35,040	36,792	38,632
Other	<u>6,000</u>	<u>6,300</u>	<u>6,615</u>
<b>Total Expenses</b>	<b><u>\$ 214,790</u></b>	<b><u>\$ 225,530</u></b>	<b><u>\$ 236,806</u></b>
<b>Net Income (Loss)</b>	<b><u>\$ 463,828</u></b>	<b><u>\$ 487,019</u></b>	<b><u>\$ 511,370</u></b>
<b>Assumptions</b>			
Inpatient days	1,278	1,300	1,325
Outpatient days	0	0	0
Procedures	0	0	0
Charge per outpatient day	0	0	0
Charge per inpatient day	\$1,668	\$1,722	\$1,774
Charge per procedure	0	0	0
Cost per inpatient day	\$168	\$173	\$179
Cost per outpatient day	0	0	0
Cost per procedure	0	0	0