

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
AUGUST 2009**

**CON REVIEW: HG-C-0608-014**

**SINGING RIVER HOSPITAL SYSTEM d/b/a SINGING RIVER HOSPITAL  
MODULAR CHILLER PLANT AND PIPE BRIDGE PROJECT**

**CAPITAL EXPENDITURE: \$3,496,326**

**LOCATION: PASCAGOULA, JACKSON COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Singing River Hospital System (SRHS) d/b/a Singing River Hospital (SRH) is a short-term, general acute care, public hospital located in Pascagoula, Jackson County, Mississippi. SRHS is owned by Jackson County and is governed by a nine-member Board of Trustees. The facility is certified to participate in the Medicare and Medicaid programs and is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

SRH consists of 435 licensed beds (385 acute, 30 psychiatric, and 20 rehabilitation beds). The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for SRH are as follows for the most recent three years:

**Singing River Hospital  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2006	25.59	4.51	16.38
2007	24.83	4.26	18.00
2008	25.53	4.18	11.38

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

**B. Project Description**

Singing River Hospital System d/b/a Singing River Hospital requests CON authority for construction/upgrade of the modular chiller plant and pipe bridge on the campus of the hospital. The applicant asserts that the scope of work for the proposed project consists of demolition of one (1) bay of the existing warehouse, located east of the existing cancer center, in order to site the proposed modular chillers and cooling towers. This will also include site preparation and new foundation for the new modular chillers and cooling towers to be placed in the location.

According to Singing River Hospital, the project will also include the installation of two – 20” chilled water pipes, one – 8’ steam pipe and one-4’ steam condensate pipe from just above ground floor near the existing boiler room to the new modular chiller location. The piping will connect to existing pipes that are stubbed up through the first floor level. The piping will extend up to the roof and then run north in a steel support structure to the north end of the building. The piping will turn down and proceed east across the roof of the cancer center building. Once the pipes leave the existing roof of the cancer center the piping will then be located on a steel structure (pipe bridge) across the parking lot. The piping will connect to the new modular chiller plant located on the east side of the drive. The applicant asserts that the entire corridor shall be clad in a non-insulated metal panel system. The proposed project entails 13,450 square feet of new construction.

The applicant believes that the chiller addition will provide a specific infrastructure component that should extend its ability to offer the proper environment of care to its patients.

The total proposed capital expenditure is \$3,496,326 and of that amount, approximately 42.14 percent is for new construction; 52.62 percent for fixed equipment; 1.78 percent for site; 3.35 percent for fees (architectural, consultant, etc.); and 2.89 for contingency reserve.

The project is proposed to be funded by the hospital's cash reserves, and no additional personnel are required.

The Division of Health Facilities Licensure and Certification found the site to be acceptable for the stated activity; the applicant proposes to obligate the capital expenditure January 2010, and the project is expected to be completed by December 2010.

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

The Mississippi State Department of Health reviews applications for the upgrade of an existing modular chiller plant and pipe bride infrastructure of hospital involving a capital expenditure in excess of \$2,000,000, under the applicable statutory requirements of Section 41-7-191 (1) (j), Mississippi Code of 1972, 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 September 8, 2009.

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

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

The *FY 2009 State Health Plan (SHP)* does not contain criteria and standards for construction of modular chiller plant and pipe bridge upgrade as proposed by this project. However, the project is in substantial compliance with the overall objectives of the Plan.

#### 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. This application is in substantial compliance with general review criteria.

##### **GR Criterion 1 – Consistency with the State Health Plan**

The project is consistent with the goals contained in the *FY 2009 State Health Plan*.

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

The applicant states that by working with a team of architects, engineers, and staff the organization has identified a need to add a chiller that will enable the hospital to provide the needed infrastructure (chiller) to serve its patients well into the future. Singing River Hospital believes that the proposed project is a vital piece of infrastructure.

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

Singing River Hospital considered the following two alternatives:

- The first alternative considered was to do nothing and simply keep using the existing infrastructure. This option was not feasible because it would not keep up with the demand placed on the chiller. No advantage was identified for this alternative.
- The second option was to use a standard package cooling unit. This option was not chosen because it is an inadequate system for this application. The applicant asserts that no overall advantage to this alternative was identified.

The applicant determined that the proposed project will provide a cold water chilled system that will provide chilled water and conditioned air. These units are more reliable than conventional units and they provide a unique ability to add conditioned space to the system, retrospectively, whereas other units are not so friendly.

The applicant submits that the proposed project enables the hospital to continually provide the proper environment for its patients. It aids the organization as it strives to exceed quality measures as they relate to the environment of care. These units also operate more financially desirable than standard units.

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

The proposed project is not intended to directly generate revenue; therefore, the proposed project will cost the hospital \$149,372 for the first year and \$199,163 for the second and third years of operation, according to the applicant's three-year projected operating statement contained in the application.

The application contained a letter signed by Singing River Hospital System's chief financial officer stating that the hospital has the financial ability to undertake this obligation.

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

- a. **Access by Population Served:** The applicant asserts that all residents of the service area, including all minorities, elderly, low income and people from all racial and ethnic backgrounds, will have equal access to the facility.
- b. **Relocation of Services:** This application does not propose the relocation of services. According to Singing River Hospital, this project proposes an upgrade of existing infrastructure (chiller system) on the campus of the existing hospital.
- c. **Current and Projected Utilization of Like Facilities in the Area:** No additional services are being proposed.
- d. **Probable Effect on Existing Facilities in the Area:** The project proposes new construction/upgrade of the modular chiller plant and pipe bridge on the campus of the hospital. Therefore, no significant effect is anticipated on existing facilities in the area.
- e. **Community Reaction:** The application received two (2) letters of support for the proposed project.

The Department received no letters of opposition concerning the proposed project.

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

- a. **Medically Underserved Population:** According to the applicant, SRH provides services to the medically underserved populations without regard to their ability to pay. As previously mentioned, all residents of the service area, including all minorities, elderly, low income and people from all racial and ethnic backgrounds, will have equal access to the facility.
- b. **Performance in Meeting Federal Obligations:** The applicant submits that SRH has no obligations under any federal regulations requiring uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs Served by Applicant:** The applicant submits that in 2007 3.80 percent and in 2008, 3.28 percent of its gross patient charges resulted in uncompensated care. The applicant continues to project the same percentage (3.30 percent) of its services will be utilized by charity care patients for the two subsequent years upon completion of this project.
- d. **Range of Means to Provide Access:** SRH is located on Highway 90 in Pascagoula, Mississippi, and can be accessed from Interstate 10 through Highway 63 South, then Highway 90 West. The applicant contends that its patients can also access the hospital by several county streets. The applicant further contends that SRH does not utilize restrictive admission policies; however, it treats patients regardless of ability to pay and has a written policy that governs the hospital's charity care policy, which is attached to the application.

SRH operates 7 days per week at 24 hours per day, 365 days a year.

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

The applicant affirms 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 applicant states that there are several acute care hospitals in General Hospital Service Area 7 and there are no discernable differences in the population base.

SRH does not anticipate that the approval of this application will have an adverse impact on other providers in GHSA 7, but does believe that failure to implement the proposed project could lead to cooling failures at the hospital, which could result in poor patient outcome.

**GR Criterion 9 - Availability of Resources**

The applicant contends that no additional staff is needed for the proposed project.

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

The applicant states that the hospital has a full complement of personnel employed in its maintenance department for the proposed project.

**GR Criterion 12 – Health Professional Training**

The applicant submits that the hospital does not anticipate there to be any material impact on training programs in the service area.

**GR Criterion 14 – Construction Projects**

The application contains a signed copy of the cost estimate prepared by Perkins Architecture, PLLC Hattiesburg for the proposed project.

The applicant states that the estimated cost of 13,450 square feet of new space will be \$259.95 per square foot (See Attachment 2). The *Means Construction Cost Data*, 2009 Edition, shows the range per square foot cost of new construction to be between \$185 and \$315. The project's cost per square foot exceeds the median range of \$228.

**GR Criterion 16 - Quality of Care**

Singing River Hospital System 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's quality of care is evidenced by various accreditations, awards and recognitions.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The total estimated capital expenditure of \$3,496,326 is allocated as follows:

<b>Cost Item</b>	<b>Projected Cost</b>	<b>Percent</b>
New Construction	\$1,403,525	40.14%
Fixed Equipment	1,840,000	52.62%
Non-Fixed Equipment	0	0%
Land Cost	0	0%
Site Preparation	62,250	1.00%
Fees (Architectural, Consultant, etc.)	117,262	3.35%
Contingency Reserve	73,289	2.89%
<b>Total Proposed Capital Expenditure</b>	<b>\$3,496,326</b>	<b>100%</b>

**B. Method of Financing**

Singing River Hospital proposes to finance the capital expenditure through cash reserves. The financial statements contained in the application indicate that sufficient funds are available for the proposed project.

**C. Effect on Operating Cost**

The applicant's Three-Year Projected Operating Statement is provided as Attachment 1 of this staff analysis.

**D. Cost to Medicaid/Medicare**

Since this project is a non-revenue producing project, the cost to third party payors is insignificant.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the overall objectives as contained in the *FY 2009 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised February 23, 2008*; and duly 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 Singing River Hospital System for the modular chiller plant and pipe bridge project upgrade.

**Attachment 1**

**Singing River Hospital Systems  
 /d/b/a  
 Singing River Hospital  
 Modular Chiller Plant and Pipe Bridge Project  
 Three-Year Projected Income Statement  
 Project Only**

Revenue	Year 1	Year 2	Year 3
Gross Inpatient Revenue:			
Outpatient Care Revenue			
<b>Gross Patient Care Revenue</b>			
<b>Deductions From Revenue</b>			
Charity Care			
Other			
<b>Total Deductions from Revenue</b>			
<b>Net Patient Care Revenue</b>			
Other Operating Revenue			
<b>Total Operating Revenue</b>			
<b>Operating Expense</b>			
Salaries	\$ 0	\$ 0	\$ 0
Benefits	0	0	0
Supplies	0	0	0
Services	0	0	0
Lease	0	0	0
Depreciation	149,372	199,163	199,163
Interest	0	0	0
Other	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Operating Expense</b>	<b>\$ 149,372</b>	<b>\$ 199,163</b>	<b>\$ 199,163</b>
<b>Net Operating Income (Loss)</b>	<b>\$(149,372)</b>	<b>\$(199,163)</b>	<b>\$ (199,163)</b>

Singing River Hospital projects total operating revenues of \$169,789,641 the first year, \$176,358,622 the second year, and \$183,148,952 the third year, which are sufficient to cover the losses projected by this project.

**Attachment 2**  
**Singing River Hospital Systems**  
**d/b/a**  
**Singing River Hospital**  
**Computation of New Construction Cost\***

	<u>Cost Component</u>	<u>Total</u>	<u>Construction</u>
A	New Construction Cost	\$1,403,525	\$1,403,525
B	Renovation Cost	0	0
C	Total Fixed Equipment Cost	\$1,840,000	\$1,840,000
	Total Non-Fixed Equipment Cost	0	0
	Land Cost	0	0
D	Site Preparation Cost	\$62,250	\$62,250
E	Fees (Architectural, Consultant, etc.)	\$117,262	\$117,262
F	Contingency Reserve	\$73,289	\$73,289
G	Capitalized Interest	\$0	\$0
	<b>Total Proposed Capital Expenditure</b>	<b>\$3,496,326</b>	<b>\$3,496,326</b>

Square Footage	13,450	13,450
Allocation Percent		100%

<b>Costs Less Land, Non-Fixed Eqt.</b>	<b>\$3,496,326</b>	<b>\$3,496,326</b>
--	--------------------	--------------------

<b>Cost Per Square Foot</b>	<b>\$259.95</b>	<b>\$259.95</b>
-----------------------------	-----------------	-----------------

\*Source: Mississippi Certificate of Need Review Manual, Revised February 23, 2008