

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
AUGUST 2011**

**CON REVIEW: HG-CO-0511-009  
UNIVERSITY OF MISSISSIPPI MEDICAL CENTER  
COST OVERRUN TO CON # R-0805  
(CAFETERIA RENOVATION)  
ORIGINAL CAPITAL EXPENDITURE: \$4,577,081  
ADDITIONAL CAPITAL EXPENDITURE: \$2,022,919  
TOTAL CAPITAL EXPENDITURE: \$7,500,000  
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

The University of Mississippi Medical Center (UMMC) is a state owned not-for-profit acute care teaching inpatient hospital with full emergency and outpatient services. UMMC is governed by the Board of Trustees of the State Institutions of Higher Learning, with administrative authority delegated to the Chancellor and Vice Chancellor for Health Affairs of the University of Mississippi Medical Center. The facility is accredited through the Joint Commission on Accreditation of Healthcare Organizations.

**University of Mississippi Medical Center  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2007	56.57	6.33	51.62
2008	61.38	6.57	50.97
2009	66.35	6.27	N/A

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

**B. Project Background**

The University of Mississippi Medical Center was granted Certificate of Need (CON) #R-0805 for cafeteria renovation with an effective date of March 25, 2010 and an expiration date of March 25, 2011. UMMC was approved for an extension/renewal of an expired CON on June 15, 2011 for CON No. R-0805. The extension period will terminate on December 15, 2011.

The applicant asserts that UMMC's CON expiration occurred because finding space for and relocation of existing tenants took longer than expected. The applicant further states that the organization had to determine how to continue services that would be affected due to loss production during the different phases of the project.

The applicant states that at the time of the CON expiration, UMMC was finalizing construction documents, relocating tenants, and obtaining a bid date. Currently, UMMC is awaiting IHL approval to advertise for bids.

The applicant affirms that the original proposed project consists of the complete renovation of the existing cafeteria and dining areas on the first floor of the main hospital, and the cooking line of the kitchen which is directly below the cafeteria on the basement level will be renovated. The project involves renovation of 13,866 square feet, including displacement and relocation of an occupational therapy suite and a non-invasive cardiology suite to other areas of the hospital. The applicant asserts that all new equipment and utilities as well as architectural finishes will be provided within the scope of the cafeteria/dining renovation project.

**C. Project Description**

The University of Mississippi Medical Center now requests Certificate of Need authority for a cost overrun to its CON No. R-0805.

The applicant states that the originally proposed project scope and budget changed to reflect the addition of an emergency generator, replacement of select kitchen equipment, and development of alternative food services/dietary production site during the construction project to permit the continuation of cafeteria and patient food services. The applicant further states that an additional 1,135 square feet was also added to the project scope to accommodate for the loss of the current food services/dietary production site.

The applicant states that there has been a delay in the construction process because of the expanded scope and finding alternative sites for services that must continue production during the construction. The applicant estimates that CON No. R-0805 is 4.6% complete.

UMMC anticipates that the notice to proceed with construction will occur within sixty (60) days of the bid date. The applicant states the bid date was scheduled for May 26, 2011.

According to the applicant, the capital expenditure approved in the original CON is \$4,577,081, and the additional amount for this cost overrun proposal is \$2,922,919, resulting in a revised capital expenditure of \$7,500,000 for the project. This cost overrun project is a change in scope, but not a change in the overall objective of the project.

**II. TYPE OF REVIEW REQUIRED**

The original project was reviewed in accordance with Section 41-7-191, subparagraph (1) (j) of the Mississippi Code of the 1972 Annotated, as amended.

The State Health Officer reviews all projects for amendments and cost overrun in accordance with duly adopted procedures 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 on August 15, 2011.

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

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

The original application was in substantial compliance with the overall objectives of the *Plan* in effect at the time of submission. The amendment/cost overrun project continues to be in compliance with the *State Health Plan*.

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

This project was in substantial compliance with the CON Review Manual in effect, FY 2009 Revision, at the time of original submission, and continues to be in substantial compliance with said criteria.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost	\$ 0	\$ 0	\$ 0
2. Construction/Renovation	\$3,149,497**	\$4,587,079	\$1,434,581
3. Land	\$ 0	\$ 0	\$ 0
4. Site Work	\$ 0	\$ 0	\$ 0
5. Fixed Equipment	\$ 888,000	\$1,399,862	\$ 511,862
6. Non-Fixed Equipment	\$ 0	\$ 0	\$ 0
7. Contingency	\$ 299,769	\$ 923,415	\$ 623,646
8. Fees (Architectural, Consultant, etc)	\$ 239,815	\$ 592,645	\$ 352,830
9. Capitalized Interest	\$ 0	\$ 0	\$ 0
10. Capital Improvement	\$ 0	\$ 0	\$ 0
<b>Total Capital Expenditure</b>	<b>\$4,577,081</b>	<b>\$7,500,000</b>	<b>\$2,922,919</b>

Note - \*\* \$3,149,497 includes the following numbers from the original Capital Expenditure Summary.  
 Items Included: (Other Building Expenses- \$59,957 and Project Development - \$91,852)

University of Mississippi Medical Center states the total capital expenditure for the project has increased as a result of the following:

- Construction: Increase in expenditure due to expanded scope of work based on the project needs and existing conditions.
- Fixed Equipment: Increase in expenditure due to the addition of an emergency generator and replacement of select kitchen equipment as a result in the expanded scope of the proposed project.

- Contingency: Increase in expenditure due to the expanded scope of the proposed project.
- Fees (Architectural, Consultant, etc): Increase in expenditure due to the expanded scope of the proposed project.

As previously mentioned, the capital expenditure approved in the original CON is \$4,577,081, and the additional amount for this cost overrun proposal is \$2,922,919, resulting in a revised capital expenditure of \$7,500,000 for the project. This cost overrun project is a change in scope, but not a change in the overall objective of the project.

**B. Method of Financing**

The applicant intends to finance the proposed project from University of Mississippi Medical Center's patient revenues.

**C. Effect on Operating Cost**

The University of Mississippi Medical Center states that the only effect on operating cost will be \$375,000 depreciation cost per year for the proposed project.

**D. Cost to Medicaid/Medicare**

According to the applicant, the proposed project will not result in significant changes in revenues or expenses. It is merely a renovation project of existing space to the cafeteria/dining area on UMMC campus. The project is being financed from University of Mississippi Medical Center's patient revenues.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid states that based on their analysis of the cost overrun, the additional increased annual cost to Medicaid will be \$32,085, with a total increased annual cost to Medicaid of \$82,619 in inpatient hospital services. The Division of Medicaid affirms that any portion which may relate to outpatient services will be paid as outlined in the *State Health Plan*. The Division of Medicaid does not oppose the proposed project.

**VI. CONCLUSION AND RECOMMENDATION**

The original project was in substantial compliance with the overall criteria and standards of the *FY 2010 State Health Plan* in effect at the time the project was originally submitted; the *Mississippi Certificate of Need Review Manual, revised 2009*, and all adopted rules, procedures and plans of the Mississippi State Department of Health. This project continues to be in substantial compliance with all applicable rules, procedures and plans.

The Division of Health Planning and Resource Development recommends approval of this application submitted by University of Mississippi Medical Center for the cost overrun for CON No. R-0805 (cafeteria renovation).