

**DIVISION OF HEALTH PLANNING AND
RESOURCE DEVELOPMENT
FEBRUARY 2012**

**CON REVIEW: HG-CB-1211-026
JACKSON HMA, LLC D/B/A CENTRAL MISSISSIPPI MEDICAL CENTER
EXPANSION/ADDITION OF 18 ADULT ACUTE PSYCHIATRIC BEDS
CAPITAL EXPENDITURE: \$3,342,326
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Jackson HMA, LLC d/b/a Central Mississippi Medical Center is a for-profit Mississippi Limited Liability Company that was on formed September 25, 2008 and owns Central Mississippi Medical Center. The registered office of said Limited Liability Company is located at: 645 Lakeland East Drive, Suite 101, Flowood, Mississippi. The hospital is governed by seven (7) officers/directors.

Central Mississippi Medical Center (CMMC) is a short term acute care hospital located in Jackson, Mississippi. The bed complement of Central Mississippi Medical Center consists of 400 medical surgical beds (18 of which are geriatric psychiatric beds) and 29 adult psychiatric beds.

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

Central Mississippi Medical Center Utilization Data			
FISCAL YEAR	OCCUPANCY RATE (%)	ALOS (DAYS)	MEDICAID UTILIZATION RATE (%)
2008	29.55	5.09	24.42
2009	33.90	5.17	25.16
2010	34.57	5.02	25.72

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

B. Project Description

Jackson HMA, LLC d/b/a Central Mississippi Medical Center requests Certificate of Need (CON) authority to expand its adult psychiatric unit bed capacity from 29 to 47 beds. Central Mississippi Medical Center asserts that in order to meet the demand experienced by the hospital to maintain the required separation of females and males; and to provide operational and space efficiency, the hospital is requesting 18 additional acute adult psychiatric beds. The applicant asserts that to accommodate these additional beds, CMMC will undertake the renovation of 8,405 square feet on the 6th floor of the hospital. The placement of the 18 additional beds on the 6th floor will require the relocation of the hospital geriatric psychiatric program within the hospital.

The total proposed capital expenditure for this project is \$3,342,326. The project will entail approximately 8,405 square feet of renovated space at an estimated cost of \$358.44 per square foot. CMMC estimates the total cost for fixed and non-fixed equipment will be \$562,826 and is shown in the capital expenditure summary on page 8 of this staff analysis. The applicant provides a capital expenditure summary, a three-year projected operating statement, and financial feasibility study in the application.

For the proposed project the applicant submits that seven (7) additional full-time equivalent personnel will be required at an estimated annual cost of \$1,097,900.

The MSDH Division of Health Facilities Licensure and Certification found the site for the project to be acceptable and approval of the site was granted.

Upon CON approval, the applicant anticipates that the capital expenditure will be obligated within six months and the project will be completed within 12 months.

II. TYPE OF REVIEW REQUIRED

Projects which propose the addition of adult psychiatric beds are reviewed in accordance with Section 41-7-191, subparagraphs (1)(c) and (d)(iv), Mississippi Code 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 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 March 8, 2012.

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

A. State Health Plan (SHP) Criteria

The *FY 2012 State Health Plan* contains policy statements, criteria, and standards which an applicant is required to meet before receiving CON authority for the expansion of an existing adult psychiatric service. This application is in substantial compliance with applicable policy statements, criteria, and standards.

General Criteria and Standards

SHP General Criterion 1- Need

106.02 (1)(c) Projects which involve the addition of beds: The applicant shall document the need for the proposed project. Exception: Notwithstanding the service specific statistical bed need requirements as stated in "a" of this criterion, 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. The applicant is requesting to add 18 acute adult psychiatric beds to its existing adult psychiatric bed/services. Central Mississippi Medical Center is a current provider of acute adult psychiatric bed/services, and had an occupancy rate of 79.77 percent for FY 2010, for acute adult psychiatric services. See Attachment 2 for the *FY 2012 Plan's* statewide inventory of acute adult psychiatric bed utilization.

The applicant asserts that CMMC traditionally serves a high level of medically indigent patients. Therefore, CMMC believes that approval of the proposed project will help provide additional capacity of treating those patients that may be medically indigent.

Staff obtained updated utilization for FY 2011 for CMMC and it indicates the occupancy rate is 80.56%. According to the *FY 2012 State Health Plan*, Central Mississippi Medical Center acute adult psychiatric bed/services had an occupancy rate of 79.77% for FY 2010. The applicant complies with meeting an occupancy rate of 80% for the most recent year as well as 70 % for the most the most recent two years.

SHP General Criterion 2 -Information Recording/Maintenance

Central Mississippi Medical Center affirms that it will record and maintain the information required under SHP Criterion 2 and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

SHP General Criterion 3 - Memoranda of Understanding

The applicant proposes to expand by adding 18 adult psychiatric beds to its 29 adult psychiatric beds unit. The application contains a Memorandum of Understanding between CMMC and Region IX Mental Health Center. It indicates that both have worked together to ensure all mental health patients, including medically indigent, and charity patients, receive necessary psychiatric services. Also, it states that CMMC is committed to continue to work with Region IX Mental Health Center to ensure all inpatients adult psychiatric services, including medically indigent, and charity receive the necessary psychiatric services after implementation of this project.

SHP General Criterion 4 - Letters of Comment

The application contains four (13) letters of support for the proposed project, and no letters of opposition have been received.

The application received a letter of opposition from St. Dominic-Jackson Memorial Hospital, Jackson, Mississippi.

SHP General Criterion 5 - Scope of Services

Central Mississippi Medical Center asserts that it will not have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay for the proposed project.

SHP General Criterion 6 - Charity/Indigent Care

Central Mississippi Medical Center submits that it will provide a reasonable amount of indigent/charity care as provided in Chapter I of the *FY 2012 Mississippi State Health Plan*.

Service Specific (SS) Criteria and Standards

SHP SS Criterion 1 – Need

The Department bases the statistical need for adult psychiatric beds on a ratio of 0.21 beds per 1,000 population aged 18 and older for 2015 in the state as a whole. The current *Plan* indicates that the state is over-bedded by 86 acute adult psychiatric beds (See attachment 3). However, this *Plan* allows an existing program to increase its bed capacity if it has maintained an occupancy rate of at least 80% for the most recent 12 month period, or 70

percent for the most recent two-year period. As previously mentioned, Central Mississippi Medical Center is a current provider of acute adult psychiatric bed/services, and had an occupancy rate of 79.77 percent for FY 2010, for acute adult psychiatric services, according to the **Plan**. (See attachment 2). According to updated utilization data for CMMC it had an occupancy rate of 80.56% for FY 2011.

According to the *FY 2012 Plan*, Central Mississippi Medical Center acute adult psychiatric bed/services had an occupancy rate of 79.77% for FY 2010.

The application is in compliance with **SHP General Criterion 1- Need**.

SHP SS Criterion 2 – Size/Location of Unit

The applicant proposes to expand its existing 29-bed adult psychiatric unit by 18 beds, thereby expanding to a 47-bed adult unit. Central Mississippi Medical Center asserts that the hospital maintains three (3) units, none of which are or will be over 30 beds. The acute female unit will be 10 beds, the open female unit will be 8 beds and the male unit will be 29 beds. The applicant meets this criterion.

SHP SS Criterion 3- Staffing

The applicant currently provides adult psychiatric services utilizing 29 beds. Central Mississippi Medical Center asserts that the staff at the hospital has experience and training for the provision of psychiatric services. The medical staff includes both psychiatrists and psychologists that treat patients on the units. In addition, the hospital has four psychiatrists on staff available to treat patients on the unit.

The applicant asserts that seven (7) additional FTEs staff will be hired as a result of this project.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, 2011 revision, addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

GR Criterion 1 – State Health Plan

The application was reviewed for compliance with the *FY 2012 State Health Plan* as discussed above.

GR Criterion 2 – Long Range Plan

The applicant submits that for many years, the hospital has been providing acute adult psychiatric services. The proposed additional beds will enable the hospital to continue to meet its goal of providing quality services to adults

in need of psychiatric series. The applicant believes that without the additional beds, due to the hospital's high utilization, CMMC's goal will be impacted.

GR Criterion 3 – Availability of Alternatives

The applicant states that the CMMC considered continuing to provide services in the limited number of beds available. However, with the high utilization and separation requirements for males and females, maintaining the units in their current size would not help the hospital reach its long term goals. The applicant asserts that because it has space available within the hospital, CMMC reviewed alternatives for renovation of existing space in order to best utilize already constructed space and comply with the *Plan's* cost containment goal. CMMC asserts that it considered approaching the needed expansion in two phases which would have nearly doubled the hospital's approved beds. The facility's officials compared the cost of such an expansion/renovation and the cost to conservatively provide for the increase in utilization. After review, CMMC determined that requesting CON approval for the addition of 18 beds could be more cost efficient and would allow accommodations near the existing unit. Thus, CMMC feels the addition of 18 beds would be the best option. The applicant believes that the option selected meets the goal of increasing the availability of adult psychiatric beds/services at CMMC in the most cost effective manner.

GR Criterion 4 - Economic Viability

The project appears to be economically viable. The three-year operating projections reflect a net income from operations of \$1,049,651 for the first year, \$1,317,158 for the second year, and \$1,729,308 for the third year.

The applicant indicates that the proposed charges and profitability for the proposed beds are the same as the current beds operated by CMMC. The applicant asserts that the projected levels of utilization are consistent with the hospital's past utilization which is the basis for approval under this criterion.

The application contains a letter signed by the chief financial officer of Jackson HMA, LLC d/b/a Central Mississippi Medical Center, Jackson, Mississippi, attesting to the financial feasibility of this project for CMMC.

GR Criteria 5 – Need for the Project

Central Mississippi Medical Center asserts that all residents of the area have access to the hospital's psychiatric services and CMMC has traditionally served the underserved groups mentioned in this criterion and intends to continue to do so.

Central Mississippi Medical Center indicates that most of the hospital's psychiatric patients are from Central Mississippi. Further, both St. Dominic-Jackson Memorial Hospital in Jackson and River Region Health System

located in Vicksburg are hospital-based facilities that compete for psychiatric patients with CMMC. The applicant states that in the past two years these facilities have sought to increase psychiatric services and/or have proposed projects with significant capital expenditures. The applicant asserts that these projects demonstrate that the hospitals believe the demand for psychiatric services will continue to increase. Because of CMMC's actual utilization and demand, it asserts that there should not be a negative impact on other facilities.

According to the applicant, the final objectives of the proposed project are to ensure space is available at the hospital for acute adult psychiatric patients.

The application contained 13 letters of support for the proposed project.

As previously mentioned, the application received a letter of opposition from St. Dominic-Jackson Memorial Hospital in Jackson, Mississippi.

GR Criterion 6- Accessibility

According to the applicant, residents of the acute adult psychiatric service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and elderly will have access to the services of the facility.

The applicant submits the following percentages of historical/projected gross patient revenue provided or to be provided to the charity care patients for the past two years and for the first two years of this project:

Gross Patient Revenue Amount

	*Charity Care (%)	*Charity Care (\$)
Historical Year 2009	-	-
Historical Year 2010	-	-
Projected Year 1	22%	\$2,187,849
Projected Year 2	22%	\$2,629,884

***Note:** The applicant states that CMMC does not separately track medically indigent and charity care. The numbers provided above include both medically indigent and charity care but exclude bad debt.

According to the applicant, the hospital is open 24 hours a day, 365 days a year, and offers emergency care.

GR Criterion 7- Information Requirement

The applicant asserts that it will record and maintain the information required under GR Criterion 7 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 asserts that the proposed project at CMMC will enable the hospital to expand its services to help ensure each potential patient has access to acute adult psychiatric services at CMMC.

The applicant believes that failure to implement this project will require the hospital to turn away patients in need of acute psychiatric services or unable to take transfers from other healthcare facilities.

As previously mentioned, the application received a letter of opposition from St. Dominic-Jackson Memorial Hospital, Jackson, Mississippi.

GR Criterion 9 – Availability of Resources

According to the applicant, CMMC currently has the personnel and physicians necessary to provide for the proposed 29 bed capacity. The applicant asserts that seven (7) additional FTEs staff will be hired as a result of this project. The applicant states that it will recruit these additional staff members through traditional advertising and word of mouth.

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant submits that CMMC currently provides adult acute psychiatric services and has all necessary support and ancillary services for that service and will continue to do so.

GR Criterion 11 – Health Professional Training Programs

The applicant indicates that CMMC has worked with health professional training programs to meet their clinical needs in the past and will continue to do so.

GR Criterion 12 – Access by Health Professional Schools

The applicant indicates that CMMC has worked with health professional training programs to meet their clinical needs in the past and will continue to do so.

GR Criterion 16 - Quality of Care

Jackson HMA, LLC d/b/a Central Mississippi Medical Center is in compliance with the *Minimum Standards of Operation for Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification, MSDH.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

	Item	Cost	Percent of Total
a.	Construction Cost -- New	0	0
b.	Renovation Cost	\$2,558,000	76.53%
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	236,800	7.08%
e.	Total Non-Fixed Equipment Cost	326,026	9.75%
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	90,000	2.69%
i.	Contingency Reserve	127,900	3.83%
j.	Capitalized Interest	0	0
k.	Other	3,600	0.1%
	Total Proposed Capital Expenditure	<u>\$3,342,326</u>	<u>99.98% or 100%</u>

The above estimated capital expenditure is proposed for the addition of 18 acute, adult psychiatric beds at CMMC. The proposal also includes the purchase of fixed and non-fixed equipment. The project consists of approximately 8,405 square feet of renovation at an estimated cost of \$358.44 per square foot. The *RSMears Building Construction Cost Data, 2012 Edition* does not contain cost per square feet estimates for renovation projects.

B. Method of Financing

The applicant intends to finance the proposed project with cash reserves.

As previously mentioned, the application contains a letter signed by the chief financial officer of Jackson HMA, LLC d/b/a Central Mississippi Medical Center, Jackson, Mississippi, attesting to the financial feasibility of this project for CMMC.

C. Effects on Operating Cost

The applicant projects the following expenses, utilization, and results for the first three years of operation for the addition of 18 beds:

Central Mississippi Medical Center Acute Adult Psychiatric Unit (18 Additional beds) Three-Year Projected Operating Statement Project Only			
	First Year	Second Year	Third Year
<u>Revenue</u>			
Gross Inpatient Revenue	\$9,859,392	\$11,851,391	\$14,809,210
Deductions	<u>(7,234,288)</u>	<u>(8,695,910)</u>	<u>(10,866,196)</u>
Net Revenue	<u>\$2,625,104</u>	<u>\$3,155,481</u>	<u>\$3,943,014</u>
<u>Operating Expenses</u>			
Salaries	\$ 919,393	\$1,108,675	\$ 1,385,372
Benefits	178,507	214,573	268,125
Supplies	96,480	118,389	147,936
Services	32,897	43,862	54,810
Lease	-	-	-
Depreciation	334,233	334,233	334,233
Interest	-	-	-
Other	<u>13,943</u>	<u>18,591</u>	<u>23,230</u>
Total Operating Expenses	<u>\$1,575,453</u>	<u>\$1,838,323</u>	<u>\$2,213,706</u>
Net Income	<u>\$1,049,651</u>	<u>\$ 1,317,158</u>	<u>\$1,729,308</u>
<u>Assumptions</u>			
No. of Beds	18	18	18
Occupancy Rate	87%	91%	102%
Inpatient Days	3,216	3,946	4,931
Cost/Inpatient Day	\$ 490	\$ 466	\$ 449
Charge/Inpatient Day	\$ 3,066	\$ 3,003	\$ 3,003

D. Cost to Medicaid/Medicare

The cost of the project to third party payors is as follows (based on gross patient revenue):

Patient Mix	Utilization Percentage	First Year Cost
Medicaid	39	\$3,845,163
Medicare	23	2,267,660
Commercial/Self Pay	<u>38</u>	<u>3,746,569</u>
Total	<u>100</u>	<u>\$9,859,392</u>

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided an opportunity to review and comment on this project. Based on their analysis, the Division estimates the increased annual cost to Medicaid to be \$616,145 in inpatient hospital services and that any portion of the cost which may relate to outpatient services will be paid as outlined in the *Medicaid State Health Plan*. The Division of Medicaid opposes this project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the addition of acute adult psychiatric beds as contained in the *FY 2012 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual*, Revised 2011; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by Jackson HMA, LLC d/b/a Central Mississippi Medical Center for the expansion/addition of 18 acute adult psychiatric beds.

**Central Mississippi Medical Center
 HG-CB-1211-026
 Attachment 1
 Computation of Renovation Cost***

	<u>Cost Component</u>	<u>Total</u>	<u>Renovation</u>
A	New Construction Cost	0	0
B	Renovation Cost	\$2,558,000	2,558,000
C	Total Fixed Equipment Cost	\$236,800	\$236,800
	Total Non-Fixed Equipment Cost	\$326,026	0
	Land Cost	0	0
D	Site Preparation Cost	0	0
E	Fees (Architectural, Consultant, etc.)	\$90,000	\$90,000
F	Contingency Reserve	\$127,900	\$127,900
G	Capitalized Interest	0	0
	Other	3,600	0
	Total Proposed Capital Expenditure	\$3,342,326	\$3,012,700

Square Footage	8,405	8,405
Allocation Percent		100%

Costs Less Land, Non-Fixed Eqt. & Other	\$3,012,700	\$3,012,700
--	--------------------	--------------------

\$ \$358.44

*Source: Mississippi Certificate of Need Review Manual, Revised 2011

**Attachment 2
 Acute Adult Psychiatric Unit
 Bed Utilization
 FY 2010**

Facility	County	Licensed Beds	CON Approved & Abeyance Beds	Inpatient Days	Occupancy Rate (%)	ALOS
Alliance Health Center	Lauderdale	36		14,020	106.70	10.66
Baptist Memorial Hospital	Lowndes	<u>22</u>		3,603	44.87	7.16
Biloxi Regional Medical Center	Harrison	34		8,486	68.38	7.83
Brentwood Behavioral Health Care*	Rankin	48	2b	6,923	39.51	9.05
Central Miss Medical Center	Hinds	29		8,444	79.77	5.02
Delta Regional Medical Center - West	Washington	9		1,969	59.94	5.18
Forrest General Hospital	Forrest	40	24a	11,960	81.92	5.66
Magnolia Regional Health Center	Alcorn	19		4,747	68.45	8.96
Memorial Hospital at Gulfport	Harrison	59		4,746	22.04	8.10
North Miss Medical Center	Lee	33		11,833	98.24	6.77
Parkwood Behavioral HS-Olive Branch	DeSoto	22		7,317	91.12	8.81
River Region Health System	Warren	40		7,003	47.97	8.52
Singing River Hospital	Jackson	30		5,487	50.11	6.28
St. Dominic Hospital	Hinds	83		12,768	42.15	5.18
Tri-Lakes Medical Center*	Panola	15	10a	6,226	113.72	8.47
University Hospital & Clinics	Hinds	21		2,789	36.39	5.44
Total Adult Psychiatric Beds		540	34a/2b	118,321	60.03	6.98

a CON approved

b Beds held in abeyance by the MSDH

*Tri-Lakes Medical Center leases 25 beds from Brentwood Behavioral Health Center. 10 beds were CON approved July 2010. During FY 2011, Brentwood further reduced its adult bed capacity from 50 to 31 to create room for additional child/adolescent beds.

Sources: Applications for Renewal of Hospital License for Calendar Year 2011 and FY 2010 Annual Hospital Report; and Division of Health Planning and Resource Development Computations

Attachment 3
Statewide Acute Psychiatric Bed Need
2015

Bed Category and Ratio	2010 Projected Population	Projected Bed Need	Licensed/CON Approved Beds	Difference
Adult Psychiatric: <u>0.21 beds per 1,000 population aged 18+</u>	2,332,599	490	576	-86

Source: Applications for Renewal of Hospital License for Calendar Year 2011 and FY 2010 Annual Hospital Report; and Division of Health Planning and Resource Development calculations, June 2011