

**DIVISION OF HEALTH PLANNING AND
RESOURCE DEVELOPMENT
FEBRUARY 2013**

**CON REVIEW: HP-CB-1212-021
UHS OF PARKWOOD, INC. D/B/A PARKWOOD
BEHAVIORAL HEALTH SYSTEM
CONSTRUCTION/RENOVATION/ADDITION OF 20
ACUTE ADULT PSYCHIATRIC BEDS
CAPITAL EXPENDITURE: \$4,825,791
LOCATION: OLIVE BRANCH, DESOTO COUNTY, 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 is 128 and includes 22 adult psychiatric, 14 adult chemical dependency (CDU), and 52 child/adolescent psychiatric beds. The facility is also licensed for 40 adolescent residential treatment facility beds. Parkwood is a psychiatric acute care hospital located in Olive Branch, Mississippi.

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

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for the three most recent fiscal years for Parkwood (adult acute psychiatric beds only) are shown below:

Parkwood Behavioral Health System Utilization Data			
FISCAL YEAR	OCCUPANCY RATE (%)	ALOS (DAYS)	MEDICAID* UTILIZATION RATE (%)
2009	117.81	9.48	23.10
2010	91.12	8.81	23.97
2011	92.02	8.75	41.49

*Medicaid utilization rates for the entire hospital.

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

B. Project Description

UHS of Parkwood, Inc., d/b/a Parkwood Behavioral Health System requests Certificate of Need (CON) authority to expand its adult psychiatric unit bed capacity from 22 to 42 beds, which will increase the total bed capacity at Parkwood from 128 to 148 beds. The applicant asserts that the Board of Governors and Administration of Parkwood Behavioral Health System have identified a need to add 20 additional acute adult psychiatric beds and constructing an addition to the current hospital to house the added beds. These beds will serve the high functioning adult population and the older adult population with more medical needs in Parkwood's service area. UHS of Parkwood, Inc., d/b/a Parkwood Behavioral Health System is proposing to take the following steps to achieve this goal for the proposed project:

1. Construction of a new 20 bed acute adult psychiatric unit (approximately 12,000 square feet):
 - 20 double occupancy bedrooms with private bathrooms
 - 1 seclusion/restraint room
 - 3 group rooms for therapy and common space usage
 - 1 nursing station
 - 1 medication room for medication storage and dispersment
 - Multiple physician consult rooms
 - Multiple staff therapy offices
 - Outside courtyard space for patient use
2. Renovation of an existing building (approximately 750 square feet):
 - Renovate current adolescent unit nursing station where new addition will tie into existing building
 - Enlarge current medical records department
3. Parking facilities and site work:
 - Replacement and addition of surface parking and drives to replace existing parking spots that will be taken away due to addition of unit.

According to the applicant, the total proposed capital expenditure for this project is \$4,825,791 and is allocated as follows: 60.54 percent for new construction; 1.27 percent for renovation; 2.15 percent for capital improvement; 9.14 percent for fixed equipment; 3.39 percent for non-fixed equipment; 11.84 percent for site preparation; 9.58 percent for fees (architectural, consultant, etc.); 5.91 percent for contingency reserves; 0.32 for legal and accounting fees; and 2.08 for other (permits, testing and inspection). The applicant intends to finance the proposed project with equity contribution. The applicant submits that the proposed capital expenditure of \$4,825,791 will be paid by Parkwood's parent company, Universal Health Services, Inc. Parkwood asserts that Universal Health Services, Inc. has monies in reserve for special projects and additions to existing hospitals. 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 18.6 additional full-time equivalent personnel will be required at an estimated annual cost of \$980,000.

The MSDH, Division of Health Facilities Licensure and Certification finds the site plan for the proposed project to be acceptable for the stated activity.

According to the applicant, the capital expenditure will be obligated in the third/fourth quarter of 2013 and the project will be completed in the first quarter of 2014.

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 28, 2013.

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

A. State Health Plan (SHP) Criteria

The *FY 2013 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 20 acute adult psychiatric beds to its existing adult psychiatric bed/services. Parkwood Behavioral

Health System is a current provider of acute adult psychiatric bed/services, and had an occupancy rate of 92.02 percent for FY 2011, for acute adult psychiatric services. See Attachment 2 for the *FY 2013 Plan's* statewide inventory of acute adult psychiatric bed utilization.

The applicant asserts that Parkwood has not been able to meet the demands of its community and is forced to turn patients away because of a lack of available capacity on a regular basis. For example, in September of 2012 Parkwood was unable to admit 21 adults in need of psychiatric care because of lack of capacity. Due to the fact that the nearest facility offering psychiatric services to DeSoto County is located in Memphis, most patients who Parkwood turn away are receiving treatment in Tennessee. The result is that family members must travel longer distances to participate in treatment of psychiatric patients. Therefore, Parkwood believes that approval of the proposed project will help provide additional capacity to treat those patients who are being referred to facilities located at longer distances.

Staff obtained updated utilization for FY 2012 for Parkwood and it indicates that the occupancy rate is 100% (actual number is 129.63%). According to the *FY 2013 State Health Plan, Parkwood Behavioral Health System* acute, adult psychiatric bed/services had an occupancy rate of 92.02% for FY 2011. The applicant meets the need criterion listed on the previous page by experiencing an occupancy rate of 80% for the most recent year as well as 70% for the most recent two years.

SHP General Criterion 2 -Information Recording/Maintenance

Parkwood 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 20 adult psychiatric beds to its 22 adult psychiatric beds unit. The application contains a Memorandum of Understanding between UHS of Parkwood, Inc. and Region 2 Mental Health Services regarding this criterion for the proposed project.

SHP General Criterion 4 - Letters of Comment

The application contains 18 letters of support for the proposed project; however, no letters of opposition have been received.

SHP General Criterion 5 - Scope of Service

The applicant asserts that Parkwood's admission policies do not exclude patients because of race, color, age, sex, ethnicity, or ability to pay for the proposed project.

SHP General Criterion 6 - Charity/Indigent Care

Parkwood Behavioral Health System submits that in the most recent fiscal year, it provided \$739,096 in unreimbursed/indigent care to its patients. The applicant believes that this trend will continue into the future.

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 45 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 percent for the most recent 12 month period or a 70 percent occupancy rate for the most recent two-year period. As previously mentioned, Parkwood Behavioral Health System is a current provider of acute, adult psychiatric bed/services and according to the *Plan*, the facility had an occupancy rate of 92.02 percent for FY 2011, for acute adult psychiatric services, (see Attachment 2). The updated utilization data received by staff, shows that Parkwood had an occupancy rate of 100% for FY 2012 (actual occupancy rate is 129.63%).

The *FY 2013 Plan* shows that Parkwood's occupancy rate for acute, adult psychiatric bed/services was 92.02% for FY 2011.

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

SHP SS Criterion 2 – Size/Location of Unit

Parkwood Behavioral Health System asserts that Parkwood is a freestanding facility with a capacity for 22 acute, adult psychiatric beds. The applicant proposes to expand its existing 22-bed adult, psychiatric unit by 20 beds. Thereby, expanding to a 42-bed adult unit not to exceed the 60-bed requirement listed under this criterion. Based on the information reported by the applicant, the applicant complies with this criterion.

SHP SS Criterion 3- Staffing

The applicant currently provides adult psychiatric services utilizing 22 beds.

According to the applicant, Parkwood's current staff consists of approximately 285 employees. These employees consist of nurses, mental health technicians, mental health therapists, eight psychiatrists, multiple psychologists and many other support staff. These professionals provide a multi-discipline treatment approach that focuses on the patient and provides an individualized treatment plan. The applicant asserts that 18.6 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 2013 State Health Plan* as discussed above.

GR Criterion 2 – Long Range Plan

The applicant submits that the proposed additional beds will enable Parkwood to meet the demands of the increasing number of patients presented to the hospital for acute adult psychiatric treatment. The new 20-bed unit will be designed to meet the needs of the older adult with more square footage in the bedrooms, bathrooms and group rooms. The expansion will allow older patients to be treated in a setting more conducive to their needs and free-up other beds for the general adult population.

The applicant believes that without the approval of additional beds combined with the hospital's high utilization rate of 100% for FY 2012 (actual occupancy rate is 129.63%), Parkwood will continue to turn away patients who need treatment. As a result, the unavailability of beds will continue to cause these patients to end up receiving treatment in Tennessee.

GR Criterion 3 – Availability of Alternatives

The applicant states that Parkwood's adult, acute, psychiatric treatment program is current operating at or near capacity on most days. Parkwood asserts that it has identified no practical alternatives to the proposed addition of beds. If no capacity is added, patients with acute psychiatric needs in Parkwood's service area will continue to be referred to psychiatric, acute care facilities in the Memphis area or to facilities located at greater distances from their homes and support groups. Neither of the two alternatives listed above should be acceptable methods to maintaining quality care for those patients.

The applicant believes that the proposed project is the most efficient and cost-effective way to treat additional adult, acute care, psychiatric patients in Parkwood's service area. Inpatient treatment often requires active family support. Forcing patients to be treated out-of-state or at greater distances from their homes does not benefit the patients, their families or the health care system as a whole. Parkwood believes that more capacity equates to greater mental healthcare resources for area emergency departments, physicians, and the community mental health centers.

GR Criterion 4 - Economic Viability

The project appears to be economically viable. The three-year operating projections reflect a net income from operations of \$1,128 for the first year, \$707,609 for the second year, and \$968,934 for the third year.

The applicant indicates that Parkwood's current charges per day for treatment includes physician fees (medical and psychiatric), therapy fees, medications, room and board, three (3) meals per day; it also pays for housekeeping services, recreational therapy services and other cost to operate the facility on a daily basis. The applicant asserts that Parkwood accepts most major insurances and has contracted rates with these insurance companies to treat their customers in the event of an acute psychiatric emergency. If a person is in an acute, psychiatric emergency or is referred from a local emergency room to the facility to seek acute, psychiatric services, Parkwood also provides the care to anyone who does not have insurance or does not have the ability to pay for the service. The applicant believes that treatment at Parkwood is a more cost-effective and medically appropriate option than holding the patient in a local jail or treatment in a hospital emergency department. The applicant asserts that Parkwood is currently operating 22 adult psychiatric beds and because of its increasing demand, the facility expects the current level of utilization to remain the same high rate for the proposed additional 20 beds, if CON approved.

The application contains a letter signed by the Chief Financial Officer of UHS of Parkwood, Inc. d/b/a Parkwood Behavioral Health System, Olive Branch, Mississippi, attesting to the financial feasibility of this project for Parkwood.

GR Criteria 5 – Need for the Project

Parkwood is an existing provider of acute adult psychiatric bed/services in Olive Branch, Mississippi. The applicant asserts that there is not another provider who is licensed for adult psychiatric beds/services in DeSoto County or adjoining counties. Parkwood asserts that beds located in Marshall and Tunica Counties are located in acute care hospitals and are designated as Distinct-Part Geriatric Psychiatric. Therefore, adults needing acute care in or near Desoto County, including low income persons, racial and ethnic minorities, women, and handicapped persons are often forced to seek care in the Memphis area because of current occupancy rates at Parkwood.

The applicant asserts that according to the US Census Bureau, the 2010 population of Desoto County is 161,252. The Board of Trustees of State Institutions of Higher Learning projects this figure to increase to 196,459, 219,151, and 240,491 for years 2015, 2020, and 2025, respectively. The applicant asserts that this significant increase in population in Parkwood's service area will almost certainly result in increased utilization.

The *FY 2013 State Health Plan* indicates that the 2015 population for DeSoto County will be 196,459.

According to the applicant, another factor that favors an increased need for acute adult psychiatric services in the Parkwood area is the planned opening of a second emergency department at Methodist Healthcare in Olive Branch, DeSoto County, Mississippi. This new facility, along with the existing emergency department at Baptist Memorial Hospital-DeSoto is expected to increase the number of referrals of adults needing acute psychiatric services in DeSoto County. Parkwood asserts that the community mental health centers and the Baptist-DeSoto emergency department refer a significant number of disadvantaged persons to the facility. This number is likely to increase as the population grows and another emergency department opens.

The applicant asserts that Parkwood complies with the Emergency Medical Treatment and Active Labor Act ("EMTALA"), 42 U.S.C., 1395dd), and routinely provides appropriate medical screening examinations within the facility's capabilities, without regard to an individual's race, sex, or ability to pay, to determine whether or not an emergency medical condition exists and provides stabilizing treatment in such situations.

Parkwood asserts that it is currently unable to meet the needs of older adults having psychiatric issues. The proposed 20 bed unit will be designed to meet the needs of older adults by having more square footage and medical equipment to assist in their activities of daily living. These patients must often travel to Tennessee to receive acute, adult psychiatric treatment.

Parkwood's occupancy rates for 2009, 2010, and 2011 are 117.81%, 91.12% and 92.02%, respectively. -See utilization data on page one (1) within this staff analysis.

According to the applicant, the final objectives of the proposed project are as follows:

1. Provide quality acute psychiatric treatment to adults ages 18-99 in a safe state-of-the-art environment;
2. Provide treatment to both high functioning adults and older adults with more medical needs;
3. Ensure that Parkwood no longer turns away patients in need of treatment and send them to hospitals out of their community; and
4. Increase Parkwood's ability to be a resource in the healthcare community.

The application contained 18 letters of support for the proposed project. The Department did not receive any letters of opposition concerning the proposed project.

GR Criterion 6- Accessibility

The applicant states residents of the acute, adult psychiatric service area, including charity/medically indigent patients; racial and ethnic minorities; women; handicapped persons and elderly will have access to the services of the facility. The applicant asserts that Parkwood is not allowed to participate in the Medicaid program.

The applicant submits the following percentages of historical/projected gross patient revenue provided or will 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

	Medically Indigent (%)	Charity Care (%)	Medically Indigent (\$)	Charity Care (\$)
Historical Year 2010	1.0	0	\$378,891	0
Historical Year 2011	1.8	0	\$693,397	\$45,699
Projected Year 1	2.0	0	\$812,292	0
Projected Year 2	2.0	0	\$828,538	0

The applicant affirms that 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 state as a whole is the appropriate planning area for acute psychiatric beds for adults. As mentioned previously, there are no other providers of adult, acute psychiatric services located in DeSoto County or in adjoining counties other than Parkwood. The applicant asserts that the following existing adult, acute psychiatric facilities are located more than 50 miles from Parkwood’s service area: Tri-Lakes Medical Center, Batesville (56 miles away); Magnolia Regional Health Center, Corinth (79 miles away); and North Mississippi Medical Center, Tupelo (86 miles away). Thus, the applicant affirms that the location of the above facilities extend beyond Parkwood’s service area. Parkwood believes that past experience indicates that a significant majority of patients who cannot be treated at Parkwood because of a lack of bed capacity will be treated in the Memphis area and not in the Mississippi facilities.

According to the applicant, an increase in bed capacity at Parkwood will allow mental health professionals in the DeSoto County area to treat more patients closer to their homes and their families.

The applicant believes that without an increase in bed capacity at Parkwood, mental health professionals will continue to admit Mississippi patients in significant numbers at facilities out of state. The proposed project is better for the Mississippi health care delivery system. Parkwood believes that if this care is provided closer to the patients' families and within the state, more patients will have access to outpatient treatment at Parkwood; thus, decreasing their likelihood of readmission to inpatient care.

The applicant believes the proposed project should have no negative impact on other healthcare providers in the state. Instead, this project will help Parkwood to serve as a better resource to the healthcare community.

As previously mentioned, the Department did not receive any letters of opposition concerning the proposed project.

GR Criterion 9 – Availability of Resource

According to the applicant, Parkwood currently has four adult psychiatrists on staff and four child and adolescent psychiatrists on staff. The adult psychiatrists will treat patients that will be in the new 20 bed unit. Parkwood's current medical doctor will provide the history and physical evaluations for these patients as well as any medical consultations that may be needed. This unit will also have two master level and/or two licensed therapists to provide therapy. The unit will have 1-2 licensed, registered nurses on staff 24 hours per day along with 2-3 or more mental health technicians; depending on census and acuity. The applicant asserts that its onsite pharmacist and pharmacy will provide medications ordered by the treating physicians. Recreational therapy will be offered by the current onsite recreational therapy staff. Parkwood asserts that it will not recruit any new physicians for this project. Recruitment efforts for therapy and nursing staff will begin as soon as the proposed project begins and will entail job postings on the internet job boards. Advertisements in local newspapers and participation in local university job fairs will also be the strategy to fill these positions. The applicant asserts that 18.6 additional FTEs staff will be hired as a result of this project.

The application contains a list of clinically related contractual services for Parkwood.

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant submits that Parkwood has multiple clinical contracts. The hospital has an on-site pharmacy, housekeeping services, food services and a maintenance staff.

Parkwood states that there will not be any change in charges. The only change in cost will be the added expense of the new unit to operate daily. The change in cost will be accommodated by the patients who are being treated on the unit. Parkwood asserts that the charges for their care will pay for the cost.

GR Criterion 11 – Health Professional Training Programs

According to the applicant, Parkwood participates in nursing, therapist, and pharmacy intern programs. The proposed additional beds will mean more capacity for these health professionals to obtain training in a mental health facility setting.

GR Criterion 12 – Access by Health Professional Schools

The applicant indicates that Parkwood currently has multiple, education affiliation agreements which allow students to train at Parkwood during their years enrolled in a college or university. The application contains a list of 18 colleges and universities Parkwood has agreements with.

GR Criterion 16 - Quality of Care

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

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	\$2,682,681	55.6%
b.	Renovation Cost	61,500	1.27%
c.	Capital Improvements	104,000	2.15%
d.	Total Fixed Equipment Cost	441,105	9.14%
e.	Total Non-Fixed Equipment Cost	163,960	3.39%
f.	Land Cost	0	0
g.	Site Preparation Cost	571,546	11.84%
h.	Fees (Architectural, Consultant, etc.)	462,654	9.59%
i.	Contingency Reserve	223,910	4.64%
j.	Capitalized Interest	0	0
k.	Legal and Accounting Fees	15,800	0.32%
l.	Other (Permits, Testing and Inspection)	<u>98,635</u>	<u>2.04%</u>
	Total Proposed Capital Expenditure	<u>\$4,825,791</u>	<u>99.98% or 100%</u>

The above estimated capital expenditure is proposed for the construction/renovation/addition of 20 acute adult psychiatric beds at Parkwood. Based on the revised capital expenditure summary received on February 11, 2013, the project will consist of approximately 12,000 square feet of new construction at an estimated cost of \$381.53 per square foot and 750 square feet of renovation at an estimated cost of \$309.23 per square foot. The *RSMMeans Building Construction Cost Data, 2013 Edition* states that the cost per square foot ranges from \$196 - \$335 for new construction. The *RSMMeans Building Construction Cost Data, 2013 Edition* does not contain cost per square feet estimates for renovation projects. The proposal also includes the purchase of fixed and non-fixed equipment.

B. Method of Financing

The applicant intends to finance the proposed project with equity contribution. The applicant submits that the proposed capital expenditure of \$4,825,791 will be paid by Parkwood's parent company, Universal Health Services, Inc. Parkwood asserts that Universal Health Services, Inc. has monies in reserve for special projects and additions to existing hospitals.

As previously mentioned, the application contains a financial feasibility signed by the Chief Financial Officer of UHS of Parkwood, Inc. d/b/a Parkwood Behavioral Health System, Olive Branch, Mississippi, attesting to the financial feasibility of this project for Parkwood.

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 20 beds:

Parkwood Acute Adult Psychiatric Unit (20 Additional beds) Three-Year Projected Operating Statement Project Only			
	First Year	Second Year	Third Year
<u>Revenue</u>			
Gross Inpatient Revenue	\$2,919,270	\$4,865,450	5,854,536
Deductions	(1,445,569)	(2,409,281)	(2,907,133)
Net Revenue	\$1,473,701	\$2,456,169	\$2,947,403
<u>Operating Expenses</u>			
Salaries	\$ 849,489	\$958,654	\$ 1,112,261
Benefits	129,972	146,674	170,176
Supplies	78,840	131,400	157,680
Services	150,840	203,400	229,920
Lease	-	-	-
Depreciation	248,432	248,432	248,432
Interest	-	-	-
Other	15,000	60,000	60,000
Total Operating Expenses	\$1,472,573	\$1,748,560	\$ 1,978,469
Net Income	\$ 1,128	\$ 707,609	\$ 968,934
<u>Assumptions</u>			
No. of Beds	20	20	20
Inpatient Days	2,190	3,650	4,392
Cost/Inpatient Day	\$ 672	\$ 479	\$ 450
Charge/Inpatient Day	\$1,333	\$1,333	\$1,333

D. Cost to Medicaid/Medicare

The projected cost of the project to Medicare patients only is \$2,919,270 (based on gross patient revenue). The applicant asserts that Parkwood is not allowed to participate in the Medicaid program.

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 states that effective September 1, 2012, the Division changed the methodology by which it reimburses outpatient services so that the cost incurred, subsequent to that date, will no longer affect outpatient payments.

Effective October 1, 2012, the Division changed the methodology by which it reimburses inpatient services so that the cost incurred, subsequent to that date, will only affect cost outlier payments. The estimated increase in cost outlier payments resulting from this project cannot be determined at this time. 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 2013 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 UHS of Parkwood, Inc. d/b/a Parkwood Behavioral Health System Central Mississippi Medical Center for the construction/renovation/addition of 20 acute, adult psychiatric beds.

Attachment 1
 Computation of Construction and Renovation Cost*

	Cost Component	Total	New Construction	Renovation
A	New Construction Cost	\$2,682,681	\$2,682,681	
B	Renovation Cost	\$61,500		\$61,500
C	Total Fixed Equipment Cost	\$441,105	\$415,124	\$25,981
	Total Non-Fixed Equipment Cost	\$163,960		
	Land Cost	\$0	\$0	
D	Site Preparation Cost	\$571,546	\$571,546	
E	Fees (Architectural, Consultant, etc.)	\$462,654	\$435,404	\$27,250
F	Contingency Reserve	\$223,910	\$210,721	\$13,189
G	Capitalized Interest	\$0	\$0	\$0
H	Capital Improvements	\$104,000	\$0	\$104,000
	Other (legal & accounting fee \$15,800 and permits, testing and inspection fee \$98,635)	\$114,435	\$0	
	Total Proposed Capital Expenditure	\$4,825,791	\$4,578,318	\$231,920
	Square Footage	12,750	12,000	750
	Allocation Percent		94.11%	5.88%
	Costs Less Land, Non-Fixed Eqt., Other	\$4,661,831	\$4,578,318	\$231,920
	Cost Per Square Foot	\$365.63	\$381.53	\$309.23

*Source: Mississippi Certificate of Need Review Manual, Revised September 1, 2011.

The RSMeans Building Construction Cost Data, 2013 Edition states that the cost per square foot ranges from \$196 - \$335 for new construction. However, the RSMeans Building Construction Cost Data does not compare cost for renovation projects.

Attachment 2
Acute Adult Psychiatric Unit
Bed Utilization
FY 2011

Facility	County	Licensed Beds	CON Approved & Abeyance Beds	Inpatient Days	Occupancy Rate (%)	ALOS
Alliance Health Center	Lauderdale	38		13,333	94.69	9.57
Baptist Memorial Hospital	Lowndes	22		3,787	47.16	6.47
Biloxi Regional Medical Center	Harrison	34		8,793	70.85	7.64
Brentwood Behavioral Health Care*	Rankin	31	2b	6,024	53.24	8.09
Central Miss Medical Center	Hinds	29		8,527	80.56	6.96
Delta Regional Medical Center - West	Washington	9		2,526	76.89	4.65
Forrest General Hospital	Forrest	40	24a	11,854	811.9	4.74
Magnolia Regional Health Center	Alcorn	19		4,153	59.88	7.54
Memorial Hospital at Gulfport	Harrison	59		4,505	20.92	7.35
North Miss Medical Center	Lee	33		12,081	100.30	6.36
Parkwood Behavioral HS-Olive Branch	DeSoto	22		7,389	92.02	8.75
River Region Health System	Warren	40		6,414	43.93	7.26
Singing River Hospital	Jackson	30		5,329	48.67	5.24
St. Dominic Hospital	Hinds	83		1 2,787	42.21	5.46
Tri-Lakes Medical Center*	Panola	25		6,444	70.62	7.44
University Hospital & Clinics	Hinds	21		2,719	35.47	4.70
Total Adult Psychiatric Beds		535	24a/2b	116,465	59.64	6.57

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 and became licensed/operational 09/01/2010. 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 2012 and FY 2011 Annual Hospital Report; and Division of Health Planning and Resource Development Computations

Attachment 3
Statewide Acute Psychiatric Bed Need
2015

Bed Category and Ratio	2015 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	535	-45

Source: Applications for Renewal of Hospital License for Calendar Year 2012 and FY 2011 Annual Hospital Report; and Division of Health Planning and Resource Development calculations, June 2012