

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
AUGUST 2014**

**CON REVIEW HG-RC-0314-003
BAPTIST MEMORIAL HOSPITAL-GOLDEN TRIANGLE, INC.
d/b/a BAPTIST MEMORIAL HOSPITAL-GOLDEN TRIANGLE
PHARMACY RELOCATION AND SURGICAL SUITE EXPANSION
LOCATION: COLUMBUS, LOWNDES COUNTY, MISSISSIPPI
CAPITAL EXPENDITURE: \$8,966,311**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Baptist Memorial Hospital-Golden Triangle, Inc. d/b/a Baptist Memorial Hospital-Golden Triangle (BMHGT) is located in Columbus, Lowdnes County, Mississippi (MS) and is a 315 licensed, short-term, licensed general medical/surgical organization. The hospital is wholly-owned and operated by a parent organization, Baptist Memorial Health Care Corporation (BMHCC). The hospital is presently governed by 9 Officers and Directors.

Baptist Memorial Hospital-Golden Triangle is certified to participate in the Medicare and Medicaid programs, and is licensed by the Mississippi State Department of Health (MSDH). The applicant included a document from the Secretary of State's Office dated March 3, 2014 indicating that BMHGT is a company incorporated in Mississippi and is in good standing with the State of Mississippi.

The facility is licensed for a total of 315 beds; 285 short-term, acute care beds; 8 adult chemical dependency beds, and 22 psychiatric residential treatment beds. The acute care occupancy rates, average length of stay (ALOS), and Medicaid utilization for the three most recent years are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate (%)
2010	32.78	4.92	21.14
2011	28.71	4.70	18.59
2012	29.23	4.58	18.38

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

B. Project Description

Baptist Memorial Hospital-Golden Triangle (BMHGT) requests CON authority to relocate the pharmacy department, enlarge its existing operating room (OR), create space for a satellite pharmacy and add two operating rooms (ORs). The hospital is located in General Hospital Service Area (GHSA) 4 /Ambulatory Surgery Planning Area (ASPA) 4 and proposes to renovate a total of 7,051 (approximately 7,100) square feet of hospital space in two phases. The breakdown of area square feet for the operating room addition and pharmacy relocation is as follows:

- ❖ Pharmacy 3,045
- ❖ Surgery Rooms 3,766
- ❖ Satellite Pharmacy 240

Briefly, BMHGT affirms that the hospital has existing surgical services and a surgery department. The applicant also states that the pharmacy department and surgery department are adjacent from each other on the second floor of BMHGT. At the time the ORMs were established, BMHGT states that the equipment for the rooms fit the design of the area. Now, the applicant asserts that the existing space for the ORMs is undersized and more space is needed to relieve crowding in the ORMs. Since BMHGT asserts that the number of medical staff at the hospital is increasing and surgeons are using robotics to perform surgery procedures, the applicant states that enlarging the ORMs will promote safety using the technologically advanced equipment.

Briefly, BMHGT will complete the following proposed renovations and other additions to provide more space in the ORMs:

- ❑ Relocate the Pharmacy Department to the first floor of the hospital to the shelled space in the patient tower,
- ❑ The Surgery Department will expand the second floor pharmacy space after the Pharmacy Department moves to the hospital's first floor,
- ❑ An existing ORm will be enlarged and two new ORMs will be added,
- ❑ A portion of the space in the surgical department will be renovated for a satellite pharmacy,
- ❑ Installation of new 20,000 pound, air handling unit (25 air changes per hour of supply air) to serve the two ORMs and expanded ORm,
- ❑ Installation of a new 18,000 pound, air-cooled chiller to serve the new and existing air handling unit (located in the same area as air unit),
- ❑ Both units will be located on the roof above the surgery suite and adjacent to the mechanical penthouse,

- ❑ Pipes and pumps will be connected to the appropriate unit(s),
- ❑ Medical gases and zone valves will be installed,
- ❑ Normal and emergency (critical branch) power, isolation panels for wet locations, and lighting will be provided for each room, and
- ❑ New millwork, installation of processing equipment, including a narcotics dispenser, and a new medication carousel in the relocated Pharmacy Department.

Note: other details of the project are listed in the application.

The applicant states that the proposed hospital modifications/additions above will be a flexible, a high quality design, technically advanced, and are considered one of the most expensive to build.

The applicant provided a letter from the architect to verify the estimated cost to complete the project. The applicant states that the cost to renovate 7,051 square feet of existing hospital space will be \$671.45 per square foot. The application indicates that the only single piece of equipment that will be purchased will be a \$350,000 medication carousel for the pharmacy.

The applicant includes a capital expenditure summary, a three-year projected operating statement, and financial statements. The applicant states that the project will involve hiring one additional staff; however, the overall annual personnel cost will be \$114,912.

The facility received site approval from the Mississippi Department of Health, Division of Licensure and Certification (Licensure). To fund the project, BMHGT will use cash reserves. The applicant anticipates that the capital expenditure for the proposed project will be obligated by June 2014 after the CON has been issued and estimates that the project will be complete within September 2016.

II. TYPE OF REVIEW REQUESTED

The Mississippi Department of Health reviews applications for construction, renovation, expansion, or capital improvement involving a capital expenditure in excess of \$2,000,000 and ambulatory surgical services in accordance with Sections 41-7-173, 41-7-191, subparagraphs (1) (j) and (1) (d) (xi), and 41-7-193, 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 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 September 10, 2014.

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

A. State Health Plan (SHP)

The *FY-2014 Mississippi State Health Plan (MSHP)* contains criteria and standards which the applicant is required to meet before receiving CON authority for construction, renovation, and the acquisition of major medical equipment. This application is in compliance with applicable criteria and standards.

Construction, Renovation, Expansion, Capital Improvements, Replacement of Health Care Facilities, and Addition of Hospital Beds

SHP Criterion 1- Need

As previously mentioned above, the applicant asserts that one of the components of the proposed project is to modify the hospital through the renovation process. Although BMHGT asserts that the facility has existing ambulatory services; staff will also address ***Certificate of Need Criteria and Standards for Ambulatory Surgery Services*** pertaining to the proposed addition of two operating rooms.

Baptist Memorial Hospital-Golden Triangle states regulations for ORms have changed over the years and in this case, the applicant states that five of the current ORms are below the minimum area standards. The applicant asserts that the hospital monitors the facility to make sure it is safe and in compliance with FGI Guidelines; American Institute of Architects (AIA). The 2014 guidelines will be released; however based on the 2010 guidelines; the applicant lists the minimum square feet guidelines and AIA requirements for the correct size of the ORms.

Details of the proposed project are mentioned above in the Project Description. In the application, the applicant lists space requirements and renovation minimum standards. Floor clearances are also shown for each ORm, orthopaedic surgical rooms, cardiovascular rooms, neurological and other special procedure rooms, etc. Baptist Memorial Hospital-Golden Triangle discusses the facility's plan to correct constrictions to provide more space for required sophisticated equipment and staff relating to the many type of surgical procedures. If the BMHGT enlarges surgical rooms, the applicant asserts that the space modifications will reduce surgical complications and medical errors while providing more room for recently hired medical personnel. Based on orthopaedic, urology, and neurology surgical cases, the applicant states that robotic equipment and movement are required for some of the surgical cases. The applicant believes that the growth of the facility's medical staff will increase the number of surgical cases listed above.

Baptist Memorial Hospital-Golden Triangle asserts that the following table below shows that surgical procedures increased by more than 11 percent:

Surgical Procedures		Percentage Increase
FY 2012	FY 2013	FY 12 – FY 13
5,426	6,050	11.50%

Based on the facility's increase in the number of surgical procedures, the growth in the type of procedures requiring large equipment, and AIA standards to meet compliance requirements, the applicant believes that it is necessary to enlarge one operating room and add two operating rooms.

The *FY 2014 MSHP* reports the following FY 2012 and FY 2013 surgeries for GHSA 4/ASPA 4 and shows BMHGT's surgeries for the same time period:

County	Hospital Facility - GHSA/ASPAs 4	Suites	FY 2012 # of Surgeries	Avg # of Proc. Per ORm.	FY 2012 # of Proc. Rooms
Chickasaw	Trace Regional Hospital	2	2	1	1
Choctaw	Pioneer Community Hospital of Choctaw	0	0	0	0
Clay	NMMC West Point	2	1,274	637	1
Grenada	Grenada Lake Medical Center	5	2,295	459	1
Lafayette	Baptist Memorial Hospital North Miss.	10	6,211	621	0
Lowndes	Baptist Memorial Hospital Golden Triangle	10	5,426	543	1
Monroe	Gilmore Memorial Regional Medical Center	4	4,387	1,097	3
Oktibbeha	OCH Regional Medical Center	6	5,859	977	5
Winston	Winston Medical Center	1	130	130	1
County	Free-Standing Ambulatory Surgery Center ASPA 4				
Lafayette	Oxford Surgery Center	4	4014	1,004	1
TOTAL Numbers for ASPAs 4		44	29,598	672.68	14

Source: FY 2012 Annual Hospital Report, FY 2012 Free-Standing Ambulatory Surgery Center MRI Survey

County	Hospital Facility - GHSA 4/ASPAs 4	Suites	FY 2013 # of Surgeries	Avg # of Proc. Per ORm.	FY 2013 # of Proc. Rooms
Chickasaw	Trace Regional Hospital	0	0	0	0
Choctaw	Pioneer Community Hospital of Choctaw	1	0	0	1
Clay	NMMC West Point	2	1,004	502	1
Grenada	Grenada Lake Medical Center	5	1,813	363	1
Lafayette	Baptist Memorial Hospital North Miss.	10	6,302	630	0
Lowndes	Baptist Memorial Hospital Golden Triangle	10	6,050	605	4
Monroe	Gilmore Memorial Regional Medical Center	4	4,124	1,031	3
Oktibbeha	OCH Regional Medical Center	6	6,443	1,074	5
Winston	Winston Medical Center	1	138	138	1
County	Free-Standing Ambulatory Surgery Center ASPA 4				
Lafayette	Oxford Surgery Center	4	3430	858	1
TOTAL Numbers for ASPAs 4		43	29,304	681.49	17

Source: FY 2013 Annual Hospital Report, FY 2013 Free-Standing Ambulatory Surgery Center MRI Survey

Using the proposed addition of two operating room beds and the current number of surgery procedures performed in FY 2012 and FY 2013, the proposed average numbers of surgery procedures performed per operating room are shown below:

County	Facility GHSA 4/ASPA 4	Suites *	FY 2012 and FY 2013 # of Surgeries	PROPOSED Avg # of Proc. Per ORm.	FY 2012 and FY 2013 # of Proc. Rooms
Lowndes	PROPOSED Addtion of 2 Operating Room Suites Bapt. Mem. Hosp.-Golden Tri. (Columbus)				
TOTAL PROPOSED Numbers for GHSA 4/FSASC 4		48	29,598	616.63	14
TOTAL PROPOSED Numbers for GHSA 4/FSASC 4		47	29,304	623.49	17

*NOTE: For FY 12 and FY 13, 46 and 45 are existing ORms in ASPA 4 and the proposed addition of 2 operating rooms will be 48 and 47, respectively.

Source: *FY 12 and FY 13 Annual Hospital Report, FY 12 and 13 Free-Standing Ambulatory Surgery Center MRI Survey*

Under **Policy Statements number 7 and 9 regarding Certificate of Need Applications for Ambulatory Surgery Services**, the FY 2014 MSHP states:

7. Optimum Capacity: The optimum capacity of **an ambulatory surgery facility is 800** surgeries per operating room per year. The MSDH **shall not issue a CON** for the establishment or expansion of an additional facility(ies) **unless the existing facilities within the ASPA have performed in aggregate at least 800 surgeries per operating room per year for the most recent 12-month reporting period**, as reflected in data supplied to and/or verified by the MSDH. The MSDH may collect additional information it deems essential to render a decision regarding any application. Optimum capacity is based on four (4) surgeries per operating room per day x 5 days per week x 50 weeks per year x 80 percent utilization rate.
9. Construction/Expansion of Facility: Any applicant proposing to construct a new facility or **major renovation to provide ambulatory surgery must propose to build/renovate no fewer than two operating rooms.**

Under **Certificate of Need Criteria and Standards for Ambulatory Surgery Services**, the *FY 2014 MSHP* also states:

3. An applicant proposing to **offer ambulatory surgery services** shall document that the **existing facilities** in the ambulatory surgery planning area have been utilized for a minimum of 800 surgeries per operating room per year for the most recent 12-month reporting period as reflected in data supplied to and/or verified by the Mississippi State Department of Health. The MSDH may collect additional information it deems essential to render a decision regarding any application.

Baptist Memorial Hospital-Golden Triangle provides projected numbers that include inpatient and outpatient ambulatory surgeries. Although the number of surgical procedures performed by BMHGT in FY 2012 and FY 2013 are over the minimum of 1,000 surgeries; the average number of procedures performed for the same time period in GHSA 4/ASPA 4 are 672.68 and 681.49, respectively. Staff also evaluated the average number of procedures for GHSA 4/ASPA 4 using the proposed addition of two ORms and determined an average estimate of 616.63 and 623.49 surgical procedures. Both calculations resulted in numbers which are below 800 surgeries per operating room.

Baptist Memorial Hospital-Golden Triangle asserts that modernizing the operating room area will meet the current and future healthcare needs of the facility while accommodating the needs of the population residing in Columbus, Lowndes County, Mississippi, GHSA 4/ASPA 4. Although BMHGT indicates that the facility has not been cited for any deficiencies by the Mississippi State Department of Health, Division of Health Facilities, Licensure and Certification, the applicant stresses that the hospital is in need of an upgrade by renovating areas to better serve its patients.

The applicant states the BMHGT is not adding additional beds or other services; however, the hospital is proposing to renovate its hospital in order to enlarge the operating room area and be in compliance with AIA space requirements. Thus, the addition of two operating rooms will have an adverse impact on existing facilities in GHSA 4 and ASPA 4. Staff does not see a need or justification for two additional operating rooms; however, other components of the proposed project will not affect the service areas listed above.

SHP Criterion 2 - Bed Service Transfer/Reallocation/Relocation

The applicant asserts that this project does not involve transfer/reallocation/relocation of beds to another facility within GHSA 4; thus, this criterion is not applicable to the proposed project.

SHP Criterion 3 - Charity/Indigent Care

The hospital has served patients who cannot financially meet their obligation to pay for services rendered; thus, the hospital affirms that it will continue to provide a "reasonable amount" of indigent/charity care as described in Chapter I of the *FY 2014 MSHP*.

SHP Criterion 4 - Cost of Proposed Project

Staff determined that the *2013 Means Construction Cost Data* publication lists the following cost ranges per square foot associated with hospital construction: low- \$196; median-\$246; and high-\$335. Using the *Means Construction Cost Data book for 2013*, it does not compare costs for renovation projects; however, the applicant states that the cost to renovate 7,051 square feet of space in the existing hospital will be \$671.45 per square foot.

Based on the formulas listed in the *FY 2014 MSHP*, staff concurs with the construction/renovation costs per square foot captured in Attachment 2 of this document.

The applicant asserts that the only single piece of equipment that will be purchased will be a \$350,000 medication carousel for the pharmacy. However, BMHGT states that there is a fixed equipment cost of 3,373,750 and a non-fixed equipment cost of \$858,140 associated with this project. The Baptist Memorial Hospital-Golden Triangle reviewed CON applications over the last few years and compared the construction and renovation costs to the proposed project. The applicant did not state whether the proposed project does not exceed the median equipment cost for equipment of similar quality by more than 15%; however, BMHGT indicates their equipment costs are reasonable when compared with equipment costs of other similar projects approved by MSDH.

SHP Criterion 5 - Floor and Area Specifications

Baptist Memorial Hospital-Golden Triangle proposes to renovate 7,051 square feet of space. The applicant states that their specifications are comparable to state and national norms for similar construction/renovation projects. The applicant notes that the existing hospital has architectural design restraints that will not allow the applicant to reconfigure or modernize its existing space for the addition of two ORms. Thus, BMHGT believes it is necessary to relocate the Pharmacy to provide space for the proposed addition of ORms.

Baptist Memorial Hospital-Golden Triangle does not list any "special considerations due to local conditions," except that the hospital has existing "shelled" space for the relocation of the Pharmacy. Baptist Memorial Hospital-Golden Triangle asserts that it does not propose to establish new intuitional health services. The applicant affirms that the renovation on the

second floor is costly per square foot; however, it is much less than replacing the facility and the proposed project is needed to provide surgery to inpatients.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 revisions*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 - State Health Plan (SHP)

The *State Health Plan* contains criteria and standards for BMHGT's proposed project within Lowndes County to relocate the pharmacy and expand the surgical Suite by two.

Staff contends that the proposed project listed above proposed project does foster the health planning purpose of increasing the accessibility, acceptability, continuity, and quality of health services.

GR Criterion 2 - Long Range Plan

The applicant states that BMHGT's proposed project is consistent with the applicant's long-range goals by:

- Meeting the needs of the people it serves with the high quality environment,
- Improving the surgical area for the safety of the patients and staff, and
- Responding to the community's immediate and long-term health care needs pertaining to the proposed surgical addition.

Baptist Memorial Hospital-Golden Triangle asserts that representatives from the physicians who use the surgical services and consultants specializing in designing and operating facilities that support healthcare services were involved in the planning process.

GR Criterion 3- Availability of Alternatives

The applicant considered the following three options regarding the facility:

- 1) Keep the facility in its existing state
- 2) Expand without relocating Pharmacy, and
- 3) Establish separate operating rooms for complex inpatient cases.

The applicant states that the first option of operating without change would hamper accessing new technology pertaining to the proposed project and the second alternative of expanding operating services into space not adjoining the existing department would cause issues with clinical and patient flow. Regarding the third option, BMHGT asserts that isolating an area for separate ORms would result in a less useful service design, it would be costly to operate, and the hospital would have difficulty staffing personnel.

Thus, the applicant submits that relocating the pharmacy department, enlarging its existing operating room (OR), creating space for a satellite pharmacy, and adding two operating rooms are the best methods to staff and operate its existing surgical service while improving its existing health service. In addition, BMHGT believes that the primary focus of the proposed project is to provide state of the art ORms and new technologies to perform complex surgical procedures in a well-designed setting. In turn, BMHGT believes the proposed project will address the community's immediate and future health care needs.

GR Criterion 4 - Economic Viability

The applicant provided a three-year projected operating statement. The total operating revenue over a projected three year period, any income increases or decreases or net losses are shown in Attachment 1 of this document.

Based on the projections listed in the three-year operating statement, and the unaudited financial statements, all financial requirements will be met during the projected three years and after.

Since this project involves relocating a department, renovating existing spaces/constructing new spaces, the applicant affirms that the proposed costs and charges associated with the project are comparable to other BMH facilities.

The proposed project does have a capital expenditure that exceeds \$2,000,000; however, the applicant provided unaudited financial statements to show the proposed project will be financially viable. As a note, BMHGT affirms that the facility does not have audited financial statements as a single hospital. Based on the statements, the project appears to be economically viable.

Based on revenue and volume projections listed in the three-year operating statement, the applicant's Chief Financial Officer submitted a letter stating the project will be financially feasible.

GR Criterion 5 - Need for the Project

The applicant states the facility will serve all patients in GHSA 4/ASPA 4 without respect to race, color, age, sex, ethnicity, or ability to pay. The hospital will operate 7 days per week, 24 hours per day.

The applicant states there is a need to reconfigure and redesign the hospital to create a modernized ORm area. The applicant asserts that the proposed project will provide quality surgical service and health care. Baptist Memorial Hospital-Golden Triangle affirms that the proposed changes will remedy space constraints in the operating room area, add additional space to accommodate the increase number of surgical procedures and medical staff.

The applicant indicates that this project does not involve relocating the facility or service nor replacing the existing facility; however, the current and projected utilization of like facilities or services within GHSA 4 and the need for additional facilities or services are not applicable to this criterion; however, relating to ambulatory surgery services, the Criterion 5 discusses current and projected utilization of like facilities or services within in ASPA 4 under *SHP Criterion 1 – Need*.

Based on the fact that BMHGT is proposing to add two addition ORms, the applicant affirms the proposed project will have an adverse impact on existing facilities in GHSA 4; however, under SHP Criterion 1 –Need, the average number of ambulatory surgeries in ASPA 4 is below the average number of 800 for ASPA 4.

Seven endorsement letters from various community officials and the medical community were included in the CON application dated March 3, 2014. According to the applicant, the community officials recognize that the BMHGT complies with all federal regulations regarding community service and supports BMHGT's efforts to serve all patients in GHSA 4/ASPA 4 regardless of race, creed, sex, or ability to pay.

GR Criterion 6 -Accessibility

As previously stated, BMHGT states the facility will serve all patients in

GHSA 4/ASPA 4 without respect to race, color, age, sex, ethnicity, or ability to pay. Baptist Memorial Hospital-Golden Triangle affirms that the proposed project will not affect travel time to the facility. The applicant provides a current admission policy and the facility will operate 7 days per week, 24 hours per day. However, Surgical Services will operate from 6 am to 8 pm and will perform emergency procedures at other times as necessary.

GR Criterion 7- Information Requirement

Baptist Memorial Hospital-Golden Triangle affirms that they will record and maintain the information required by this criterion 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

Baptist Memorial Hospital-Golden Triangle affirms that the hospital delivers the same type of surgical services that other hospitals in GHSA 4 currently provide. Baptist Memorial Hospital-Golden Triangle, Inc. is only proposing to enhance their facility to accommodate the increased number of surgeries and medical staff while continuing its commitment to provide current services to the community. Thus, the addition of two operating rooms will have an adverse impact on existing facilities in GHSA 4/ASPA 4; however, other components of the proposed project will not affect the service areas listed above.

GR Criterion 9 - Availability of Resources

The applicant states that BMHGT has maintained staff for the provision of healthcare services within the facility and asserts that necessary staff will be available for the proposed project. The applicant indicates that 920.6 full-time equivalents (FTEs) are currently employed at BMHGT and one additional Registered Nurse will be required; however, if additional employees are needed, BMHGT states that the hospital will recruit staff through staffing sources. The applicant reports that the estimated annual cost for the projected personnel (921.6 FTEs) will be \$114,912.

Baptist Memorial Hospital-Golden Triangle, Inc. states that the hospital has demonstrated a successful staffing history and asserts that sufficient staff members are available to ensure proper implementation of this project. The applicant provides a list of clinical-affiliation, contractual service agreements that BMHGT current has with other service providers.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant states that BMHGT has necessary support and ancillary services. Thus, the proposed relocation of a department within the hospital and renovation of the surgical area/construction of space are not expected to have an adverse effect upon the delivery of ancillary health services nor change the cost and charges of those services.

GR Criterion 14 - Construction Projects

Representatives from the physicians who use the surgical services at the hospital and consultants took appropriate action to apply for a CON in the amount of \$8,966,311. The architect and designers hired by the hospital submitted a cost estimate to show a proposed capital expenditure of \$8,966,311. The application includes a site approval letter from the Division Licensure. The applicant includes a schematic drawing to show how the hospital will look after the renovation process has been completed.

In addition, the applicant states that the project complies with state and local building codes, zoning ordinances, and all appropriate regulatory authorities. The applicant has provided written assurance that BMHGT will comply with state statutes and regulations for the protection of the environment.

Since some of the hospital's medical staff and consultants opted to modernize the existing surgical area and to renovate the space, a formula calculation was used by the hospital to show how much the proposed project will cost per square foot. The applicant states that the cost to renovate 7,051 (approximately 7,100) square feet of space will be \$671.45 per square foot.

As a cost guide, the *RS Means Building Construction Cost Data 2013* publication lists construction costs from low to high range per square foot. For hospitals of this size, the construction costs are low- \$196; median-\$246; and high-\$335. The construction cost of \$671.45 is closer to the high range.

The *RS Means Building Construction Cost Data 2013* does not compare costs for renovation projects; however, the renovation formula in the *Plan* was used by BMHGT to show how much the proposed project will cost per square foot.

Based on the specifics presented in the application and the construction/renovation formula listed in the *FY 2014 MSHP*, costs per square foot are shown in Attachment 2 of this analysis.

GR Criterion 16 - Quality of Care

The facility is accredited by the Joint Commission, certified to participate in the Medicare and Medicaid programs and is licensed by MSDH. Since the applicant is accredited and credited by the agencies listed above, BMHGT implies that the facility must comply with the requirements of these agencies and in doing so, BMHGT has and will continue to provide quality care to area residents.

To continue its efforts to serve area residents and patients, the applicant believes renovating the surgical area and adding two ORms will significantly improve the effective delivery of high quality care.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Estimated Cost	% of the Total
Construction Cost -New	0	0.00%
Construction Cost-Renovation	3,656,165	40.78%
Capital Improvements, i.e. (minor painting and repairs, refurbishing)	0	0.00%
Total Fixed Equipment Cost	3,373,750	37.63%
Total Non-Fixed Equipment Cost	858,140	9.57%
Land Cost	0	0.00%
Site Preparation Cost	0	0.00%
Fees (Architectural and Consultant Fees)	474,986	5.30%
Contingency Reserve	603,270	6.73%
Capitalized Interest	0	0.00%
Other Cost	0	0.00%
TOTAL PROPOSED CAPITAL EXPENDITURE	\$ 8,966,311	100%

B. Method of Financing

To fund the project, BMHGT will use cash reserves. Unaudited financial statements and affirmation from BMHGT's Chief Financial Officer demonstrate that BMHGT has monetary sources to fund the project.

C. Effects on Operating Costs

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses, and net income are shown in Attachment 1. Utilization, cost, and charges are also included in the applicant's Three-Year Projected Operating Statement (see Attachment 1).

D. Cost to Medicaid/Medicare

Baptist Memorial Hospital-Golden Triangle, Inc.		
Payor	Utilization Percentage	First Year Revenue
Medicaid	14.00%	\$74,898,768.14
Medicare	50.00%	\$267,495,600.50
Self Pay	12.00%	\$64,198,944.12
Commercial	24.00%	\$128,397,888.24
Charity	0.00%	\$0.00
Other	0.00%	\$0.00
Total	100%	<u>\$534,991,201.00</u>

Baptist MH-Golden Triangle states that medically indigent and charity care are approximately 5.2%, for each category, of gross patient revenues,

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application and the Department received written comments from the agency. The Division states that effective September 1, 2012, it changed the methodology by which it reimburses outpatient services so that the cost incurred, subsequent to that date, will no longer affect outpatient payments.

In addition, 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. Based on the Division of Medicaid's analysis, 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 partially in substantial compliance with the criteria and standards for construction, renovation, and expansion projects as contained in the *FY 2014 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.

The Division of Health Planning and Resource Development recommends approval of the application submitted by the Baptist Memorial Hospital-Golden Triangle, Inc. (BMHGT) to relocate the pharmacy department, enlarge its existing operating room (OR), create space for a satellite pharmacy; however, recommends disapproval of the hospital's request to add two operating rooms (ORms).

ATTACHMENT1

**Baptist Memorial Hospital-Golden Triangle, Inc.
 d/b/a Baptist Memorial Hospital-Golden Triangle
 Pharmacy Relocation and Surgical Suite Expansion**

Three-Year Projected Operating Statement (With Project)

	Proposed Year 1	Proposed Year 2	Proposed Year 3
Revenue			
Inpatient Care Revenue	\$241,570,135	\$246,024,307	\$250,485,199
Outpatient Care Revenue	293,421,066	295,439,669	297,458,876
Gross Patient Care Revenue*	\$534,991,201	\$541,463,977	\$547,944,075
Charity Care	27,806,432	\$28,135,171	\$28,463,909
Deductions from Revenue	346,753,065	351,068,741	355,388,753
Net Patient Care Revenue*	\$160,431,704	\$162,260,065	\$164,091,413
Other Operating Revenue	\$2,874,681	\$2,960,921	\$3,049,749
Total Operating Revenue	\$163,306,385	\$165,220,986	\$167,141,161
Operating Expense			
Salaries	\$45,807,718	\$47,181,950	\$48,597,408
Benefits	12,175,665	12,540,935	12,917,163
Supplies	33,922,348	35,618,465	37,399,389
Services	36,163,987	37,972,186	39,870,796
Lease			
Depreciation	7,300,764	7,634,139	7,984,182
Interest	754,360	792,078	831,682
Other	(216,994)	(227,844)	(239,236)
Total Operating Expense	\$135,907,848	\$141,511,909	\$147,361,384
Inpatient days	40,022	40,832	40,832
Outpatient visits	101,539	104,585	104,585
Procedures	6,419	6,636	6,636
Charge per outpatient day	\$2,890	\$2,825	\$2,825
Charge per inpatient day	\$6,036	\$6,025	\$6,025
Charge per procedure	\$83,345	\$81,594	\$81,594
Cost per inpatient day	\$3,396	\$3,466	\$3,466
Cost per outpatient day	\$1,338	\$1,353	\$1,353
Cost per procedure	\$21,173	\$21,325	\$21,761

*Applicant's totals may be off by \$1 due to rounding.

ATTACHMENT 2

**Baptist Memorial Hospital-Golden Triangle, Inc.
 Pharmacy Relocation and Surgical Suite Expansion**

Computation of Construction and Renovation Cost

		<u>Total</u>	<u>New Construction</u>	<u>Renovation</u>
<u>Cost Component</u>				
A	New Construction Cost	\$0	\$0	
B	Renovation Cost	\$3,656,165		\$3,656,165
C	Total Fixed Equipment Cost	\$3,373,750	\$0	
	Total Non-Fixed Equipment Cost	\$858,140	\$0	
	Other	\$0		
	Capital Improvement	\$0		
	Land Cost	\$0	\$0	
D	Site Preparation Cost	\$0	\$0	
E	Fees (Architectural, Consultant, etc.)	\$474,986	\$0	\$474,986
F	Contingency Reserve	\$603,270	\$0	\$603,270
G	Capitalized Interest	\$0	\$0	\$0
	Total Proposed Capital Expenditure	\$8,966,311	\$0	\$4,734,421
	Square Footage	7,051	0	7,051
	Allocation Percent		0.00%	100.00%
	Costs Less Land, Non-Fixed Eqt.& Cap. Improvement	\$8,108,171	\$0	\$4,734,421
	Cost Per Square Foot	\$1,149.93	\$0.00	\$671.45

Source: Mississippi Certificate of Need Review Manual, 2011 revisions