

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
OCTOBER 31, 2022**

**CON REVIEW NUMBER: FSF-RC-0922-015  
CARES CENTER, INC., D/B/A CANOPY CHILDREN'S SOLUTIONS  
RELOCATION OF PSYCHIATRIC RESIDENTIAL TREATMENT FACILITY (PRTF) BEDS  
AND CONSTRUCTION/RENOVATION OF A PSYCHIATRIC RESIDENTIAL TREATMENT  
FACILITY  
CAPITAL EXPENDITURE: \$10,256,993.00  
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

CARES Center, Inc., d/b/a Canopy Children's Solutions ("CARES"), an affiliate of Mississippi Children's Home Society, is: (i) the licensee and operator of the sixty (60) bed Jackson psychiatric residential treatment facility ("PRTF") for children and adolescents ages six (6) through seventeen (17), and (ii) operates accredited non-public schools for grades 1 – 6 and grades 7 – 12 providing special education and related services to children and adolescents in central Mississippi who have severe emotional and behavioral problems, including the residents of the Jackson PRTF ("CARES Schools"). In addition, until its closure, CARES was the licensee and operator of a twenty (20) bed psychiatric residential treatment facility in Harrison County (the "Gulf Coast PRTF"). The Applicant states on December 1, 2017, CARES closed the Gulf Coast PRTF and placed the twenty (20) beds in abeyance. According to the application, CARES is also the operator of all CARES schools, and all persons who work in the CARES facilities and the CARES schools are employees of CARES.

Mississippi Children's Home Society ("MCHS"), a Mississippi non-profit corporation, is dedicated to providing compassionate solutions for children and families. MCHS is the legal owner of the buildings CARES utilizes in the operation of the PRTF. CARES receives management services from Mississippi Children's Home Services, Inc., a Mississippi non-profit corporation and an affiliate of CARES. CARES, MCHS, and Mississippi Children's Home Services, Inc. have the same Board of Directors and Principal Officers and are controlled by the same individuals. Therefore, CARES, MCHS and Mississippi Children's Home Services, Inc. are all participants in the CON application filed by CARES Center, Inc. (the "Applicant"). The Board of Directors consists of twenty-nine (29) members, eight (8) honorary members, and six (6) principal officers.

The application contains Certificates of Good Standing from the Office of the Secretary of State, indicating as of September 15, 2022, CARES Center, Inc., Mississippi Children's Home Society, and Mississippi Children's Home Services, Inc. are each in good standing with the state of Mississippi.

**B. Project Description**

The Applicant states CARES' Jackson PRTF consists of two (2) distinct and separate campuses: the Bagley Campus located at 2001 North West Street and the Powers Campus located one (1) block away at 402 Wesley Avenue in the 1800 block of North West Street. According to the Applicant, the Bagley Campus encompasses twenty-one (21) acres and currently consists of three (3) cottages (the "Cottages") and the CARES School for grades 1 – 6 ("Bagley Campus School"). The Powers Campus, encompassing six (6) acres, currently consists of seventeen (17) single-occupancy residences for adolescents who often exhibit physical and sexual aggression and have high acuity levels, and the CARES School for grades 7 – 12 ("Powers Campus School").

The Applicant requests certificate of need ("CON") authority to: (1) relocate twenty (20) PRTF beds currently being held in abeyance from the Gulf Coast PRTF to the Jackson PRTF; (2) to renovate a part of the Jackson PRTF known as the Powers Campus to provide twenty (20) single-occupancy bedrooms for adolescents with the highest acuity levels; and (3) to construct three (3) additional ten (10) bed cottages on the Bagley Campus for adolescents who fit within the traditional description for PRTF therapy and care (the "Project"). The Applicant states MCHS will renovate, construct, and own the buildings and cottages at the Jackson PRTF (the "Facility") along with the fixed and non-fixed equipment in the Facility and will lease the buildings and equipment to CARES. The Applicant further states the configuration will result in an eighty (80) bed Facility with up to sixty (60) traditional PRTF residents to be housed in the six (6) to ten (10) bed cottages on the Bagley Campus and twenty (20) high level acuity adolescents to be housed in the Powers Residence on the Powers Campus.

The Applicant states the cottage-style residential housing on the Bagley Campus is designed to provide the residents with a homelike environment. The Applicant states each cottage houses or will house ten (10) children and adolescents in double-occupancy bedrooms. Further, the Applicant states the renovated Powers Residence will provide twenty (20) single-occupancy rooms, seventeen (17) of which will have private bathrooms for those adolescents who are often denied admission into a PRTF because of their high acuity levels and extremely aggressive behavior and who can be a danger to themselves and to others.

CARES states the final objectives of the proposed Project are directly related to the need to reach all children and adolescents in need of treatment and care for their behavioral and emotional needs. The Applicant affirms the stated objectives are to:

- (i) provide sufficient housing for eighty (80) PRTF children including individual single-occupancy bedrooms for twenty (20) youth with high levels of acuity;
- (ii) bring online twenty (20) PRTF beds that were previously approved and licensed by MSDH but were temporarily placed in abeyance;

- (iii) relocate the twenty (20) PRTF beds currently held in abeyance to CARES' Jackson PRTF in order to achieve efficiencies and economies of scale not possible for achieving in a twenty (20) bed PRTF;
- (iv) address the increased acuity of mental health issues for children and adolescents across the State following the COVID-19 pandemic;
- (v) provide for enhanced PRTF services and accommodations for Mississippi's youth who are experiencing a very high level of behavioral and mental disorders, many of whom are denied admission to traditional PRTFs;
- (vi) provide as homelike a setting as possible for the children and adolescents who reside in the Cottages;
- (vii) provide the residents of the Facility the opportunity to transition to their homes; and
- (viii) provide for the expansion and enhancement of the Jackson PRTF to an 80-bed PRTF to meet the needs of the State's youth, including those with high levels of acuity.

In addition, the Applicant states the ultimate goal of the Project is to create a viable eighty (80) bed PRTF that will improve the quality of life and mental health of children and adolescents in need of PRTF services and to provide enhanced care and treatment to adolescents who have essentially "slipped through the cracks" because of their high acuity level.

The Applicant estimates it will hire 59.5 additional full-time equivalent (FTE) personnel during the first year of the project at an estimated cost of \$2,734,795.00.

The Applicant affirms it will comply with all state and local building codes, zoning ordinances, and/or requirements of appropriate regulatory authorities. In addition, the Applicant affirms it will comply with all applicable State statutes and regulations for the protection of the environment, including: 1) approved water supplies; 2) sewage and water disposal; 3) hazardous waste disposal; 4) water pollution control; 5) air pollution control; and 6) radiation control.

The application contains a letter dated September 21, 2022, documenting the Mississippi State Department of Health (MSDH), Division of Health Facilities Licensure and Certification's approval of the Project.

The Applicant projects a total capital expenditure of \$10,223,409.00 (See Section IV of this Staff Analysis for a complete itemization of the capital expenditure). The Applicant expects to obligate the capital expenditure within three (3) months of receipt of a CON, and anticipates the project will be complete within eighteen (18)

months of receipt of the CON.

## II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Sections 41-7-173, 41-7-191(1)(c), and 41-7-193 of the Mississippi Code of 1972 Annotated, as amended, and the duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision*; all adopted rules, procedures, plans, criteria and standards of MSDH; and the specific criteria and standards listed below. The Department reviews projects for the offering of psychiatric residential treatment facility ("PRTF") services when such services have not been offered at the facility within the past twelve (12) months and for the addition of PRTF beds, regardless of the capital expenditure.

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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on November 10, 2022.

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

### A. State Health Plan (SHP)

The *FY 2022 Mississippi State Health Plan, Second Edition ("MSPH")* contains policy statements, criteria, and standards which the applicant is required to meet before receiving CON authority for the addition of PRTF beds and the offering PRTF services. This application is in substantial compliance with the applicable policy, criteria, and standards stated in the *Plan*.

### **Policy Statements Regarding Certificate of Need Applications for Acute Psychiatric, Chemical Dependency, and Psychiatric Residential Treatment Facility Beds/Services**

1. **Indigent/charity care:** The Applicant notes virtually all of its residents are covered by Medicaid, and CARES anticipates approximately 3-4% of deductions from gross patient revenue will be attributable to charity care.
2. **Mental Health Planning Areas:** The Applicant acknowledges the State as a whole is used as a planning area for PRTF beds/services.
3. **Public Sector Beds:** The Applicant states its application does not involve the addition of new PRTF beds; rather, CARES requests a CON to relocate twenty (20) existing beds from the Gulf Coast PRTF to the Jackson PRTF.
4. **Comments from DMH:** The Applicant states CARES has worked with the

Department of Mental Health for many years in providing care to children and adolescents in Mississippi with emotional and behavioral issues. A letter dated September 16, 2022, from the Executive Director of the Department of Mental Health ("DMH") acknowledges the need for high acuity services in Mississippi and gives DMH's full support of CARES' application for PRTF services in Jackson.

5. **Separation of Adult and Children/Adolescents:** CARES states the Project involves the provision of PRTF services to children and adolescents seventeen (17) years of age and younger. The Powers Campus, with its high acuity residents who can often be physically aggressive, is separated physically from the Bagley Campus with one block in between the two (2) campuses.
6. **Separation of Males and Females:** According to CARES, the Bagley Campus will house children and adolescents as follows:

Cottage 1 – boys and girls, ages 6 – 13  
Cottages 2 and 3 – girls ages 14 – 17  
Cottages 4 and 5 – boys ages 14 – 17  
Cottage 6 – to remain flexible

CARES further states the Powers Campus will house twenty (20) high acuity level residents in separate single-occupancy bedrooms and will utilize one (1) 9-bed wing for the boys and one (1) 8-bed wing for the girls. The Applicant states the renovation will include an additional wing with seven (7) single-occupancy bedrooms that will allow CARES to adjust the bedroom configuration as needed.

7. **Patients with Co-Occurring Disorders:** CARES acknowledges this policy and certifies the CARES PRTF programs in Jackson will meet all applicable licensure and certification regulations for the services offered before providing such services.
8. **Comprehensive Program of Treatment:** The Applicant states currently CARES operates accredited, non-public, special purpose schools with two (2) separate campuses (the Bagley Campus School and the Powers Campus School) that will provide the educational component for its existing PRTF program including the expansion of the CARES Jackson PRTF. The Applicant states each child and adolescent enrolled in a CARES School receives individualized and specialized education services administered by a CARES accredited school, which, in addition to classroom education, provides therapeutic recreation, spiritual enrichment, and nutritional services. In addition, the Applicant states each resident receives medication management, nutritional management, and ongoing psychiatric assessment.

9. **Medicaid Participation:**
  - a. **Medicaid Certification:** The Applicant states it is currently certified to accept Medicaid patients.
  - b. **Medicaid Service Information:** The Applicant certifies virtually all its residents are Medicaid patients. The Applicant further affirms it will continue to provide MSDH information regarding its services to Medicaid patients.
10. **Licensing and Certification:** The Applicant certifies the Facility currently meets and will continue to meet all applicable licensing and certification regulations of the Division of Licensure. In addition, CARES certifies, if existing licensure and certification regulations are modified in any way, the Facility will comply with such modified regulations following their effective date.
11. **Psychiatric Residential Treatment Facility:** The Applicant acknowledges and agrees with the definition set forth in this policy statement and affirms CARES does not and will not furnish primarily domiciliary care that is not within the definition. The Applicant states CARES has provided therapeutic treatment and care to children and adolescents seventeen (17) years of age and younger for thirty (30) years and has a reputation in the health care community for quality care.
12. **Certified Education Programs:** The Applicant certifies all CARES Schools are accredited by the Department of Education. The Applicant states Bagley Campus School for grades 1-6 and the Powers Campus School for grades 7-12 currently provide and will continue to provide specialized and individualized education for all of CARES' residents. In addition, the Applicant documented that sufficient areas suitable to meet the recreational needs of patients are available.
13. **Preference in CON Decisions:** The Applicant certifies the project does not involve the conversion of beds; however, it does propose the relocation and addition of twenty (20) PRTF beds at the Facility that are currently in abeyance.
14. **Dedicated Beds for Children's Services:** The Applicant states CARES has dedicated one (1) of its existing 10-bed cottages for children under the age of fourteen (14).
15. **CON Statutory Requirement:** The Applicant acknowledges this statutory requirement and states CARES requests a CON authorizing the relocation of twenty (20) of its PRTF beds that were previously authorized and licensed by MSDH and are currently being held in abeyance.

16. **Voluntarily Delicensed Beds:** The Applicant states, effective December 1, 2017, CARES voluntarily delicensed twenty (20) PRTF beds, thereby placing the twenty (20) PRTF beds in abeyance.
17. **CON Requirement for Reopening:** The Applicant submits the Facility has not ceased operating; however, the twenty (20) PRTF beds that are the subject of the request for relocation were at one time a part of the Gulf Coast PRTF that was closed on December 1, 2017, and the beds were placed and held in abeyance.

### **General Certificate of Need Criteria and Standards for Acute Psychiatric, Chemical Dependency, and/or Psychiatric Residential Treatment Facility Beds/Services**

#### **SHP Need Criterion 1 – Bed Need Requirements**

- a. **New/Existing Acute Psychiatric, Chemical Dependency, and/or Psychiatric Residential Treatment Beds/Services:** The Applicant asserts the application requests a CON to relocate twenty (20) PRTF beds that have been authorized and licensed by MSDH and are currently being held in abeyance by the Division of Licensure pursuant to a letter dated November 1, 2017.
- b. **Projects that do not involve additional beds:** The Applicant submits the project proposes to relocate twenty (20) PRTF beds, construct three (3) new cottages, and renovate the Powers Residence in order to provide twenty (20) single-occupancy bedrooms to accommodate adolescents who have exhibited seriously aggressive behavior.
- c. **Projects which involve the addition of beds:** The Applicant states, although the application does not request or involve the addition of new beds, in accordance with the *FY 2022 Mississippi State Health Plan, Second Edition*, CARES has an occupancy rate in its PRTF of 91.5%.
- d. **Child Psychiatry Fellowship Program:** The Applicant acknowledges this criterion and states the application does not request an acute child psychiatric unit.
- e. **Exclusive Treatment of Adults:** The Applicant states the application does not request the establishment or addition of a PTSD program for adults.

#### **SHP Need Criterion 2 – Data Requirements**

The Applicant affirms CARES will record and maintain, at a minimum, information regarding charity care and care to the medically indigent required by this criterion and make it available to MSDH within fifteen (15) business days of the request.

### **SHP Need Criterion 3 – Referral/Admission of Charity/Indigent Patients**

The Applicant states CARES' affiliate MCHS is certified by the Department of Mental Health ("DMH") as a private mental health center and is an approved X-01 Medicaid provider. The Applicant further states MCHS is also certified by DMH to provide Mississippi Youth Programs Around the Clock ("MYPAC") and Wraparound services statewide as an X-01 provider. CARES states the admissions and referral processes for CARES and MCHS programs throughout the State are integrated and centrally managed to expedite services, reduce cost, and promote quality.

### **SHP Need Criterion 4 – Letters of Commitment**

The application contains a letter dated September 16, 2022, from the Department of Mental Health ("DMH") stating DMH's full support for the Project and pledging DMH's support for CARES once services are available.

### **SHP Need Criterion 5 –Non-Discrimination Provision**

The Applicant certifies, within the scope of its available services, neither CARES nor its participating staff has policies or procedures that would exclude residents because of race, color, age (except as to persons who are not children or adolescents eligible for CARES' PRTF programs as per Chapter 3, Section 306.03 of the *FY 2022 MSHP*), sex, ethnicity, or ability to pay.

### **SHP Need Criterion 6 – Charity/Indigent Care**

The Applicant asserts, although most PRTF residents are covered by Medicaid, CARES will provide a reasonable amount of charity/indigent care for the service as provided for in Chapter 1 of the *FY 2022 MSHP*. CARES anticipates approximately 3-4% of deductions from gross patient revenue derived from PRTF services will be charity/medically indigent care.

## **Service Specific ("SS") Certificate of Need Criteria and Standards for Psychiatric Residential Treatment Facility Beds/Services**

### **SS Need Criterion 1 – Statistical Need for PRTF Beds**

The Applicant submits CARES requests a CON to relocate twenty (20) PRTF beds that have already been authorized and previously licensed by MSDH and are being held in abeyance by the Division of Licensure pursuant to the letter dated November 1, 2017.

### **SS Need Criterion 2 – Age Group to be Served**

The Applicant proposes to house the age groups as follows:

| <b>Bagley Campus Cottages</b> |                                                                                         |
|-------------------------------|-----------------------------------------------------------------------------------------|
| <u>Age Group</u>              | <u>Number of Beds</u>                                                                   |
| 6 to 13                       | 10 based on boys/girls to share 1 Cottage                                               |
| 14 to 17                      | 10 based on 2 Cottages for girls; 2 Cottages for boys; and 1 Cottage to remain flexible |
| 18 to 21                      | 0                                                                                       |
| <b>Powers Residence</b>       |                                                                                         |
| <u>Age Group</u>              | <u>Number of Beds</u>                                                                   |
| 6 to 13                       | 0                                                                                       |
| 14 to 17                      | 20 based on 10 girls and 10 boys                                                        |
| 18 to 21                      | 0                                                                                       |

**SS Need Criterion 3 – Structural Design of Facility**

The Applicant states one (1) of the existing ten (10) bed residential cottages on the Bagley Campus is dedicated for children aged thirteen (13) and under. The Applicant further states the existing three (3) cottages are all located immediately across from the Bagley Campus School for grades 1 – 6. CARES states the new cottages will be located immediately north of the Bagley Campus School.

**SS Need Criterion 4 – Bed Count as Authorized by the Legislature**

The Applicant requests a CON to relocate twenty (20) PRTF beds that were previously licensed by MSDH and are held in abeyance by the Division of Licensure pursuant to a letter dated November 1, 2017. The Applicant submits these beds will not result in new beds being added to the State's inventory of PRTF beds.

**SS Need Criterion 5 – Proposed Size of Facility/Unit**

The Applicant states, upon completion of the Project, the two separate campuses (neither of which exceeds sixty (60) beds) will be sized as follows:

- Powers Campus – Twenty (20) PRTF Beds
- Bagley Campus – Sixty (60) PRTF Beds

The Applicant notes the two (2) CARES campuses are located on separate parcels on separate blocks approximately one-tenth of a mile apart. The Applicant states the configuration that comprises the Facility has been authorized by MSDH since CARES received a CON to develop the Bagley Campus in 2008 and by the Division of Licensure when it received a license adding the Bagley Campus beds to its license in 2009.

The Applicant states the three (3) existing cottages that were constructed and located on the Bagley Campus were designed to create a secure nurturing and homelike environment. The Applicant asserts, for over a decade, the cottages have provided the residents of CARES with a home in the best sense possible for children and adolescents who suffer behavioral and emotional problems. Because of its success, the Applicant proposes to construct three (3) additional cottages with the same design. The Applicant states each Cottage has its own therapeutic "family" (a therapist and residential care specialist) who provide services and assistance only to the Cottage residents.

According to the Applicant, the Bagley Campus contains twenty-one (21) fenced acres, which allow for outside activities when and as appropriate. The Applicant states, consistent with CARES' core values regarding developing relationships that matter, Cottage staff members use interactive therapeutic recreational activities to model healthy relationships with residents to assist with their therapeutic goals. The Applicant further states a playground for younger children with age-appropriate equipment is located on the southern side of the western-most Cottage #3. The playground is designed to simulate a regular playground environment. The Applicant states older children at the PRTF will have access to the new exercise/fitness stations installed just west of the Cottages and at the "trail head" of the existing walking trail and recreational field.

The Applicant states, although the Powers Residence for those with high acuity levels is not strictly a cottage-style facility, the large residence is very homelike in its layout. The Applicant states upon completion of the renovation at the Powers Residence, there will be three (3) distinct bedroom wings – one consisting of eight (8) single-occupancy bedrooms. The Applicant states this configuration will allow for separation of boys and girls as well as separation from younger children if needed. In addition, the Applicant states the Powers Campus contains six (6) acres and has a full-sized gymnasium with a rubberized floor as well as a full-sized outdoor basketball court.

### **SS Need Criterion 6 - Staffing**

The Applicant states CARES employs a full complement of dedicated staff with specialized training to serve the residents. The Applicant further states every resident and his/her guardian is an active member of the Child and Family Team that includes a Board-certified child psychiatrist (or psychiatric mental health nurse practitioner), licensed therapists, registered nurse, case manager, residential

recreation staff, a registered dietitian, family nurse practitioner (for physical healthcare), education staff, and a family partner. In addition, the Applicant states constant monitoring and supervision are provided by a team of residential care specialists who are present in a ratio of one (1) staff for every five (5) residents for those who reside on the Bagley Campus and a ratio of one (1) staff for every four (4) residents for those who reside on the Powers Campus.

The Applicant states Dr. Mark Rester, a board-certified psychiatrist who has been specially trained to care for children with emotional and behavioral disorders, currently serves and will continue to serve as the medical director of CARES.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2019* addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with the general review criteria contained in the Manual.

**GR Criterion 1- State Health Plan**

The Applicant asserts the proposed project is consistent with and substantially complies with the *FY 2022 MSHP* and MSDH's rules and regulations. The Applicant asserts the Project meets the applicable priority health needs identified by MSDH in the *FY 2022 MSHP*.

The Applicant states the Project also substantially complies with the Plan's General CON Policies. Staff agrees the project is in substantial compliance with the policy statements and the general and service specific criteria and standards stated in the *FY 2022 MSHP* as discussed above.

**GR Criterion 2 – Long Range Plan**

The Applicant submits the aspect of its Project regarding the provision of PRTF services at the CARES Powers Campus to adolescents with high acuity levels comports with its long-range plan to provide a method of maintaining safe behaviors, promoting positive behaviors, and preventing aggression. Further, the Applicant states the Project comports with CARES' goal to provide quality, effective PRTF care to all in need of such care and is compatible with its long-range plans.

**GR Criterion 3 – Availability of Alternatives**

**a. Advantages and Disadvantages:** The Applicant considered four (4) alternatives to the Project.

(i) Status Quo. The Applicant states CARES could continue providing the PRTF services that it currently provides; but, to do so would

ignore the significant opportunity for it to utilize its Bagley Campus for thirty (30) additional residents to thrive in the environment offered at the Bagley twenty-one (21) acre site and to provide at its Powers Campus an enhanced therapy treatment program for residents with high acuity levels in an environment that is safe not only for the individual but for the rest of the residents. The Applicant states ignoring the opportunity to relocate the twenty (20) PRTF beds and separate its programs by level of intensity would be contrary to the goals and mission of CARES and MCHS.

- (ii) Operate a high-acuity PRTF facility at the Gulf Coast location. CARES determined the Gulf Coast campus location was too remote to access the workforce and resources needed for high acuity residents. The Applicant states the high acuity residents that will be housed at the Powers Campus need access to the resources available in Jackson, the center of the State's healthcare system. The Applicant states CARES will also realize efficiencies and economies of scale by relocating the beds to the Jackson PRTF. Further, by operating high-acuity beds at the Jackson PRTF, the Applicant states CARES will be able to offer a broader spectrum of care so that high-acuity residents will not have to be transferred to another PRTF once their condition becomes less acute. The Applicant states instead patients can be stepped down to the services offered at the Bagley Campus and then eventually participate in outpatient services in Jackson.
- (iii) Failing to bring online the twenty (20) PRTF beds that are currently being held in abeyance and relocating them from the Gulf Coast to Jackson. The Applicant states this option was rejected because one of the most distressing results of the pandemic is the increase in the number of children and adolescents who are experiencing serious emotional and behavioral problems, many of whom who are suicidal. The Applicant states the need for additional PRTF beds is becoming increasingly clear as more and more youth struggle as a result of the isolation imposed on them during the pandemic and the loss of loved ones.
- (iv) Failing to offer the level of care and treatment needed by adolescents who have high acuity levels and are often denied admission in traditional PRTFs. The Applicant states, although this is a possible option, it would not be the best option for CARES or for the State. The Applicant further states CARES already has two (2) separate campuses and is well-equipped to provide the care needed for high acuity residents. The Applicant states, with some renovation, the Powers Residence is able to provide single-occupancy bedrooms for twenty (20) high acuity residents.

- b. New Construction Projects:** The Applicant states the proposed Project includes the renovation of the Powers Residence to accommodate high acuity level residents. The Applicant further states the renovation of the Powers Residence will include new fencing to assure the safety of Powers Campus residents while allowing residents the freedom to enjoy outside activities and to interact with others.
- c. Beneficial Effects to the Health Care System:** The Applicant states CARES' decision to designate and dedicate its Powers Campus for adolescents with high acuity levels allows for the separation of very vulnerable and traditional PRTF residents from those whose emotional and behavioral problems are more severe. The Applicant states, in-hand with its decision to dedicate the Powers Campus to those with a high acuity level, CARES recognized it also needed to continue serving traditional PRTF residents. Therefore, CARES realized it needed to bring online the twenty (20) beds currently being held in abeyance.

The Applicant states, by separating the high acuity residents from the traditional PRTF residents and adding thirty (30) beds to the Bagley Campus with the construction of three (3) additional Cottages, CARES can provide more children and adolescents in the State with a safe and secure residence. The Applicant further states CARES' decision to request authority to relocate twenty (20) of its PRTF beds currently being held in abeyance, in conjunction with its request to renovate the Powers Residence and construct three (3) new Cottages, provides enormous benefit to the State's health care system.

**d. Effective and Less Costly Alternatives:**

The Applicant states there is no more effective or less costly alternative for the troubled youth of Mississippi than the Project, which allows CARES to dedicate its Powers Campus for those with high acuity levels and to dedicate its Bagley Campus for children and adolescents in grades 1 – 12, while maintaining appropriate separation between the campuses.

- i. Unnecessary Duplication of Services:** The Applicant states the Project is not an unnecessary duplication of services; rather, it is an enhancement to existing services.
- ii. Efficient Solution:** The Applicant asserts, because the Project will cost little in comparison to the benefits that will be recognized and because children and adolescents who are treated and cared for through the services can become productive citizens, the proposed Project is a very efficient and effective solution to: (a) the needs identified in the *FY 2022 MSHP* and (b) the needs of children who exhibit violence, drug use, and other self-destructive and aggressive behavior.

- e. **Improvements and Innovations:** The Applicant asserts the Project fosters improvements in the delivery of health services and promotes health care quality assurance and cost effectiveness by: (1) addressing the growing need for PRTF services; (2) providing an intensive therapeutic residential program specifically designed to treat and care for the State's youth who have high acuity levels of emotional and behavioral problems; (3) providing a program allowing a child or an adolescent with emotional and behavioral problems to recognize his or her problems and address them; and (4) separating residents into appropriate groups and serving and treating them on separate campuses.
- f. **Relevancy.** The Applicant states CARES was the first PRTF in the State to construct separate cottages for PRTF residents. Since that time, CARES states cottages have become the preferred residential housing for children and adolescents because of the homelike environment. The Applicant states, by enhancing its services to include therapy and care for adolescents with high acuity levels, CARES will address the problems of "forgotten" youth.

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

- a. **Proposed Charge:** The Applicant submits most PRTF residents are covered by Medicaid. Further, the Applicant states the proposed charges for PRTF services and specialized services are blended, and the increase in such charges is primarily the result of an increase in the specialized treatment and care to be provided to the Powers residents and inflation. The Applicant states, although it is estimated that the first year of operation will result in a loss, the second and third years will be profitable (see Attachment 1). The Applicant states the reason for this is the inherent time lag between the incurrence of the additional costs and its reflection in the facility's Medicaid reimbursement rate.
- b. **Projected Levels of Utilization:** The Applicant states, upon completion of the Project, the utilization of the sixty (60) PRTF beds at the Bagley Campus and the twenty (20) PRTF beds at the Powers Campus will collectively be ninety percent (90%) for the first, second, and third years of operation. CARES submits, according to the *FY 2022 MSHP*, the average occupancy rate of existing PRTFs in the State for *FY 2020* was 93.59%.
- c. **Financial Feasibility Study:** The application contains a letter from CARES' Chief Financial Officer attesting to the financial feasibility of the Project.
- d. **Financial Forecasts:** The Applicant states the financial forecast for years 1, 2, and 3 deviate from prior financial statements primarily due to the highly specialized PRTF services that will be provided to youth with high acuity

levels residing on the Powers Campus.

- e. Means of Covering Expenses in Event of Failure to Meet Projections:** The Applicant asserts CARES, MCHS, and Mississippi Children's Home Services are affiliates, and the organizations have sufficient cash reserves in the event the projected revenues are lower than expected.
- f. Impact of Proposed Project on Health Care Cost:** The Applicant states the Project will have minimal, if any, impact on the cost of health care in Mississippi or on Medicaid. The Applicant further states Medicaid reimburses more than ninety-nine percent (99%) of the treatment and care given to the current residents of the Bagley and Powers Campuses.

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

- a. Access by Population Served:** The Applicant asserts designating each of its campuses for children and adolescents by levels of acuity fills a need to provide the residents with a safe and secure environment. The Applicant states CARES will, upon implementation of the Project, designate: (i) its sixty (60) bed Bagley Campus for children and adolescents who have an acuity level lower than those who exhibit very high acuity levels of mental disorders and aggressive and dangerous behavior, and (ii) its twenty (20) bed Powers Campus for adolescents who have very high acuity levels and often represent a danger to themselves and others and thus are housed in single-occupancy rooms.

The Applicant states all children and adolescents under the age of eighteen (18) who need therapeutic psychiatric residential treatment and care, including low-income persons (or persons from low-income families), racial and ethnic minorities, girls, handicapped persons, and other underserved groups, have and will continue to have access to the PRTF services provided by CARES. The Applicant states these services are not offered to the elderly because of the nature of PRTF services.

- b. Relocation of Services:** The Applicant proposes the relocation of twenty (20) PRTF beds, held in abeyance, from the Gulf Coast to Jackson. Although the Applicant no longer provides PRTF services on the Gulf Coast, CARES states it will retain its presence along the Gulf Coast and will continue providing statewide solutions including MYPAC, Wraparound, in-CIRCLE, and LINK services. In addition, the Applicant states Canopy operates a Behavioral Health Clinic in Gulfport and South Mississippi Child Advocacy Centers with locations in Gulfport and Pascagoula.
- c. Current and Projected Utilization of Comparable Facilities:** The Applicant asserts any impact on other PRTF providers will be minimal, considering the target population is high acuity patients that are often not currently being served in residential settings. The Applicant states the

projected utilization rates for CARES, including the relocated PRTF beds, are reasonable and comparable to the occupancy rates of other existing PRTFs. According to the *FY 2022 MSHP*, the occupancy rates of all PRTFs in the State ranged from 86.00% to 99.75% for FY 2020.

- d. Probable Effect on Existing Facilities in the Area:** The Applicant states, given the extremely high occupancy rates of existing PRTFs in the State and the anticipated increase in the need for PRTF services, there is a need to bring the twenty (20) PRTF beds currently in abeyance into service. Furthermore, the Applicant asserts, although the planning area for PRTF services is a statewide, the seven (7) private PRTFs in the State are not proximally sited so any overlap in their patient service areas is minor.
- e. Community Reaction:** The application contains six (6) letters of support from the Mississippi Department of Mental Health, Rankin County Juvenile Justice Center, and other mental health providers.

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

- a. Access to Services.** The Applicant states all residents of the health planning service area, hospital service area, or patient service area have access to the services.
  1. The Applicant submits CARES provides and will continue to provide PRTF services to all children ages 6-17 in need of psychiatric residential treatment, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, girls, boys, and handicapped children and adolescents.
  2. The Applicant further certifies all children and adolescents ages 6-17 who are in need of psychiatric residential treatment, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, girls, boys, and handicapped children and adolescents, have and will continue to have access to the PRTF services offered at the Bagley Campus and the Powers Campus.
  3. The Applicant states most all PRTF services provided by CARES is covered by Medicaid. The Applicant states CARES does not separate bad debt, charity care, and care for medically indigent patients.

**Gross Patient Revenue**

|                      | Medically Indigent / Charity Care(%) | Medically Indigent/Charity Care (\$) |
|----------------------|--------------------------------------|--------------------------------------|
| Historical Year 2020 | 0%                                   | \$0.00                               |
| Historical Year 2021 | 0%                                   | \$0.00                               |
| Projected Year 1     | Less than 1%                         | \$25,000.00                          |
| Projected Year 2     | Less than 1%                         | \$50,000.00                          |

- b. Existing Obligations:** The Applicant states CARES has no existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. Unmet Needs of Medicare/Medicaid and Medically Indigent Patients:** The Applicant states nearly all PRTF services provided to children and adolescents who receive and will receive treatment and care at the Bagley Campus and the Powers Campus are covered by Medicaid.
- d. Access to Proposed Facility:** The Applicant submits PRTF services are designed for and provided to children and adolescents. The Applicant states CARES does not discriminate against any child or adolescent in need of treatment and care based on ability to pay, race, ethnicity, or physical handicap.
- e. Access Issues:**
  - i. Transportation and Travel:** The Applicant submits both the Bagley Campus and the Powers Campus are located on North West Street in Jackson and are easily accessed from Interstate I-55 off the Woodrow Wilson exit.
  - ii. Restrictive Admissions Policy:** The application contains a copy of the Admissions Policy which does not restrict admissions.
  - iii. Access to Care by Medically Indigent Patients:** CARES estimates less than 3-4% of its deductions from gross patient revenue will be derived from care provided to medically indigent/charity care patients. The Applicant states Medicaid reimburses for virtually all treatment provided to children and adolescents in need of PRTF services.
  - iv. Operational Hours of Service:** CARES states the regular hours of operation of the Facility are twenty-four (24) hours per day, seven (7) days a week.

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

CARES affirms it will record and maintain the information required under General Review Criterion 7, regarding charity care, care to the medically indigent, and Medicaid populations, and will make it available to MSDH within fifteen (15) business days of request.

### **GR Criterion 8 - Relationship to Existing Health Care System**

- a. Comparable Services.** The Applicant states, although the planning area for PRTF services is statewide, the existing PRTFs are not in close proximity to CARES. The Applicant also notes, although Crossroads-Brentwood is within the Tri-county Area, it is currently licensed for only sixteen (16) PRTF beds and had an occupancy rate of ninety percent (90%) in FY 2020 (see Table 3-3, *FY 2022 MSHP*). The Applicant submits, upon completion of the Project, CARES will be able to: (i) separate younger children who are in or are age-appropriate for grades 1-6 from adolescents who are in or are age-appropriate for grades 7-12, (ii) separate the boys from the girls as appropriate, and (iii) separate those with high acuity levels from those who are considered traditional PRTF residents.
- b. Effect on Existing Health Services**
  - i. Complement Existing Services:** The Applicant states the Project will have no adverse impact or effect on the existing health care system. The Project will complement existing health services as the Applicant notes the need for children's behavioral and mental health services has increased significantly.
  - ii. Provide Alternative or Unique Service:** The Applicant submits the Project will provide PRTF services to often overlooked children and adolescents in need of high acuity levels of care.
  - iii. Provide a service for a specified target population:** The Applicant states the Project will provide services for children and adolescents in need of psychiatric residential treatment.
  - iv. Provide services for which there is an unmet need:** The Applicant states the Project will provide services for those adolescents who are often denied admission into a PRTF because of their high acuity levels and extremely aggressive behavior and for those who can be a danger to themselves and others.
- c. Adverse Impact.** The Applicant submits failure to implement this Project will result in denying children and adolescents better access to necessary treatment and care.

- d. **Transfer/Referral/Affiliation Agreements.** The application contains a list of twenty-one (21) transfer/referral/affiliation agreements.

#### **GR Criterion 9 - Availability of Resources**

- a. **New Personnel.** The Applicant indicates it will need 59.5 additional new personnel to operate the additional twenty (20) beds. The Applicant states CARES is confident that it will have no issues hiring needed staff. The Applicant states CARES will utilize normal recruiting practices to fill available positions, including placing ads in local newspapers and other publications.
- b. **Contractual Services.** The application contains a list of eleven (11) clinically related contractual services purchased by CARES.
- c. **Existing Facilities or Services.** The Applicant states the number of full-time employees at CARES is within an acceptable range required to provide quality health care. The Applicant states CARES has a satisfactory staffing history for its Jackson PRTF.
- d. **Alternative Uses of Resources.** The Applicant states there is no better use of the resources CARES has committed to using in order to implement the Project.

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

- a. **Support and Ancillary Services.** The Applicant asserts all necessary support and ancillary services are available.
- b. **Changes in Costs or Charges.** The Applicant states any increases in charges for existing services will occur as a result of the enhanced and specialized treatment and care provided to residents with high acuity levels and inflationary and reimbursement issues. Further, the Applicant states any increase in operating costs will be primarily due to hiring additional employees.
- c. **Accommodation of Changes in Cost or Charges.** The Applicant states CARES anticipates increased patient revenue.

#### **GR Criterion 11 – Health Professional Training Programs**

The Applicant affirms CARES has in place a clinical education placement agreement with the University of Mississippi Medical Center's School of Nursing.

### **GR Criterion 12 – Access by Health Professional Schools**

The Applicant states CARES will consider each request made by health professional training programs located within the service area.

### **GR Criterion 13 – Access by Individuals Outside Service Area**

The Applicant notes the State as a whole is considered the planning area for PRTF services. The Applicant affirms, based on the availability of an age-appropriate bed, PRTF services will be available to any child or adolescent who needs therapeutic psychiatric residential treatment and care.

### **GR Criterion 14 - Construction Projects**

The Applicant states the proposed residential Cottages have been designed to create a secure, nurturing, and homelike environment and will have the same floor plan as the existing three (3) Cottages. The Applicant states each Cottage, with 5,107 square feet of space, will be constructed of brick and fiber cement siding including a front porch with sitting areas, centered around a large open dayroom that will simulate a family room with a vaulted ceiling, have a television-viewing area and tables for games, study, or conversation, and will also have sitting areas. The kitchen and dining areas will be adjacent to one another, and the dining area will be large enough to seat twelve (12) persons. On the opposite side, will be the nurses' station office, multi-sensory office, and a quiet room. Each of the five (5) bedrooms in each Cottage will be arranged to be open and in close proximity to the nurses' station. The Applicant states included in each Cottage will be two (2) bathrooms that are compliant with the Americans with Disabilities Act, a laundry/utility room, med prep room, and storage areas.

The Applicant states, because the new Cottages will be constructed on the existing Bagley Campus, some of the site work has already been accomplished. The Applicant states the renovation to the Powers Residence will consist of the conversion of seventeen (17) double-occupancy bedrooms to seventeen (17) single-occupancy bedrooms with private bathrooms. The renovation will consist of renovating one (1) of the wings on the first floor to accommodate seven (7) additional single-occupancy bedrooms, which will result in twenty-four (24) bedrooms with twenty (20) licensed PRTF beds and will provide the Powers Campus with additional rooms to be used, as appropriate, for sick residents, as seclusion rooms, as quiet rooms, and as swing beds for a limited time, if necessary.

The Applicant states the six (6) acre Powers Campus is currently enclosed by an 8-foot wooden fence that will be replaced with an 8-foot wooden fence reinforced with iron. In addition, the Applicant states, as with the Bagley Campus, a back-up well will be provided.

The Applicant admits the Project's construction and renovation costs per square foot are higher than most other projects. However, the Applicant asserts the

formula required was not formulated to adjust for the type of construction necessary for a PRTF. According to the Applicant, the square footage for the construction on the Bagley Campus is for three (3) totally separate Cottages, each of which requires four (4) exterior reinforced walls, utilities going to each structure, reinforced walls to house PRTF residents, and other specialized construction to meet the needs of the youth who will occupy the Cottages. In addition, the Applicant states a large contingency fee has been added to the cost of the Project to provide for the large fluctuation and soaring costs of building materials.

### **GR Criterion 15 – Competing Applications**

There are no competing applications on file with the Mississippi State Department of Health for the Relocation of PRTF Beds and the Construction/Renovation of a PRTF.

### **GR Criterion 16 - Quality of Care**

- a. Past Quality of Care.** The Applicant submits CARES has a history of providing high quality care to the children and adolescents who receive care and treatment at its Bagley Campus and its Powers Campus. The Applicant further states it has in place a quality improvement program, the purpose of which is to ensure the delivery of the highest quality care to its residents in the most efficient and effective manner.
- b. Improvement of Quality of Care.** The Applicant asserts separating the Facility's residents in accordance with acuity levels will provide an environment that is conducive to the better treatment and care of vulnerable children. Furthermore, the Applicant states the Cottages will allow for a more family-like environment that enhances the therapy environment that CARES promotes.
- c. Accreditations and/or Certifications.** The Applicant submits CARES is accredited by the Joint Commission and is certified to provide care to children and adolescents who are entitled to care through the Medicaid program.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

| Cost Item                        | Projected Cost          | Percentage of Cost (%) |
|----------------------------------|-------------------------|------------------------|
| Construction – New               | \$ 3,671,798.00         | 35.80%                 |
| Construction (Renovation)        | 713,538.00              | 6.96%                  |
| Capital Improvement              | 0.00                    | 0.00%                  |
| Fixed Equipment                  | 0.00                    | 0.00%                  |
| Non-fixed Equipment              | 1,488,579.00            | 14.51%                 |
| Land Cost                        | 0.00                    | 0.00%                  |
| Site Preparation                 | 1,211,185.00            | 11.81%                 |
| Fees (Architectural)             | 959,547.00              | 9.36%                  |
| Capitalized Interest             | 0.00                    | 0.00%                  |
| Contingency Reserve              | 1,733,584.00            | 16.90%                 |
| Other Building Costs             | 428,762.00              | 4.18%                  |
| Legal and Accounting Fees        | 50,000.00               | 0.49%                  |
| <b>Total Capital Expenditure</b> | <b>\$ 10,256,993.00</b> | <b>100.00%</b>         |

**B. Method of Financing**

The Applicant proposes to finance the project with gifts and private foundation investments.

**C. Effect on Operating Cost**

The Hospital's three-year projected operating statement is presented at Attachment 1.

**D. Cost to Medicaid/Medicare**

The Applicant projects gross patient revenue cost to third party payors as follows (Project Only).

| Payor Mix           | Utilization Percentage (%) | First Year Revenue (\$) |
|---------------------|----------------------------|-------------------------|
| <b>Medicare</b>     | 0.00%                      | \$ 0.00                 |
| <b>Medicaid</b>     | 98.00%                     | 1,277,400.00            |
| <b>Commercial</b>   | 0.00%                      | 0.00                    |
| <b>Self Pay</b>     | 0.00%                      | 0.00                    |
| <b>Charity Care</b> | 2.00%                      | 25,000.00               |
| <b>Other</b>        | 0.00%                      | 0.00                    |
| <b>Total</b>        | <b>100.00%</b>             | <b>\$1,302,400.00</b>   |

## **V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. A letter dated September 28, 2022, states the Division has no opinion on this Project.

The application contains a letter from the Department of Mental Health ("DMH"), dated September 16, 2022, indicating DMH is in full support of CARES' application for PRTF services in Jackson.

## **VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the policy statements, criteria, and standards for psychiatric residential treatment facility beds/services as contained in the *FY 2022 Mississippi State Health Plan, Second Edition*, the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision*, and the duly 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 CARES, Inc. d/b/a Canopy Children's Solutions for the Relocation of Psychiatric Residential Treatment Facility Beds and the Construction/Renovation of a Psychiatric Residential Treatment Facility.

**Attachment 1**

| <b>CARES, Inc. d/b/a Canopy Children's Solutions<br/>Relocation of PRTF Beds and Construction/Renovation of a PRTF<br/>Three-Year Operating Statement (Project Only)</b> |                          |                        |                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------|------------------------|
|                                                                                                                                                                          | Year 1                   | Year 2                 | Year 3                 |
| <b>Revenue</b>                                                                                                                                                           |                          |                        |                        |
| Patient Revenue:                                                                                                                                                         |                          |                        |                        |
| Inpatient                                                                                                                                                                | \$ 1,302,400.00          | \$3,468,800.00         | \$3,885,000.00         |
| Outpatient                                                                                                                                                               | 0.00                     | 0.00                   | 0.00                   |
| <b>Gross Patient Revenue</b>                                                                                                                                             | <b>\$ 1,302,400.00</b>   | <b>\$3,468,800.00</b>  | <b>\$3,885,000.00</b>  |
| Charity Care                                                                                                                                                             | 25,000.00                | 50,000.00              | 50,000.00              |
| Deductions from Revenue                                                                                                                                                  | 67,365.00                | 284,425.00             | (1,383,627.00)         |
| <b>Net Patient Revenue</b>                                                                                                                                               | <b>\$ 1,210,035.00</b>   | <b>\$3,134,376.00</b>  | <b>\$5,218,627.00</b>  |
| Other Operating Revenue                                                                                                                                                  | 0.00                     | 0.00                   | 0.00                   |
| <b>Total Operating Revenue</b>                                                                                                                                           | <b>\$ 1,210,035.00</b>   | <b>\$3,134,376.00</b>  | <b>\$5,218,627.00</b>  |
| <b>Expenses</b>                                                                                                                                                          |                          |                        |                        |
| Operating Expenses:                                                                                                                                                      |                          |                        |                        |
| Salaries                                                                                                                                                                 | \$1,966,772.00           | \$ 2,305,772.00        | \$ 2,374,945.00        |
| Benefits                                                                                                                                                                 | 365,947.00               | 429,023.00             | 441,894.00             |
| Supplies                                                                                                                                                                 | 94,436.00                | 193,794.00             | 199,608.00             |
| Services                                                                                                                                                                 | 183,393.00               | 405,952.00             | 418,131.00             |
| Lease                                                                                                                                                                    | 0.00                     | 0.00                   | 0.00                   |
| Depreciation                                                                                                                                                             | 0.00                     | 0.00                   | 0.00                   |
| Interest                                                                                                                                                                 | 0.00                     | 0.00                   | 0.00                   |
| Other                                                                                                                                                                    | 196,501.00               | 393,000.00             | 404,790.00             |
| <b>Total Expenses</b>                                                                                                                                                    | <b>\$ 2,807,049.00</b>   | <b>\$3,727,541.00</b>  | <b>\$ 3,839,367.00</b> |
| <b>Net Income (Loss)</b>                                                                                                                                                 | <b>\$ (1,597,014.00)</b> | <b>\$ (593,166.00)</b> | <b>\$ 1,379,260.00</b> |
| <b>Assumptions</b>                                                                                                                                                       |                          |                        |                        |
| Inpatient days                                                                                                                                                           | 2,265                    | 5,550                  | 5,550                  |
| Outpatient days                                                                                                                                                          | 0                        | 0                      | 0                      |
| Procedures                                                                                                                                                               | 0                        | 0                      | 0                      |
| Charge/inpatient day                                                                                                                                                     | \$ 575.00                | \$ 625.00              | \$ 700.00              |
| Charge per outpatient                                                                                                                                                    | \$ 0.00                  | \$ 0.00                | \$ 0.00                |
| Charge per procedure                                                                                                                                                     | \$ 0.00                  | \$ 0.00                | \$ 0.00                |
| Cost per inpatient day                                                                                                                                                   | \$ 1,239.00              | \$ 672.00              | \$ 692.00              |
| Cost per outpatient day                                                                                                                                                  | NA                       | NA                     | NA                     |
| Cost per procedure                                                                                                                                                       | N/A                      | N/A                    | N/A                    |

**Attachment 2  
 Construction Cost Computation**

| <b><u>Cost Component</u></b>              | <b><u>Total</u></b> | <b><u>New<br/>Construction</u></b> | <b><u>Renovation</u></b> |
|-------------------------------------------|---------------------|------------------------------------|--------------------------|
| New Construction Cost                     | \$3,671,798         | \$3,671,798                        | \$0                      |
| Renovation Cost                           | \$713,538           | \$0                                | \$713,538                |
| Total Fixed Equipment Cost                | \$0                 | \$0                                | \$0                      |
| Total Non-Fixed Equipment Cost*           | \$1,488,579         | \$0                                | \$0                      |
| Capital Improvement                       | \$0                 | \$0                                | \$0                      |
| Land Cost                                 | \$0                 | \$0                                | \$0                      |
| Site Preparation Cost                     | \$1,211,185         | \$1,211,185                        | \$0                      |
| Fees (Architectural, Consultant, etc.)    | \$959,547           | \$779,440                          | \$180,107                |
| Contingency Reserve                       | \$1,733,684         | \$1,408,272                        | \$325,412                |
| Capitalized Interest*                     | \$0                 | \$0                                | \$0                      |
| Other Building Costs*                     | \$428,762           | \$0                                | \$0                      |
| Other Project Development Costs*          | \$50,000            | \$0                                | \$0                      |
| <b>Total Proposed Capital Expenditure</b> | <b>\$10,256,993</b> | <b>\$7,070,695</b>                 | <b>\$1,219,057</b>       |
| Square Footage                            | 18,861              | 15,321                             | 3,540                    |
| <b>Cost Per Square Foot</b>               | <b>\$439.52</b>     | <b>\$461.50</b>                    | <b>\$344.37</b>          |

**\*Note: These cost components are not included in the new construction and renovation cost calculations.**