

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

MAY 11, 2023

**CON REVIEW NUMBER: HR-ESRB-0323-005
ENCOMPASS HEALTH REHABILITATION HOSPITAL OF GULFPORT, LLC
D/B/A ENCOMPASS HEALTH REHABILITATION HOSPITAL, A PARTNER OF
MEMORIAL HOSPITAL AT GULFPORT
TWELVE (12) BED EXPANSION AND RENOVATION PROJECT
CAPITAL EXPENDITURE: \$5,954,138.00
LOCATION: GULFPORT, HARRISON COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Encompass Health Rehabilitation Hospital of Gulfport, LLC d/b/a Encompass Health Rehabilitation Hospital of Gulfport (“Encompass Gulfport”), is a limited liability company formed under the laws of the State of Delaware and registered with the State of Mississippi on December 21, 2016. According to the application, Encompass Gulfport is a joint venture between Encompass Health Corporation (“Encompass” or “Encompass Health”), a national leader in inpatient rehabilitation services with 146 inpatient rehab hospitals in thirty-five (35) states and Puerto Rico, and Memorial Hospital of Gulfport (“Memorial Gulfport”), a not-for-profit healthcare system in Gulfport. Jointly owned by the City of Gulfport and Harrison County, the Applicant states Memorial Gulfport is a comprehensive healthcare system with two hospital facilities, licensed for a total of 328 beds; three (3) outpatient surgery locations; a medical office building; outpatient diagnostic centers; more than 100 memorial Physician Clinics, and post-acute services including skilled nursing, long-term care, certified Alzheimer/Dementia unit, and continuous care community living; 5,000 employees and 400 physicians, providing care for over forty (40) specialties. Encompass Gulfport currently operates forty-three (43) comprehensive medical rehabilitation (“CMR”) beds in Gulfport, consisting of thirty-three (33) Level I CMR beds and ten (10) Level II CMR beds. Encompass Gulfport has five (5) board members and officers.

The application contains a Certificate of Good Standing from the Office of the Secretary of State, Jackson, Mississippi, indicating that as of February 22, 2023, Encompass Health Rehabilitation Hospital of Gulfport, LLC is in good standing with the State of Mississippi.

B. Project Description

Encompass Gulfport requests certificate of need (“CON”) authority to expand its

existing forty-three (43) bed comprehensive medical rehabilitation hospital by twelve (12) comprehensive medical rehabilitation (CMR) beds and renovate existing space within Memorial Hospital Gulfport to house the expansion (the "Project"). The Applicant asserts the proposed Project is in direct response to the Mississippi State Department of Health's calculated need for ten (10) Level I CMR beds and one (1) Level II CMR bed in Mississippi as reflected in the updated information provided by the Division of Health Planning and Resource Development, dated March 20, 2023. In addition to the eleven (11) beds identified by the Department's calculated need, Encompass Gulfport proposes to add one (1) additional Level I CMR bed under the Department's high utilization exception. Following the completion of the Project, Encompass Gulfport will have a total of fifty-five (55) CMR beds, consisting of forty-four (44) Level I CMR beds and eleven (11) Level II CMR beds.

The Applicant states the proposed Project will require 6,660 square feet of renovation on the fourth floor of Memorial Gulfport to house twelve (12) private rooms, each with a private patient toilet and shower room and associated support space, including a nursing station, and day use and recreation room. The Applicant asserts that the additional twelve (12) bed expansion will ensure that Encompass Gulfport can continue to provide specialized state-of-the-art rehabilitative care to patients recovering from a wide array of injuries and illnesses, including stroke, traumatic brain injury, spinal cord injury, amputations, orthopedic surgery or injury, cardiac episodes, pulmonary conditions, and neurological disorders.

Encompass Gulfport states that the facility design is patient-centered, with an emphasis on clinical outcomes, patient safety, and the use of state-of-the-art technology and innovation in caring for patients. In addition, the Applicant states that the proposed Project includes the following amenities:

- Twelve (12) private wheelchair-accessible patient rooms with accessible private bathrooms and sufficient space bedside for caregivers and family members to interact with the patient comfortably. In addition, all patient rooms are designed with the full capability of acute care inpatient rooms, e.g., headwalls and gases are incorporated into the design, reflecting the medical complexity of the patients served.
- All private rooms will have bedside dialysis service capabilities, with each room having a dialysis box equipped to provide supply and drain connections for the dialysis machines and will also include storage for the dialysis machines.

The Applicant states that patients in the unit will also benefit from Encompass Gulfport's existing programs, services, and facilities.

The Applicant states that Encompass Gulfport will comply with relevant state and local building codes, zoning ordinances, and/or appropriate regulatory authority.

Encompass Gulfport states that the Project will have fire sprinkler coverage throughout the entire building, including unoccupied spaces (attics, closets, etc.), in accordance with the NFPA 101 Life Safety Code 2012 Edition.

In addition, Encompass Gulfport 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.

Encompass Gulfport projects an additional 22.1 full-time equivalent (FTE) staff will be hired at an annual cost of \$2,029,236.00 for the first year.

The Applicant projects a total capital expenditure of \$5,954,138.00, as itemized in Section IV of this Staff Analysis. The Applicant states Encompass Health, the parent corporation, will fund the Project from its existing cash, cash flow operations, and funds available under its credit facility.

The application contained an organizational chart and a letter confirming the availability of funds for the proposed project. Encompass Gulfport expects to obligate capital expenditure within thirty (30) days of CON approval and anticipates the project will be complete within two (2) years of the Project's starting date.

The application contains a letter dated March 22, 2023, documenting the Division of Fire Safety and Construction, Bureau of Health Facilities Licensure and Certification's site approval for the CMR beds.

The Applicant states the final objectives for the project are: to increase the number of CMR beds in the state of Mississippi in direct response to the Department's identified need for additional beds, to locate those additional beds in a highly-utilized, high-quality provider in one of the state's largest and fastest growing counties; and to ensure that patients in need of CMR services in the Gulf Coast area can obtain CMR services promptly in an all-private, patient-centered facility using specialty-trained physicians and nursing staff to deliver proven, high-quality programs and services to rehabilitate and restore patients who are in need of, and who will benefit from inpatient rehabilitative care.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health ("MSDH") will review applications for a CON for the establishment, offering, or expansion of comprehensive medical rehabilitation beds and/or services under the statutory requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code of 1972, Annotated, as amended. MSDH will also review applications for Certificate of Need according to the general criteria listed in the *Mississippi Certificate of Need Review Manual*, all adopted rules, procedures, and plans of MSDH, and the specific criteria and standards listed below.

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 May 22, 2023, due to May 21, 2023, being a Sunday.

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* (“MSHP”) contains policy statements, criteria, and standards that the applicant is required to meet before receiving CON authority for the construction, establishment, offering, or expansion of comprehensive medical rehabilitation (“CMR”) beds and/or services. In addition, CMR services are reviewable if the proposed provider has not provided such services regularly within twelve (12) months before the time such services would be offered. This application substantially complies with the applicable policy statements, criteria, and standards stated in the MSHP and discussed below.

Policy Statements Regarding Certificate of Need Applications for Comprehensive Medical Rehabilitation Beds/Services

SHP Policy Statement 1 - Definition:

The Applicant recognizes this policy statement. Encompass Gulfport is a current provider of CMR services as defined in the MSHP.

SHP Policy Statement 2 - Planning Areas:

The Applicant acknowledges that the State shall serve as a single planning area for determining the need for CMR beds/services.

SHP Policy Statement 3 - CMR Services:

Level I - Level I CMR providers may provide treatment services for all rehabilitation diagnostic categories.

The Applicant currently provides treatment services for all rehabilitation diagnostic categories utilizing thirty-three (33) Level I CMR beds.

Level II - Level II CMR providers may provide treatment services for all rehabilitation diagnostic categories except (1) spinal cord injuries, (2) congenital deformity, and (3) brain injury.

Encompass Gulfport is currently licensed to operate ten (10) Level II CMR beds.

SHP Policy Statement 4 - CMR Need Determination:

MSDH shall determine the need for Level I CMR beds/services based upon a formula of 0.08 beds per 1,000 population for the state as a whole.

MSDH shall determine the need for Level II CMR beds/services based upon a formula of 0.0623 beds per 1,000 population for the state as a whole.

According to MSDH's formula and updated information, the Applicant states there is a need for ten (10) Level I CMR beds and one (1) Level II CMR bed in the State. See Table 6-3 in the 2022 MSHP for the current need for CMR Beds.

SHP Policy Statement 5 - Present Utilization of Rehabilitation Services:

The Applicant recognizes this Policy Statement.

SHP Policy Statement 6 - Minimum Sized Facilities/Units:

The Applicant currently operates forty-three (43) CMR beds.

SHP Policy Statement 7 - Expansion of Existing CMR Beds:

Encompass Gulfport proposes to expand by twelve (12) CMR beds. The Applicant asserts that Encompass Gulfport has maintained an occupancy rate of at least eighty percent (80%) for the most recent twelve (12) month period.

SHP Policy Statement 8 - Priority Consideration:

The Applicant recognizes this Policy Statement.

SHP Policy Statement 9 - Children's Beds/Services:

Encompass Gulfport does not intend to serve children.

SHP Policy Statement 10 - Other Requirements:

The Applicant recognizes this Policy Statement.

SHP Policy Statement 11 - Enforcement:

The Applicant acknowledges this Policy Statement.

SHP Policy Statement 12 - Addition/Conversion of Beds:

The Applicant recognizes this Policy Statement.

SHP Policy Statement 13 - Delicensed Beds:

This Policy Statement does not apply to the project proposed.

Encompass Gulfport asserts Encompass Gulfport's proposed twelve (12) bed expansion responded directly to the Department's identified need for additional CMR beds and is consistent with the Department's high utilization exception for additional beds. The Applicant states that the Project further recognizes and is consistent with the Department's standards and goals outlined in the Policy Statements.

State Health Plan Certificate of Need Criteria and Standards for Comprehensive Medical Rehabilitation Beds/Services

SHP Need Criterion 1: Projected Need

a. New/Existing CMR Beds/Services:

The Applicant affirms that this criterion does not apply to this project.

b. Projects which do not Involve the Addition of any CMR Beds:

This criterion does not apply to this application. The Applicant states that the proposed project is for the addition of twelve (12) beds to a highly utilized existing CMR hospital.

c. Projects which Involve the Addition of CMR Beds:

The Applicant states the Project meets this criterion in two (2) primary ways:

- The Project proposes adding eleven (11) total CMR beds in direct response to the Department's calculated need, as shown in Table 1 below.
- The Project proposes to add one (1) Level I CMR bed in direct response to the Department's high utilization exception because Encompass Gulfport has maintained an occupancy rate of at least eighty percent (80%) for the most recent twelve (12) month licensure reporting period, as shown in Table 2 below.

Table 1 Encompass Gulfport’s Project Directly Addresses the Department-Identified Need for Comprehensive Medical Rehabilitation Beds, FY 2020						
Level I	Estimated Population 2025	Approved CMR Beds	CMR Beds Needed	Difference	Approved CON Applications*	Remaining CMR Beds Needed
I	3,095,026	231	248	17	7	10
II	3,095,026	109	193	84	83	1

Source: EnSource: CON Application - Encompass Health Rehabilitation Hospital of Gulfport, LLC 12-Bed Expansion and Renovation Project, March 27, 2023.

*Approved CON Applications include Baptist Memorial Rehabilitation Hospital – Madison, LLC (3 Level I beds and 37 Level II beds; and Encompass Health Rehabilitation Hospital of Flowood, LLC (4 Level I beds and 46 Level II beds (currently on appeal).

Table 2 Encompass Gulfport’s Occupancy Far Exceeded the 80% Threshold For the Most Recent 12 Month Licensure Reporting Period							
Survey Year	Reporting Period	Beds	Admits	Inpatient Days	Discharges	Avg. Daily Census	Occupancy
2023	10/1/21-9/30/22	43	1,248	14,693	1,298	40.3	93.6%

Source: 2023 Hospital Annual Application for Encompass Health Rehabilitation Hospital of Gulfport. And CON Application – Encompass Health Rehabilitation Hospital of Gulfport, LLC -12-Bed Expansion and Renovation Project, March 27, 2023.

The Applicant states that the most recent monthly data shows that Encompass Gulfport continues to experience exceptionally high occupancy, as shown in Table 3 below:

Table 3 Encompass Gulfport Monthly Occupancy			
Monthly Data	Patient Days	ADC	% Occ.
October 2022	1,311	42.30	98.4%
November 2022	1,278	42.60	99.1%
December 2022	1,293	41.70	97.0%
January 2023	1,330	42.90	99.8%
February 2023	1,204	43.00	100.0%
Total	6.416	42.49	98.8%

Source: CON Application – Encompass Health Rehabilitation Hospital of Gulfport, LLC, 12-Bed Expansion and Renovation Project.

Encompass Gulfport is the best location for the proposed twelve (12) bed addition: The Applicant states the proposed twelve (12) bed expansion will be located in one of the state’s most highly utilized CMR facilities in one of the state’s largest and fastest growing counties. Thus, the Applicant believes that Encompass Gulfport is the optimal location in Mississippi for the remaining CMR Level I and Level II beds available under the *FY 2022 MSHP*, as corrected by the Department.

The Applicant states that since Encompass Health’s acquisition of Memorial Gulfport’s CMR beds in April 2017 and the formation of the joint venture that is now Encompass Gulfport, residents along the Gulf Coast have benefited from Encompass Health’s proven, high-quality programs, evidenced by Encompass Gulfport’s accreditations including, Joint Commission accreditation; The Joint Commission’s Gold Seal of Approval for Disease-Specific Care Certification in Stroke Rehabilitation and; Commission on Accreditation of Rehabilitation Facilities (“CARF”) accreditation.

The Applicant asserts that Encompass Gulfport’s proposed project will address the need for additional beds so the Applicant can admit and care for its current and proposed CMR patients in a timelier manner. The application includes figures and tables

regarding Population Data by County, 2020; Population Change by County, 2010 to 2020; Total Population by County, 2025 (Top 10 Ranking); and Harrison County Population Ages 65 and over in support of the Applicant's assertion.

d. Level II Trauma Centers:

The Applicant confirmed that this criterion does not apply to this project.

e. Conversion of Level II CMR Beds to Level I CMR Beds:

This criterion does not apply to this project.

SHP Need Criterion 2: Level 1 CMR Services

The Applicant submits Encompass Gulfport includes both Level I and Level II CMR beds; thus, the hospital provides state-of-the-art rehabilitative care to patients recovering from a wide array of injuries and illnesses. The Applicant states the proposed project complies with this need criterion, understands the distinction between Level I and Level II services that can be offered, and will provide the required information in the hospital's annual reporting to the Department. The specific programs and services offered by Encompass Gulfport are as follows:

- Stroke
- Brain Injury
- Spinal cord injury
- Neurological conditions
- Joint replacement
- Orthopedic
- Hip fracture
- Amputation
- Parkinson's Disease
- Multiple sclerosis
- Burns
- Pulmonary/respiratory
- Pain management

The Applicant submits that the success of these programs and services is largely due to the highly qualified and specially trained physicians and staff members who comprise a comprehensive, multidisciplinary team. The Applicant states that patients benefit not only from the extensive array and number of staff members at Encompass Health hospitals but also from the unique patient-centric programs staff members institute at their facilities to ensure patients receive high-quality care.

SHP Need Criterion 3: Staffing and Services

a. Freestanding Level I Facilities

This criterion is not applicable.

b. Hospital-Based Units

- i. Both Level I and Level II hospital-based units shall have a Director of Rehabilitation.** The Applicant states Encompass Gulfport has a Director of Rehabilitation who meets the stated requirements.
- ii. The following services shall be available full-time from designated staff: (1) Physical therapy; (2) Occupational therapy; and (3) Social services.** The Applicant states Encompass Gulfport provides the identified services by full-time designated staff members. The Applicant states Encompass utilizes a care management program nationwide that focuses on promoting effective communication and coordination across care settings to ensure a smooth transition from hospital to community and seamless integration of services. The Applicant states that all patients have a case manager assigned to them upon admission to provide care coordination and social services while the patient is in the hospital. The case manager also initiates discharge planning and begins coordinating services with the providers caring for the patient post-discharge.
- iii. Other services provided as required.** The Applicant states that Encompass Gulfport will comply with the requirements to offer other services that may be required, either by a consultant or on a contractual basis.

Comprehensive Medical Rehabilitation Bed Need Methodology

The determination of need for Level I CMR beds/services will be based on 0.08 beds per 1,000 population in the state for the year 2025. Table 6-3 in the 2022 MSHP presents Level I CMR bed need.

The determination of need for Level II CMR beds/services will be based on 0.0623 beds per 1,000 population in the state for the year 2025. Table 6-3 in the 2022 MSHP presents Level II CMR bed need.

The Applicant states that the Project directly responds to the following:

- The Department's identified need for additional CMR beds in the state, as discussed throughout the CON application.
- The Department's high utilization exception, as discussed throughout the CON application.

If the proposed project is to provide a new institutional service which is based on physician referrals, provide affidavits of commitment from the referring physicians that include the actual number of referrals from the prior year, the projected number of referrals and/or the number of procedures or treatments to be rendered.

The Applicant states that the project does not propose to provide a new institutional service.

B. General Review (GR) Criteria

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

GR Criterion 1- State Health Plan

The application was reviewed for consistency with the *FY 2022 Mississippi State Health Plan* in effect at the time of submission. The application substantially complies with the *FY 2022 Mississippi State Health Plan, Second Edition*.

GR Criterion 2 – Long Range Plan

The Applicant submits that the proposed project is consistent with the Applicant's goals of meeting the current and future needs of Mississippians for CMR services, including those residents in the Gulf Coast area who rely on the hospital for CMR services. The Applicant states that Encompass Health's management and referring physicians identified the need for additional CMR beds at the Applicant's facility because of numerous delays in admissions that patients and their physicians currently face due to Encompass Gulfport's high utilization.

GR Criterion 3 – Availability of Alternatives

- a. **Advantages and disadvantages:** The Applicant states Encompass Gulfport considered two alternatives: maintain the status quo (i.e., do nothing) or expand its highly utilized hospital to ensure that patients in need of CMR beds have access to beds close to home and promptly.

The Applicant states the status quo is unacceptable given the oft-cited delays in patient admissions to Encompass Gulfport in the letters of support and the less-than-optimal impact on patients whose admissions are delayed. The Applicant notes that not only are the CMR-appropriate patients awaiting admission to Encompass Gulfport's CMR facility negatively impacted by the delay in admissions, but also the general acute care patients who are in the Emergency Department or other services in need of an acute care bed.

Thus, the Applicant states that the only viable alternative is the expansion of an existing highly utilized CMR service located in one of the state's largest and fastest-growing counties.

- b. New construction projects:** The Applicant affirms that this item is not applicable.
- c. How the option selected most effectively benefits the health care system:** The Applicant submits that the proposed project will add needed CMR beds in a highly utilized program that is serving a large, growing, and aging population. The Applicant states that because Encompass Gulfport operates at capacity much of the time, patients in need of timely admission to its CMR program often are delayed admission, which negatively impacts both the patient in need of CMR services and the patients who are waiting on the occupied general acute care hospital bed. Therefore, the Applicant believes that the Project will benefit patients in need of CMR services as well as general acute care patients in need of the general acute care bed that the patient waiting on and available CMR bed is occupying.

The Applicant states at the same time that the Project will benefit general acute care hospitals by providing an appropriate post-acute care discharge setting for their patients who need and will benefit from intensive inpatient rehabilitative and restorative care.

- d. More effective and less costly alternatives:**
 - i. Unnecessary duplication of services:** The Applicant states there is no alternative to the Department's identified need for additional CMR beds.
 - ii. More efficient solution:** The Applicant affirms the project is a more efficient solution to the identified need, given the high utilization and patient delays in admission at Encompass Gulfport as described throughout the application and numerous support letters.
- e. Improvements and innovations:** The Applicant submits Encompass Gulfport's expansion will ensure patients in need of CMR services receive the hospital's proven high-quality programs and services, illustrated by the higher than national average quality outcomes at Encompass Gulfport.
- f. Relevancy.** The Applicant asserts the proposed project will be in Encompass Gulfport, one of the state's most highly utilized CMR facilities in one of the state's largest and fastest growing counties.

GR Criterion 4 - Economic Viability

- a. **Proposed charges for and profitability of the proposed service:** The Applicant states charges are based on Encompass' experience and in consideration of its experience regionally and nationally. In addition, the Applicant states that expected profitability was determined by measuring expected reimbursement alongside expected costs, including staffing and supply costs.
- b. **Reasonably consistency of projected levels of utilization:** The Applicant states the projected utilization level is consistent with the need level of the service area, particularly considering that Encompass Gulfport is operating at capacity and must delay and sometimes deny patient admissions because they have too few beds.
- c. **Financial feasibility study:** The application contains a letter from the Controller, South Central Region of Encompass Health, attesting to the project's financial feasibility. In addition, the application contains Consolidated Financial Statements of Encompass Health, indicating sufficient funds are available to fund the project.
- d. **Deviation of financial forecasts from a three-year historical period:** The Applicant asserts this item is not applicable.
- e. **In event the project fails:** The Applicant asserts Encompass Health has ample existing cash, cash flow from operations, and funds available under its existing credit facility to offer more than adequate funds for the proposed project and to cover expenses incurred by the proposed project if the project fails to meet projected revenues.
- f. **Impact of proposed project on health care cost:** The Applicant does not expect any significant impact on the cost of CMR services because of the proposed project. The Applicant states that the proposed project will not have a material impact on Medicaid since the primary patient population of CMR services is Medicare.

GR Criterion 5 - Need for the Project

- a. **Need of population to be served:** The Applicant asserts the need for the proposed twelve (12) bed expansion has been documented previously in the application and responds directly to the Department's identified Level I and Level II CMR beds in Mississippi and the high utilization exception for facilities that exceed the 80% occupancy threshold for the most recent licensure survey year.

The Applicant states Encompass Gulfport serves all medically appropriate patients in need of CMR services, including low-income persons, racial and ethnic minorities, women, disabled persons and other underserved groups,

and the elderly. The Applicant states Encompass Gulfport will continue to make CMR services available to all patients, including underserved groups.

- b. Relocation of services:** This criterion is not applicable.
- c. Current and projected utilization of like facilities:** The Applicant submits the justification of the need for the proposed expansion is two-fold: First, the Department-identified need for eleven (11) total CMR beds under the current MSHP. Second, the Department’s recognition that highly utilized providers such as Encompass Gulfport may need to add beds to accommodate its current and projected patients. In addition, the Applicant states the need for the proposed expansion is supported by the experience of physicians located in and/or serving patients in Harrison County who have discussed the need for the proposed expansion in their letters of support.

The projected utilization of CMR services in Mississippi are shown below, as provided in the *FY 2022 State Health Plan*.

**Hospital-Based Level I CMR Units
 FY 2020**

Facilities	Licensed Bed Capacity	Average Daily Census	Average Length of Stay	Occupancy Rate (%)
Baptist Memorial Hosp.– DeSoto	30 24	15.45 6.76	11.51 11.26	51.51 28.16
Delta Reg. Med. Ctr.-W. Campus	43 26	32.40 18.49	11.70 13.75	98.00 71.11
Encompass Health Rehab. Hosp.	80 30	53.22 24.65	15.52 13.92	66.52 82.17
Forrest General Hospital Miss. Methodist Rehab. Center North Miss. Medical Center				
State Total	233	25.16	12.94	66.25

Source: Applications for Renewal of Hospital License, FY 2020 Annual Hospital Report.

**Hospital-Based Level II CMR Units
 FY 2020**

Facilities	Licensed Bed Capacity	Average Daily Census	Average Length of Stay	Occupancy Rate (%)
Baptist Memorial Hosp. N. MS	13	5.84	10.19	44.95%
Greenwood Leflore Hospital	20	10.50	12.12	52.49%
Merit Health Natchez	20	7.92	11.51	39.60%

Anderson Reg. Med. Center-S	20	13.88	10.78	69.38%
Singing River Hospital	20	15.56	11.64	77.79%
State Total	93	10.74	11.25	56.84%

Source: Applications for Renewal of Hospital License, FY 2020 Annual Hospital Report.

- d. **Probable effect on existing facilities in the area:** The Applicant asserts Encompass Gulfport’s proposed expansion is needed to ease capacity constraints at its existing facility and ensure timely admission of patients in need of its high-quality services, as well as accommodate expected increasing CMR admissions due to the large growing and aging population in its home county.
- e. **Community reaction:** The application contains eighteen (18) letters of support from physicians, healthcare providers, and community leaders.

GR Criterion 6 - Accessibility

- a. **Extent to which medically underserved populations are expected to use the proposed services:** The Applicant certifies that all residents of the health planning service area, hospital service area, or patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, disabled persons, and the elderly will have access to the services proposed.

The following table shows the projected percentage of gross patient revenue and the actual dollar amount of health care proposed to be provided to medically indigent patients.

	Medically* Indigent (%)	Medically Indigent (\$)	Charity Care (%)	Charity Care (\$)
Historical Year 2021	0.2%	\$ 60,190.00	N/A	N/A
Historical Year 2022	0.3%	\$106,029.00	N/A	N/A
Projected Year 1	0.3%	\$135,725.00	N/A	N/A
Projected Year 2	0.3%	\$147,241.00	N/A	N/A

- b. **Existing obligations under federal regulation:** The Applicant certifies this criterion does not apply to this project.
- c. **Unmet Needs of Medicare/Medicaid and Medically Indigent Patients:** The Applicant submits that although the very nature of CMR services means that most patients are Medicare, Encompass Gulfport will treat all patients regardless of payor source.

d. Extent to which unmet needs of Medicare, Medicaid, and medically indigent patients are proposed to be served: The Applicant submits Encompass Gulfport accepts all patients in need of CMR services regardless of payor status or financial ability to pay. The Applicant states that patients must be referred by a physician and evaluated for clinical appropriateness before admission to Encompass Gulfport.

e. Access Issues

i. Transportation and travel issues: The Applicant submits Encompass Gulfport is easily accessible via U.S. Highways 90 and 49.

ii. Restrictive admissions policy: The application contains a copy of Encompass Gulfport's Admissions Policy which does not restrict admissions.

iii. Access to Care by Medically indigent patient: The Applicant certifies that Encompass Gulfport will treat all appropriate patients in need of CMR services, regardless of their ability to pay.

iv. Hours Per Week of Operation: The Applicant certifies Encompass Gulfport will operate twenty-four (24) hours per day, seven (7) days per week.

GR Criterion 7 - Information Requirement

The Applicant affirms Encompass Gulfport will record and maintain the information required by this criterion regarding charity care and care to the medically indigent and Medicaid populations and will make it available to the Department within fifteen (15) business days of its request.

GR Criterion 8 - Relationship to Existing Health Care System

a. Existing and comparable services within the proposed Service Area: The Applicant states most of Encompass Gulfport's patients are residents of Harrison County, the Applicant's home county, and a county in which the Applicant is the sole provider of CMS services. The Applicant states that patients who rely on Encompass Gulfport for their CMR services often experience delayed admission due to a lack of an available bed or, in some instances, forced to choose a lower level of care because no CMR beds are available. Therefore, the Applicant states that Encompass Gulfport's target population is those patients who need and would benefit from intensive rehabilitation services but have been unable to receive that care because there were no available and accessible beds. The Applicant states the closest CMR programs beyond Harrison County are Singing

River Hospital, approximately forty-four (44) miles from the Applicant, and Forrest General Hospital, approximately seventy (70) miles from the Applicant.

b. How the proposed project will affect existing health services

- i. Complement existing services:** The Applicant states the proposed project will complement existing services in two primary ways: 1) by ensuring the state has a sufficient number of CMR beds to meet the Department-identified need for additional beds and thus enabling Encompass Gulfport to admit patients in need of CMR service in a timely manner and; 2) by benefitting general acute care hospitals by providing an appropriate post-acute care discharge setting for their patients who need and will benefit from intensive inpatient rehabilitative and restorative care.
- ii. Provide alternative or unique service:** The Applicant states there is no alternative to the proposed Project.
- iii. Provide a service for a specified target population:** The Applicant states Encompass Gulfport will admit all patients appropriate for placement in a CMR facility regardless of the admission source and without regard to the patient's ability to pay. The Applicant states that all CMR patients must be medically stable and be able to tolerate three (3) hours of therapy per day, at a minimum.
- iv. Provide services for which there is an unmet need:** The Applicant submits the project in direct response to the Department's calculated need for additional CMR beds and in response to the recognition that high utilization providers with occupancy greater than 80% for the most recent year have a need for additional beds to ensure timely access to their specialized services.

- c. Adverse impact due to failure to implement the proposed project:** The Applicant asserts that not only will patients and their families who rely on Encompass Gulfport be adversely impacted if the project is not approved, but general acute care hospitals will also be impacted because they will have to continue delaying patients' discharge to a CMR facility because Encompass Gulfport is often at capacity.

Further, the Applicant states that the inappropriate placement of patients who need and would benefit from, CMR services results in those patients receiving less intensive care and means that those patients have a higher likelihood of general acute care hospital readmission and/or emergency department visits in the short term, and less independence, higher mobility, and mortality in the mid-to longer-term.

- d. **Transfer/referral/affiliation agreements:** The Applicant submits Encompass Gulfport has a patient transfer agreement with Memorial Hospital at Gulfport, the hospital in which its CMR facility is located.

GR Criterion 9 - Availability of Resources

- a. **Availability of new personnel:** The Applicant anticipates Encompass Gulfport will successfully recruit needed staff without impacting any existing providers because it utilizes Encompass' existing innovative approaches to recruit and retain staff members at their hospital facilities, including affiliations with colleges and universities throughout Mississippi, the southeast, and the nation. The Applicant asserts Encompass' experience in recruiting and retaining highly skilled, rehab-specific employees will ensure the proposed Project will be able to hire and retain professional, administrative, and paramedical personnel as needed and to do so in a manner that does not adversely impact any existing provider of CMR services.
- b. **Clinically related contractual services:** The Applicant listed thirteen (13) clinically related contractual services currently being purchased by the Applicant.
- c. **Satisfactory staffing history:** The Applicant asserts that Encompass Gulfport has demonstrated a satisfactory staffing history as evidenced by its accreditation by the Joint Commission and CARF.
- d. **Alternative uses of resources:** The Applicant states Encompass Gulfport exclusively provides CMR services.

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. **Ancillary services.** The Applicant states Encompass Gulfport has all necessary support and ancillary services to support the proposed twelve (12) bed expansion project.
- b. **Changes in costs or charges.** The Applicant asserts there will be no material change in costs or charges because of the proposed project.
- c. **Accommodation of changes in cost or charges.** The Applicant asserts that this criterion is not applicable.

GR Criterion 11 – Health Professional Training Programs

The Applicant states Encompass works with local universities, colleges, and technical schools to establish clinical teaching affiliations to provide physical therapy, occupational therapy students, speech-language pathology students,

medical and nursing students, and pharmacy students the opportunity to participate in clinical and technical rotations at Encompass hospitals. In addition, the Applicant states that Encompass hospitals across the nation continually engage in primary research to determine the best practices and protocols for a variety of diagnoses so that patients will always have the highest level of outcomes and quality of care.

GR Criterion 12 – Access by Health Professional Schools

The Applicant states Encompass Health has affiliations with universities and colleges throughout the United States.

GR Criterion 13 – Access by Individuals Outside Service Area

The Applicant states Encompass Flowood expects most of its patients to reside in the service area, which for CMR services is the state of Mississippi.

GR Criterion 14 - Construction Projects

The Applicant proposes to renovate 6,660 square feet of space for \$677.76 per square foot.

GR Criterion 15 – Competing Applications

The Mississippi State Department of Health does not have on file competing applications for a twelve (12) bed expansion of CMR beds.

GR Criterion 16 - Quality of Care

- a. **Past quality of care:** The Applicant asserts this criterion is not applicable.
- b. **Improvement of quality of care:** The Applicant asserts the proposed project will ensure that patients who need and would benefit from, CMR services receive those services promptly.
- c. **Accreditations and/or certifications held:** The Applicant submits Encompass Gulfport, a sister facility to the proposed Encompass Flowood, is Joint Commission accredited, has The Joint Commission's Seal of Approval for Disease-Specific Care Certification in stroke rehabilitation, and is CARF accredited.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage of Cost (%)
Construction – New	\$ 0.00	0.00%
Construction (Renovation)	3,524,628.00	59.20%
Capital Improvement	0.00	0.00%
Fixed Equipment	375,000.00	6.30%
Non-fixed Equipment	800,000.00	13.44%
Land Cost	0.00	0.00%
Site Preparation	0.00	0.00%
Fees (Architectural)	636,800.00	10.70%
Capitalized Interest	0.00	0.00%
Contingency Reserve	352,463.00	5.90%
Other (Permits, Local & State Fees)	40,247.00	0.68%
Other Costs (Pre-opening & CON)	225,000.00	3.78%
Total Capital Expenditure	\$ 5,954,138.00	100.00%

B. Method of Financing

The Applicant proposes to finance the project with related company financing.

The application contains Consolidated Financial Statements of Encompass Health Corporation and its Subsidiaries, indicating sufficient funds were on hand at the end of 2022 to fund the project.

C. Effect on Operating Cost

The three-year projected operating statement for Encompass Gulfport is presented in Attachment 1.

D. Cost to Medicaid/Medicare

Encompass-Flowood projects gross patient revenue cost (Project Only) to third-party payors as follows:

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	79.00%	\$ 5,979,856.00
Medicaid	5.00%	371,187.00
Commercial	14.00%	1,073,189.00
Self Pay	0.50%	4,584.00
Charity Care	0.50%	21,073.00
Other	1.00%	91,527.00
Total	*100.00%	\$ 7,541,416.00

*Totals differ from Applicant's by 1%.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. The Division of Medicaid had not commented on this application as of May 11, 2023.

VI. CONCLUSION AND RECOMMENDATION

This project substantially complies with the criteria and standards for the construction, establishment, offering, or expansion of comprehensive medical rehabilitation ("CMR") beds/services as contained in the *FY 2022 Mississippi State Health Plan, Second Edition*; the *Mississippi Certificate of Need Review Manual, 2019 Revision*; and 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 Encompass Health Rehabilitation Hospital of Gulfport, LLC d/b/a Encompass Health Rehabilitation Hospital, a partner of Memorial Hospital at Gulfport, for the twelve (12) CMR bed expansion and renovation project.

Attachment 1

Encompass Rehabilitation Hospital of Gulfport, LLC 12-Bed Expansion and Renovation Project Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$ 7,541,416.00	\$ 10,842,190.00	\$ 11,060,410.00
Outpatient	0.00	0.00	0.00
Gross Patient Revenue	7,541,416.00	10,842,190.00	11,060,410.00
Charity Care	21,073.00	30,296.00	30,906.00
Deductions from Rev.	2,084,672.00	\$ 2,997,104.00	\$ 3,057,426.00
Net Patient Revenue	\$ 5,435,671.00	\$ 7,814,790.00	\$ 7,972,078.00
Other Operating Revenue	0.00	0.00	0.00
Total Operating Revenue	\$ 5,435,671.00	\$ 7,814,790.00	\$ 7,972,078.00
Expenses			
Operating Expenses:			
Salaries	\$ 1,708,276.00	\$ 2,349,646.00	\$ 2,420,859.00
Benefits	453,973.00	590,342.00	608,762.00
Supplies	146,330.00	210,403.00	214,612.00
Service	361,710.00	496,726.00	505,231.00
Lease	241,159.00	245,982.00	250,901.00
Depreciation	297,707.00	297,707.00	297,707.00
Interest	0.00	0.00	0.00
Other	471,267.00	675,464.00	687,796.00
Total Expenses	\$ 3,680,422.00	\$ 4,866,270.00	\$ 4,985,868.00
Net Income (Loss)	\$ 1,755,249.00	\$ 2,948,520.00	\$ 2,986,210.00
Assumptions			
Inpatient days	2,856	4,026	4,026
Outpatient days			
Procedures			
Charge/inpatient day	\$ 2,641.00	\$ 2,693.00	\$ 2,747.00
Charge per outpatient			
Charge per procedure			
Cost per inpatient day	\$ 1,289.00	\$ 1,209.00	\$ 1,238.00
Cost per outpatient day			
Cost per procedure			

**Attachment 2
 Construction Cost Calculation
 Encompass Health Rehabilitation Hospital of Gulfport, LLC**

<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>	<u>Renovation</u>
New Construction Cost		\$ N/A	
Renovation Cost	\$3,524,628.00		\$3,524,628.00
Total Fixed Equipment Cost	375,000.00		375,000.00
Total Non-Fixed Equipment Cost	800,000.00		0.00
Capital Improvement	\$0.00		0.00
Land Cost	0.00		0.00
Site Preparation Cost	0.00		0.00
<i>Fees (Architectural, Consultant, etc.)</i>	636,800		636,800.00
Contingency Reserve	352,463.00		352,463.00
Capitalized Interest	0.00		0.00
Other – Permits	40,247.00		0.00
Other -Pre-opening & CON	225,000.00		0.00
Total Proposed Capital Expenditure*	\$5,954,138.00		\$4,888,891.00
Square Footage	6,660		6,660
Allocation Percent		0.00%	100.00%
Costs Less Land, Non-Fixed Equip. & Cap. Improvement, Other Expenses	\$4,888,891.00	0.00	\$4,888,891.00
Cost Per Square Foot		0.00	\$734.06
Cost per Bed (n=50)			

Note: Staff's Calculation of Renovation Cost differs from the Applicant's due to the Applicant leaving out the cost of fixed equipment. The Applicant estimates that the cost of renovation per square foot is \$677.76.