

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
JANUARY 16, 2025**

**CON REVIEW: HG-RC-MME-1224-015
MAGNOLIA REGIONAL HEALTH CENTER
RENOVATION OF SURGICAL SUITE AND ADDITION OF Da VINCI (DVS)
CAPITAL EXENDITURE: \$11,776,886.00
LOCATION: CORINTH, ALCORN COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Magnolia Regional Health Center (“Magnolia”) is a 200-bed public hospital jointly owned by the City of Corinth, Mississippi, and Alcorn County. The facility’s 200-bed complement of services includes 181 acute care beds and nineteen (19) adult psychiatric beds. According to the application, Magnolia provides care to patients in Alcorn County and the five (5) surrounding counties in Mississippi as well as counties bordering the Tennessee-Mississippi state line. The Applicant states, as a hospital with a well-established reputation, Magnolia remains dedicated to excellence in health care and to providing care in a cost-effective manner. The Applicant states Magnolia is governed by a seven (7) member Board of Trustees and is accredited by Det Norske Veritas.

The application includes a *Unanimous Resolution Approving the Certificate of Need Application for the Surgical Suite and Purchase of a da Vinci Surgical Robot*, dated November 14, 2024, and signed by the Board of Trustees of Magnolia Regional Health Center.

B. Project Description

Magnolia Regional Health Center (“Magnolia” or the “Applicant”) requests certificate of need (“CON”) approval to renovate the existing surgical suite on its main campus. The project will be accomplished by reducing the number of operating rooms (“ORs”) from five (5) to four (4) and increasing the size of each room to allow movement of surgical equipment to those rooms. As part of the renovation, Magnolia proposes to add a second da Vinci DVS (“Robot”) to its surgery area. The Applicant states no new services are being proposed, and no other major medical equipment, other than the da Vinci, will be obtained as a part of the renovation.

The Applicant states that Magnolia opened in 1965 with the consolidation of the then sixty-eight (68)-bed community hospital and the thirty (30)-bed Corinth Hospital. The Applicant further states that throughout its history, Magnolia has

planned and implemented several construction and expansion projects to provide enhanced services and care to the residents of its service area. Magnolia asserts the proposed surgical suite renovation is the next step in Magnolia's commitment to continual improvement of its facilities and services to better serve its community.

The Applicant proposes renovating approximately 10,284 square feet of Magnolia's first floor surgery suite and converting five (5) existing operating rooms to four (4) new operating rooms. According to the application, the new operating rooms will be larger than the previous operating rooms and will share a new clean/sterile core, which is being relocated from a lower floor in the Hospital.

The Applicant proposes a capital expenditure of \$11,776,889.00, as itemized in Section IV of this Staff Analysis. The application contains letters dated August 14, 2024, indicating that the Mississippi State Department of Health, Bureau of Health Facilities Licensure and Certification, Division of Fire Safety and Construction, approved the site for converting five (5) existing surgical suites into four (4) larger surgical suites, and September 8, 2024, indicating the Division approved the site for the renovation of the non-clinical area of Magnolia.

According to the Applicant, the proposed project embodies Magnolia's mission which is to improve the health of the communities served, one patient at a time. The Applicant states the final object for the proposed project is to provide the highest quality of healthcare services in the most efficient manner and economical setting for its patients, better serving the wellbeing of the community and the needs of all Magnolia's patients.

The Applicant certifies that the proposed project will comply with state and local building codes, zoning ordinances, and appropriate regulatory authority.

The Applicant affirms that it will comply with all 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 Applicant proposes that the capital expenditure will be obligated within ninety (90) days of final CON approval and anticipates the project will be complete within one (1) year of final CON approval.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health will review applications for a Certificate of Need (CON) for the renovation and addition of a da Vinci DVS under the 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 CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, November 11, 2023, Revision*; all adopted rules, procedures, plans, criteria and standards of the MSDH.

In accordance with Section 41-7-197(2) of the Mississippi code 1972 Annotated, as amended, any person may request a public hearing on this project within ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on January 26, 2025.

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

A. **Mississippi State Health Plan (MSHP)**

The *FY 2022 Mississippi State Health Plan, 3rd Edition*, does not contain criteria and standards specific to the renovation of a surgical suite. The Mississippi CON law requires CON review for projects for the acquisition of major medical equipment if the capital expenditure exceeds \$1,545,000.00 and projects whose capital expenditure exceed the capital expenditure threshold of \$5,150,000.00 for clinical health services and \$10,300,000.00 for non-clinical health services (adjusted for a 3% inflation factor).

The Applicant asserts that the proposed project substantially complies with the projected need and with the applicable criteria and standards presented in the State Health Plan, as required for approval by the Department.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised November 11, 2023*, addresses general criteria by which all CON applications are reviewed. This Applicant asserts that the application is in substantial compliance with the general review criteria.

GR Criterion 1 –State Health Plan

As stated above, the *FY 2022 Mississippi State Health Plan, 3rd Edition*, does not contain criteria and standards specific to the renovation of a surgical suite and the addition of a da Vinci DVS; however, the project is in substantial compliance with general CON policies.

GR Criterion 2 - Long Range Plan

The Applicant states the proposed project is consistent with Magnolia's goals to meet current and future needs of Mississippians for surgical services while maintaining its well-established reputation and dedication to excellence in health care and the provision of care in a cost-effective manner.

GR Criterion 3- Availability of Alternatives

The Applicant submits that the alternatives considered to the proposed project were (1) not renovating the surgical suite at Magnolia's main campus; (2)

renovating the existing five (5) ORs without reducing the number of rooms to four (4); and (3) continuing to provide surgery services with only the single da Vinci Robot. The Applicant states that all these alternatives were found to be less advantageous than the current plan for numerous reasons that are addressed throughout the application.

- a. **Advantages and Disadvantages of Alternatives:** Magnolia concluded that it would be a serious mistake not to invest in renovation and continued improvement of its facility. The Applicant states that the renovation of the surgery suites is part of Magnolia's long-range plan and will contribute to its long-range mission of providing effective and quality health services to its patients. The Applicant states, Magnolia evaluated the current need for additional surgical suite space for its providers and the space needed to better accommodate patients and believes the ORs that will result from the proposed renovation will be the appropriately sized rooms for the current need.

In addition, the Applicant states that Magnolia concluded that continuing with only the single da Vinci robot would be inadequate to continue meeting the need for robotic surgeries at the hospital. The Applicant states Magnolia has the resources to acquire the second robot, and having two robots will serve to eliminate wait times and will enable Magnolia's surgeons to provide more efficient care to their patients.

- b. **New Construction Projects:** The Applicant states this element is not applicable.
- c. **Beneficial Effects to the Health Care System:** The Applicant states having two (2) robots will serve to eliminate wait times and will enable Magnolia's surgeons to provide more efficient care to their patients.
- d. **Effective and Less Costly Alternatives:** The Applicant states that there is no effective and less costly alternative for the proposed renovation project currently available in Magnolia's service area. Furthermore, the Applicant states the addition of a second da Vinci robot will decrease costs in a number of respects, in particular by the elimination of wait times for the provision of surgical services that are most efficiently provided robotically.
 - i. **Unnecessary Duplication of Services:** The Applicant states the addition of the second da Vinci robot is not an unnecessary duplication of services as Magnolia is currently being called upon to perform more surgeries robotically than can be done efficiently with only a single robot. The Applicant states adding the second robot will enable Magnolia to meet the current surgical needs more efficiently and will put Magnolia in a much better position to continue to meet the growing need for those services.

- ii. **Efficient Solution:** The Applicant states this item is not applicable to the proposed project.
- e. **Improvements and Innovations:** The Applicant states the proposed renovation of Magnolia's surgical suite will facilitate providers' ability to maintain efficient and economical practices, while not sacrificing quality of care rendered to Magnolia patients.
- f. **Relevancy:** The Applicant states that regardless of changes in trends in service delivery in the medical field, Magnolia believes that it is always in the best interests of patients if providers have adequate space to perform quality healthcare services to the best of their abilities. The Applicant states that Magnolia's long history of quality care and commitment to patient-and-family-centered care allows Magnolia to ensure development of a partnership between its medical staff, patients, and their families in the care plan and decision-making process.

GR Criterion 4 - Economic Viability

- a. **Proposed Charge:** The Applicant states that Magnolia believes that the charges and profitability of the services are in line with similar services and with that experienced by Magnolia. The Applicant states the proposed project does not propose to offer new services, only more efficient space in which to perform surgical procedures, and an additional robot to enable Magnolia to schedule more robotic surgeries in a timelier manner.
- b. **Projected Levels of Utilization:** The Applicant anticipates continued growth in its surgical load and a similar rate to that which it has had in the recent past. The Applicant states based on available data for competitors and Magnolia's historical utilization, Magnolia believes its estimates are reasonable.
- c. **Financial Feasibility Study:** The application contains a letter from the Chief Financial Officer of Magnolia Regional Health Center, attesting to the viability of the proposed project.
- d. **Financial Forecasts:** The Applicant states that Magnolia anticipates no significant deviations from the recent past in the financial statements and projections.
- e. **Covered Expenses:** The Applicant states that Magnolia will rely on working capital and other available financial resources to cover any revenue windfall related to the proposed project.
- f. **Impact of Proposed Project on Health Care Cost:** The Applicant states that Magnolia anticipates no significant impact on the cost of surgical services because of the proposed project. The Applicant further states that

the cost of surgical services will be proportional to the number of surgeries provided in the renovated surgical suite.

GR Criterion 5 - Need for the Project

- a. Access by Population Served:** The Applicant asserts that the population currently served by Magnolia's surgery suite will not change with the proposed renovation. The Applicant anticipates that Magnolia's anti-discrimination policy will continue to apply and all patients who present to Magnolia in need of surgery services will have access to the facilities and be treated regardless of income status, race, gender, disability, age, or any other characteristics.
- b. Relocation of Services:** The Applicant affirms this item is not applicable to this project.
- c. Current and Projected Utilization of Comparable Facilities:** The Applicant affirms this criterion is not applicable.
- d. Probable Effect on Existing Facilities in the Area:** The Applicant asserts that the project will not adversely impact existing providers. Rather, the Applicant expects the proposed project will modernize the existing surgical suite, enhancing the current service already provided by Magnolia, and enable Magnolia to serve its patients in a timelier manner.
- e. Community Reaction to Service:** The application contains five (5) letters of support from Magnolia's Compliance Officer, the Executive Director of Clinical Services, Magnolia Cardiovascular & Thoracic Surgery Clinic, Magnolia Orthopaedic and Sports Medicine Clinic, and Magnolia Surgical Clinic.

GR Criterion 6- Access to the Facility or Service

- a. Access to Services:** The Applicant states that all the services offered at Magnolia are available to all residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups. The Applicant states Magnolia will treat all appropriate patients in need of its services regardless of ability to pay.
 - i. The Applicant states that all patients 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, handicapped persons, and the elderly have access to the services of the existing facility.
 - ii. The Applicant states that all patients will continue to have access to the facility.

- iii. The Applicant states that Magnolia has historically provided an aggregate nine percent (9%) charity/indigent care to its patient base and anticipates no change in this number as a result of the proposed project.

Gross Patient Revenue

	Medically Indigent (%)	Charity Care (%)	Medically Indigent (\$)	Charity Care (\$)
Historical Year 2022	5%	1.75%	8,080,500	2,835,000
Historical Year 2023	6%	.41%	10,314,840	661,000
Projected Year 1	6%	.5%	10,500,000	700,000
Projected Year 2	6.5%	.5%	10,700,000	725,000

- b. **Existing Obligations:** The Applicant indicates that it has no existing or remaining obligations under federal regulation requiring provision of uncompensated care, community service, or access by minority or handicapped persons.
- c. **Unmet Needs of Medicare, Medicaid, and Medically Indigent Patients:** The Applicant states Magnolia is a community hospital that has consistently served a large number of Medicare, Medicaid, and medically indigent patients. The Applicant states Magnolia will continue to treat all appropriate patients in need of its services regardless of ability to pay.
- d. **Access to Proposed Facility:** The Applicant submits that Magnolia accepts all residents of its service area, regardless of payor status or financial ability to pay.
- e. **Access Issues:**
 - i. **Transportation and Travel:** The Applicant states that Magnolia is readily accessible to the public via Mississippi Highway 72 and 45.
 - ii. **Restrictive Admission Policy:** The application includes the Applicant's Admission Policy.
 - iii. **Access to Care by Medically Indigent Patients:** The Applicant asserts Magnolia will treat all appropriate patients in need of its services regardless of ability to pay.

iv. Operational Hours of Service:

1. **Regular operation.** The Applicant states Magnolia operates twenty-four (24) hours a day, seven days a week.
2. **Emergency only operation.** The Applicant indicates that there will not be emergency only operations.

GR Criterion 7- Information Requirement

The Applicant affirms that Magnolia will record and maintain, at a minimum, the information stated in this criterion regarding charity care, care to the medically indigent, and Medicaid populations, and make it available to the Mississippi State Department of Health within fifteen (15) days of request.

GR Criterion 8 - Relationship to Existing Health Care System

a. Comparable Services: The Applicant submits the proposed project is a renovation project which will increase operational efficiencies and ensure that Magnolia is able to continue to provide excellent patient care in modernized and enlarge surgery rooms. The Applicant states that all patients of the service area will have access in the same way they have had prior to the renovation.

b. Effects on Existing Health Services:

Complement Existing Services: The Applicant states the renovated surgical suite will expand upon the existing services at Magnolia currently constrained by inefficient floor-plan layout and outdated fittings.

c. Adverse Impact: The Applicant states if Magnolia cannot renovate its surgery suites, it will be hampered in its ability to continue to provide the highest possible quality and state of the art surgery services to residents of its service area. The Applicant further states the renovation will increase efficiencies and enlarge the space in Magnolia's surgery suites, ensuring that Magnolia's services remain of the highest possible quality.

Transfer/Referral/Affiliation Agreements: **The Applicant states this criterion is not applicable to the proposed project.****GR Criterion 9 - Availability of Resources**

The Applicant asserts that this criterion is not applicable to the proposed project. The Applicant states that no additional personnel will be required as the result of the renovation project.

GR Criterion 10 – Relationship to Ancillary or Support Services

The Applicant asserts that the current ancillary and support services available on

Magnolia's main campus will also provide services for the proposed project. The Applicant states All necessary support and ancillary services needed for the proposed project are available through existing contractual services or existing services provided by Magnolia. The Applicant further states Magnolia does not anticipate any change in costs or charges because of this proposed project. In addition, the Applicant states, Magnolia does not anticipate any material change in costs or charges because of the proposed project.

GR Criterion 11- Health Professional Training Programs

The Applicant asserts that this criterion is not applicable to the proposed project.

GR Criterion 12 – Access by Health Professional Schools

The Applicant asserts that this criterion is not applicable to the proposed project.

GR Criterion 13 – Access to Individuals Outside Service Area

The Applicant states Magnolia does not anticipate serving many patients that do not reside in its service area, which currently includes Alcorn County and the five (5) surrounding Mississippi counties, as well as Tennessee counties bordering the Tennessee-Mississippi state line.

GR Criterion 14 – Construction Projects

The Applicant states that Magnolia intends to renovate and convert five (5) of its existing operating rooms to make four (4) new operating rooms for future use. The Applicant further states that each of the newly renovated rooms will have more square footage than the current five (5), which will allow for more efficient surgery use. The application includes detailed cost estimate, schematic drawings, written assurance from the architect that the proposed project will be completed in full compliance to applicable Code sections, a Resolution from its governing board authorizing the project to be undertaken. In addition, the Applicant states this proposed project fully complies with this Criterion.

GR Criterion 15 – Competing Applications

There are no competing applications on file with the Department regarding renovation of the surgical suite and addition of a da Vinci DVS.

GR Criterion 16 - Quality of Care

- a. **Past Quality of Care:** The Applicant asserts Magnolia is accredited by Det Norske Veritas, demonstrating that it provides quality care.
- b. **Improvement of Quality of Care:** The Applicant expects the proposed project will modernize the existing surgical suite, enhancing the current

service already provided by Magnolia, and enable Magnolia to serve its patients in a timelier manner.

- c. **Accreditation and/or Certificates:** The Applicant states that Magnolia is accredited by Det Norsk Veritas.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Item	Cost	Percentage of Total
New Construction	\$0.00	0.00%
Renovation	7,537,631.00	64.00%
Capital Improvements	0.00	0.00%
Land Cost	0.00	0.00%
Fixed Equipment	0.00	0.00%
Non-fixed Equipment	2,538,500.00	22.00%
Fees (architectural, etc.)	761,787.00	6.00%
Site Preparation	0.00	0.00%
Legal and Accounting Fees	0.00	0.00%
Contingency Reserve	633,452.00	5.00%
Capitalized Interest	0.00	0.00%
Other	305,519.00	3.00%
Totals	\$11,776,889.00	100.00%

*Percentages may differ due to rounding.

B. Method of Financing

The Applicant proposes to finance the project with Bond funds. The Applicant asserts that the capital expenditure for the project was included in the refinance of the Bonds. The application contains a Resolution of the Governing Board endorsing the project and indicates that funds will be appropriated from Magnolia Regional Health Center in the amount necessary for the project.

C. Effect on Operating Costs

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

D. Cost to Medicaid/Medicare

The applicant projects the cost to third-party payors as follows (With Project):

Payor Mix	Utilization Percentage (%)	First-Year Revenue (\$)
Medicare	41%	\$239,024,062.00
Medicaid	13%	\$75,221,283.00
Commercial	40%	\$233,837,664.00
Self-Pay	5%	\$29,351,311.00
Charity Care	0%	222,377.00
Other	0%	\$419,006.00
Total	100%	\$578,075,703.00

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid (“DOM”) was provided a copy of this application for review and comment. DOM had not commented on the project as of January 16, 2025.

VI. CONCLUSION AND RECOMMENDATION

This *FY 2022 Mississippi State Health Plan, 3rd Edition*, does not contain criteria and standards specific to the renovation of a surgical suite. The project complies with general CON policies and is consistent with Mississippi’s health planning and health regulatory activities stated in the Plan; Chapter 8 of the *Mississippi Certificate of Need Review Manual, November 11, 2023, Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Magnolia Regional Health Center for Renovation of Surgical Suite and the Addition of da Vinci DVS.

Attachment 1

Magnolia Regional Health Center Three-Year Operating Statement (With Project)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$339,966,321.00	\$341,363,397.00	\$343,071,980.00
Outpatient	\$238,109,382.00	\$239,087,882.00	\$ 240,284,558.00
Gross Patient Revenue	\$578,075,703.00	\$580,451,278.00	\$ 583,356,538.00
Charity Care	0.00	0.00	0.00
Deductions from Revenue	\$430,164,386.00	\$431,848,918.00	\$433,925,622.00
Net Patient Revenue	\$147,911,317.00	\$148,602,361.00	\$ 149,430,916.00
Other Operating Revenue	23,049,603.00	23,157,291.00	23,286,408.00
Total Operating Revenue	\$170,960,920.00	\$171,759,651.00	\$ 172,717,324.00
Expenses			
Operating Expenses:			
Salaries	\$ 83,619,445.00	\$85,270,268.00	\$ 87,031,891.00
Benefits	12,690,730.00	12,941,271.00	13,208,629.00
Supplies	28,657,317.00	28,791,205.00	28,951,734.00
Services	14,919,185.00	15,142,972.00	15,370,117.00
Lease	0.00	0.00	0.00
Depreciation	6,655,713.00	6,686,808.00	6,724,092.00
Interest	2,376,057.00	2,257,254.00	2,144,392.00
Other	21,198,165.00	20,871,259.00	20,567,878.00
Total Expenses	\$170,116,612.00	\$171,961,038.00	\$ 173,998,732.00
Net Income (Loss)	\$ 844,308.00	\$ (201,387.00)	1,281,408.00)
Assumptions			
Inpatient days	23,852	24,567	25,304
Outpatient days	16,693	35,103	17,709
Procedures	4,883	5,030	5,181
Charge/outpatient day	\$ 14,264.00	\$ 6,811.00	\$ 13,568.00
Charge per inpatient day	\$ 14,253.00	\$ 13,895.00	\$ 13,558.00
Charge per procedure	\$ 118,385.00	\$ 115,398.00	\$ 112,595.00
Cost per inpatient day	\$ 7,132.00	\$ 7,000.00	\$ 6,876.00
Cost per outpatient day	\$ 10,191.00	\$ 4,899.00	\$ 9,825.00
Cost per procedure	\$ 34,836.00	\$ 34,187.00	\$ 33,584.00

Note: Totals are based on Staff's calculations. All totals may not equal to Applicant's.