

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
FEBRUARY 8, 2021**

**CON REVIEW HG-CO-1220-009  
FORREST COUNTY GENERAL HOSPITAL  
D/B/A FORREST GENERAL HOSPITAL  
COST OVERRUN TO CON REVIEW HG-MME-0418-004; CON NUMBER R-0939  
ADDITION OF A LINEAR ACCELERATOR  
ORIGINAL CAPITAL EXPENDITURE: \$5,654,262.00  
ADDITIONAL CAPITAL EXPENDITURE: \$774,293.00  
REVISED CAPITAL EXPENDITURE: \$6,428,555.00  
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Forrest County General Hospital, d/b/a Forrest General Hospital (“Forrest General”) is a 512-bed public, acute care hospital owned by Forrest County and governed by a 7-member Board of Trustees. The hospital’s bed complement consists of 400 short-term acute care beds: 24 rehabilitation beds; 64 adult psychiatric beds; 16 adolescent psychiatric beds; and 8 adult chemical dependency beds. Forrest General is licensed by the Mississippi Department of Health.

**B. Project Background**

Forrest General was granted Certificate of Need (CON) No. R-0939 on July 18, 2018, for the addition of a linear accelerator at Forrest General Cancer Center. The Applicant states Forrest General Cancer Center (“Cancer Center”) is the only comprehensive community cancer center in Forrest General’s 19-county service area and is accredited by the College of Surgeons Commission on Cancer.

The original application stated that the Cancer Center operates two (2) linear accelerators which were utilized in excess of the Center’s expected level of patient services and the State Health Plan’s optimum volume threshold. The Applicant further stated that the Cancer Center did not have designated backup equipment, and the excess services being performed caused more

wear and tear on the existing linear accelerators.

In the original application, Forrest General proposed to add a linear accelerator at the Cancer Center by constructing a First-Floor addition to house the vault for the equipment. The applicant indicated that the addition involved approximately 2,146 square feet of construction, as well as a newly covered entry of approximately 1,531 square feet.

The Bureau of Health Facilities Licensure and Certification approved the site for the Cancer Center, located at 1414 South 28<sup>th</sup> Street, Hattiesburg, MS on April 24, 2018. The applicant originally proposed the capital expenditure would be obligated by July 1, 2018 and the project would be complete by May 31, 2019.

**C. Project Description**

Forrest General now requests CON authority for a cost overrun of \$774,293.00 to CON No. R-0939. The cost overrun application filed with the department requests CON authority to increase the capital expenditure for CON No. R-0939 from \$5,654,262.00 to \$6,428,555.00.

The Applicant states, the capital cost of this project has expanded due to: (1) The lowest and best bid came back higher than the original architect's estimate; (b) The Varian linear accelerator equipment costs is higher than the original estimate; and (c) Necessary change orders to the project added additional cost.

**1. Provide a photocopy of the original Certificate of Need.**

The applicant included a copy of the original Certificate of Need.

**2. Describe all proposed changes not approved in the original CON application (e.g. changes in square footage, construction or renovation; changes in range, facilities served, or types of services, bed changes; equipment changes; etc.)**

The applicant affirms there are no proposed changes.

- 3. If project is related in whole or in part to compliance with requirements of the Licensure and Certification Division of the MSDH, or any other certification or licensing authority, provide documentation.**

The applicant affirms this item is not applicable to the proposed project.

- 4. If the project is related to a construction/expansion project, enclose a copy of the revised cost estimate signed by a licensed architect or licensed Mississippi building contractor.**

The applicant attached a revised signed cost overrun estimate from a licensed architect for the addition of a linear accelerator. The applicant affirms the lowest bid was accepted.

- 5. If actual construction has not begun, give date it will begin and the reasons for the delay.**

The applicant affirms the construction of the project is complete.

- 6. Provide evidence that the Division of Radiological Health has approved the plans for provision of radiation therapy services, if applicable.**

The applicant states this item is not applicable to the proposed project.

- 7. If the project involves the purchase/lease/change in vendor or manufacturer of major medical equipment, not included in the originally approved certificate of need project, provide the following:**

- a. Type of equipment, capacity, and manufacturer**
- b. Purchase price of equipment**
- c. Purchase and installation date(s) of equipment; and**
- d. Explanation of cost variance from original quotes.**

The applicant affirms no single item of non-fixed equipment nor any single system of major medical equipment in this project involves a capital expenditure of \$1,500,000.00 or more.

Therefore, this item is not applicable to the proposed project.

- 8. Will the amendment require any change in facility staffing? If so, identify changes in terms of personnel skills, number of personnel and indicate your recruitment plan which will obtain the services of these personnel.**

The applicant states there is no change in facility staffing.

- 9. List all transfer/referral/affiliation agreements between your facility and other providers of health care within your service area, which have changed since the original application was submitted or will change as a result of this amendment.**

The applicant affirms there are no changes.

- 10. Provide the estimated date this project will be implemented/completed if the amendment/cost overrun is granted.**

The applicant affirms the proposed project was completed in March 2020.

## **II. TYPE OF REVIEW REQUIRED**

The Mississippi State Department of Health reviewed the original Certificate of Need (CON) application for the acquisition or otherwise control of therapeutic radiation therapy equipment (linear accelerator) under the applicable statutory requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code of 1972 Annotated, as amended. The proposed project continues to be in substantial compliance.

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 February 18, 2021.

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

#### A. State Health Plan (SHP)

The applicant affirmed that the proposed project will promote Mississippi's health planning purpose as set forth in the Mississippi State Health Plan (MSHP or Plan), including the following:

- The assurance of availability of comprehensive cancer services by Hospital's Cancer Center for its patients.
- The consistency and quality of health services by Hospital's Cancer Center and for its patients will be enhanced.
- The continuous goal of providing the best standard of care by Hospital's Cancer Center and for its patients will be accomplished.

The *FY 2015 Mississippi State Health Plan* (MSHP or Plan) was in effect at the time the original application was submitted to the Department, and the original application was found to be in substantial compliance with the *FY 2015 MSHP*. The cost overrun project was submitted under the *FY 2020 Mississippi State Health Plan*. The cost overrun is found to be in substantial compliance with the *FY 2020 MSHP*.

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

The *Mississippi Certificate of Need Review Manual, April 9, 2017, Revision* was in effect at the time the original application was submitted to the Department. The original project was in compliance with the *CON Review Manual, April 9, 2017, Revision*.

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

**IV. FINANCIAL ANALYSIS**

**A. Capital Expenditure Summary**

	<b>Original Approved Amount</b>	<b>Revised Amount</b>	<b>Increase or (Decrease)</b>
New Construction	\$1,621,428	\$1,891,831	\$270,403
Construction/ Renovation	0	\$20,895	\$20,895
Land	0	0	0
Site Work	0	\$38,699	\$38,699
Fixed Equipment	\$3,540,897	\$4,177,528	\$636,631
Non-Fixed Equipment	0	\$4,942	\$4,942
Contingency	\$68,100	0	(\$68,100)
Fees(Architectural, Consultant, etc.)	\$143,610	\$239,004	\$95,394
Capitalized Interest	\$154,227	\$55,657	(\$98,570)
Capitalized Improvement	0	0	0
Other	\$126,000	0	(\$126,000)
<b>Total Capital Expenditure</b>	<b>\$5,654,262</b>	<b>\$6,428,555</b>	<b>\$774,293</b>

**Note:** Numbers may not exactly compute due to rounding.

The above capital expenditure is allocated for the addition of a linear accelerator at Forrest General Cancer Center. The project involves 2,660 sq. ft. of construction and 140 sq. ft of renovation. The above capital expenditure table represents a 16.13% or \$774,293.00 increase in the original approved capital expenditure. The capital cost of this project has expanded due to: (a) the lowest and best bid (\$1,733,700.00) came back higher than the original architect's estimate (\$1,621,428.00) as indicated in the CON application, (b) the Varian linear accelerator equipment cost came in (\$636,631.00) higher than the original estimate, and (c) the necessary change orders to the project were an additional (\$158,131.00) cost.

**B. Method of Financing**

The applicant states the original project was to be financed by a loan with 4% interest over a five (5) year period. However, the applicant now states in the cost overrun application the proposed project was financed using Forrest General Hospital's cash reserves instead.

**C. Effect on Operating Cost**

The applicant's projections of gross revenues for the first year of operation are shown in Attachment 1.

**D. Cost to Medicaid/Medicare**

The applicant asserts there is no anticipated impact on Medicare, Medicaid, or other reimbursement agencies.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. No comments were received from the Division of Medicaid regarding this project as of this staff analysis (February 8, 2021).

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the addition of therapeutic radiation therapy equipment as contained in the *FY 2020 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revised*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Forrest General Hospital for the cost overrun to CON No. R-0939. The cost overrun project will allow Forrest General Hospital to increase the authorized capital expenditure from \$5,654,262.00 to \$6,428,555.00 for the addition of a linear accelerator.

**ATTACHMENT 1**  
**Forrest County General Hospital, d/b/a Forrest General Hospital**  
**Cost Overrun to CON No. R-0939**  
**Addition of Linear Accelerator**  
**Three-Year Projected Operating Statement**  
**(With Project)**

Revenue and Expenses	Year I
<b>Patient Revenue:</b>	
Inpatient	\$ 892,627,940
Outpatient	656,757,941
<b>Gross Patient Revenue</b>	<b>1,549,385,882</b>
Charity Care	19,287,862
Deductions from Revenue	1,094,097,978
<b>Net Patient Care Revenue</b>	<b>\$ 436,000,041</b>
Other Operating Revenue	\$ 12,691,408
<b>Total Operating Revenue</b>	<b>\$ 448,691,449</b>
<b>Expenses</b>	
Operating Expenses:	
Salaries	\$ 167,626,253
Benefits	42,812,857
Supplies	105,435,163
Services	61,154,832
Lease	6,923,864
Depreciation	29,713,742
Interest	5,296,335
Other	29,659,160
<b>Total Expenses</b>	<b>\$ 448,622,206</b>
<b>Net Income (Loss)</b>	<b>\$ 69,243</b>
<b>Assumptions</b>	
<b>Inpatient days</b>	<b>137,391</b>
<b>Outpatient days</b>	<b>100,684</b>
<b>Procedures</b>	<b>262</b>
<b>Charge per outpatient day</b>	<b>\$6,523</b>
<b>Charge per inpatient day</b>	<b>\$6,497</b>
<b>Charge per procedure</b>	<b>\$5,913,687</b>
<b>Cost per inpatient day</b>	<b>\$3,262</b>
<b>Cost per outpatient day</b>	<b>\$4,455</b>
<b>Cost per procedure</b>	<b>\$1,711,949</b>

**Note:** The applicant states the only change in the Revised Projected Operating Statement for the first

year of operations due to the cost overrun is an additional annual depreciation expense of \$91,653.00. This represents the increased cost of the linear accelerator and non-fixed (\$641,573.00) depreciation over a seven (7) year period, using a straight-line method of depreciation.

Forrest General Hospital does not anticipate a material change in cost procedure or charge per procedure as a result of the cost overrun.