

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
NOVEMBER 2005**

**CON REVIEW: HG-NIS-0605-025
TRI-LAKES MEDICAL CENTER
ESTABLISHMENT/LEASE/RELOCATION OF 10-ADULT PSYCHIATRIC BEDS
CAPITAL EXPENDITURE: \$-0-
LOCATION: BATESVILLE, PANOLA COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Tri-Lakes Medical Center (Tri-Lakes) is a short term acute care hospital located in Batesville, Mississippi, jointly owned by the City of Batesville and Panola County. Of a five-member governing board, three members are appointed by the City of Batesville and two are appointed by the Panola County Board of Supervisors. On August 11, 2005, Tri-Lakes filed a notice of intent to change ownership by sale of assets to Physicians and Surgeons Hospital Group, Batesville, Mississippi.

Tri-Lakes Medical Center's licensed capacity includes 70 acute care hospital beds (including 22 inpatient geriatric psychiatric beds) and 13 adult chemical dependency beds. In FY 2004, the facility received Certificates of Need (CON) I to establish a 10-bed child/adolescent chemical dependency program, by lease of beds from Mississippi Baptist Medical Center; to establish a 35-bed long-term acute care hospital; and to provide extracorporeal shockwave lithotripsy services.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for the three most recent fiscal years are shown below (medical/surgical beds only).

FISCAL YEAR	OCCUPANCY RATE (%)	ALOS (DAYS)	MEDICAID UTILIZATION RATE (%)
2003	23.24	3.52	36.24
2004	35.88	5.55	14.95
2005	44.09	5.38	18.40

Source: Division of Health Facilities Licensure and Certification, MDH.

B. Project Description

Tri-Lakes Medical Center requests CON authority for the establishment of a 10-bed adult psychiatric unit through a lease agreement with Psychiatric Solutions, Inc. d/b/a Brentwood Behavioral Healthcare of Mississippi (Brentwood), located in Jackson. The beds will be relocated to Tri-Lakes' behavioral health center in Batesville. The application contains a lease agreement between Tri-Lakes and Brentwood for the lease of the beds for an initial period of two years. The agreement will automatically renew for one year each year thereafter unless terminated by either party. Further, upon termination of the lease, the beds will revert to Brentwood.

The project requires no capital expenditure; however, the applicant will pay \$25,000 per month for the beds on an operating lease, for a total of \$300,000 per year.

Tri-Lakes estimates that the project will require 12 full time equivalent (FTE) personnel with a projection of 50 percent census and 17 FTEs with full occupancy projections. The applicant projects \$1,000,000 in salary and fringe benefits for the first year of operation.

The MDH Division of Health Facilities Licensure and Certification has approved the site for the project. The applicant anticipates that the project will begin immediately upon CON approval.

II. TYPE OF REVIEW REQUIRED

Projects which propose the establishment, lease, and relocation of adult psychiatric beds are reviewed in accordance with Section 41-7-191, subparagraphs (1)(c),(d)(iv), (e), and (g), Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi Department of Health.

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 20 days of publication of the staff analysis. The opportunity to request a hearing expires on December 5, 2005.

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

A. State Health Plan (SHP)

The *FY 2005 State Health Plan* (in effect at the time of submission of this application) contains policy statements and criteria and standards which an

applicant is required to meet before receiving CON authority for the establishment of adult psychiatric services. This application is in substantial compliance with applicable criteria and standards.

Tri-Lakes Medical Center has entered into a lease agreement with Brentwood Behavioral Healthcare of Mississippi to lease 10 adult psychiatric beds. The project will not result in an increase in the statewide adult psychiatric bed inventory.

General CON Criteria and Standards

SHP General Criterion 1(c) - Need

The *FY 2005 Mississippi State Health Plan* states that the applicant shall document the need for acute psychiatric services using the appropriate bed need methodology as presented in the Plan.

The Plan indicates that the state as a whole is over-bedded by 80 adult acute psychiatric beds. However, Tri-Lakes does not propose to add new beds, but rather lease existing, unused beds, from Brentwood Behavioral Healthcare of Mississippi, located in Jackson and relocation of the beds to Batesville. Brentwood reported an occupancy rate of 26.21 percent for FY 2003 and 40.04 percent for FY 2004. The facility is currently licensed for 48 adult acute psychiatric beds, with 30 adult psychiatric beds held in abeyance.

SHP General Criterion 2 -Information Recording/Maintenance

Tri-Lakes affirmed that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

SHP General Criterion 3 - Memoranda of Understanding

The applicant submitted a Memorandum of Understanding with G. A. Carmichael Family Health Center, Canton, Mississippi regarding the referral and admission of charity and medically indigent patients.

SHP General Criterion 4 - Letters of Support

The application contains letters of support from Ben Bloom, Clinical Psychologist, and Andre L. Lewes, Crisis Intervention Center in Grenada.

SHP General Criterion 5 - Scope of Services

The applicant submits that it does not have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

SHP General Criterion 6 - Charity/Indigent Care

The applicant submits that it provides and will continue to provide a reasonable amount of indigent/charity care.

Service Specific (SS) Criteria And Standards

SHP SS Criterion 1 - Need

The Mississippi Department of Health bases the statistical need for adult acute psychiatric beds on a ratio of 0.21 beds per 1,000 population aged 18 and older for 2005 in the state as a whole. Based on this methodology, the *FY 2005 State Health Plan* indicates that the state as a whole is over-bedded by 80 adult acute psychiatric beds. However, as stated earlier, this project is for the lease and relocation of beds from an existing provider of adult psychiatric services. Therefore, the project will not result in an increase in the adult acute psychiatric bed inventory.

SHP SS Criterion 2 – Size/Location of Unit

The applicant proposes to lease 10 adult acute psychiatric beds from Brentwood in Jackson (Rankin County), and relocate these beds to its facility in Batesville (Tate County), thereby creating a 10-bed adult acute psychiatric unit. The unit will occupy rooms 231 through 240 of the Tri-Lakes Medical Center facility in Batesville, Mississippi.

SHP SS Criterion 3- Staffing

The applicant affirmed that the proposed unit will meet the requirements of this criterion. Staff will include both psychiatrists and psychologists and will provide a multi-discipline psychosocial medical approach to treatment.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 2 - Long Range Plan

The applicant states that the proposed project comports with its goal to provide quality, efficient health care to all residents of the community and is compatible with its long range plans.

GR Criterion 3- Availability of Alternatives

The applicant states that it considered multiple alternatives to the project; however, none were proven beneficial. Tri-Lakes states that there are geographical challenges that it has not been able to overcome in relation to mental health care. The applicant submits that due to the stigma associated with mental health in America and especially in rural Mississippi, little attention has been given to the access to mental health care. The applicant believes that the project proposed is the most effective alternative available.

GR Criterion 4 - Economic Viability

The three-year operating projections reflect a net income from operations of \$45,000 for the first year, \$350,000 for the second year, and \$400,000 for the third year. Therefore, the project appears to be economically viable.

GR Criterion 5 - Need for the Project

The applicant states that all residents of the area, including low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups, and the elderly have access to the services provided at the hospital and will have access to the proposed adult inpatient psychiatric services.

In assessing the need for this project, the applicant states that it performed the following activities:

- Compiled data from hospital records on the number of non-medical related illness that were treated in the hospital;
- Recorded calls that came into the hospital's social services department and each of the existing programs on its west campus;
- Used additional data collected from surveys distributed by its community Education Department;
- Conducted interviews with all program directors, social workers, and therapists of its existing programs on its west campus.

The applicant submits that the information gathered revealed a severe lack of services in northern Mississippi as it relates to adult psychiatric services. Tri-Lakes concluded that significant evidence exists to support the need for additional adult psychiatric services in northern Mississippi.

In the case of relocation of a facility or services, the Department must consider the need that the population presently served has for the service, the extent to which that need will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly, to obtain needed health care.

As stated earlier, the 10 adult psychiatric beds that are the subject of this application are being leased and relocated from Brentwood Behavioral Healthcare of Mississippi in Jackson. Brentwood has the capacity for 78 adult psychiatric beds but has 48 set up and staffed. The facility reported an occupancy rate of only 40.04 percent for FY 2004. In addition, Northwest Mississippi, wherein Tri-Lakes is located, has only one psychiatric facility, located in DeSoto County. This facility, Parkwood Behavioral Health System, has a bed capacity of 22 adult psychiatric beds, and reported an occupancy rate of 83.99 percent for FY 2004. The Jackson area (Hinds and Rankin counties), from which the beds will be moved or relocated, has four adult psychiatric programs, representing 181 licensed adult psychiatric beds, with an average occupancy rate of 59 percent for FY 2004. This project, for the lease and relocation of 10 beds from Brentwood (Jackson) to Tri-Lakes (Batesville), will provide for a more even distribution of licensed adult psychiatric beds.

GR Criterion 6- Accessibility

The applicant affirmed that Tri-Lakes is accessible to all residents of the health planning service area, hospital service area, or patient service area. The applicant states that it provided 10 percent of gross patient revenue (\$3,358,237) to medically indigent patients in 2004.

GR Criterion 7- Information Requirement

Tri-Lakes affirmed that it will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

Tri-Lakes is located in northwest Mississippi, with an estimated 2010 population of 262,360 for six counties (DeSoto, Tate, Tunica, Panola, Quitman, and Coahoma). Only one psychiatric unit is located in this area with 22 adult psychiatric beds. This represents 8.38 adult psychiatric beds per 100,000 persons. The Hinds-Rankin county area (Jackson/Central Mississippi) has an estimated 2010 population of 404,062, and has 181 licensed adult psychiatric beds. This represents 44.79 adult psychiatric beds per 100,000 persons. This project, which will not add any new beds, will provide a more even distribution of the state's licensed adult psychiatric beds.

GR Criterion 9 - Availability of Resources

The applicant affirmed that qualified staff are available in the area and that ongoing recruitment efforts are being made.

GR Criterion 16 - Quality of Care

Tri-Lakes is in compliance with the *Minimum Standards of Operation for Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification.

IV. FINANCIAL FEASIBILITY

A. Expenditure Summary

The applicant projects that the project will not require any capital expenditure. However, the applicant will lease 10 adult psychiatric beds at \$25,000 per month for total lease payments of \$300,000 per year.

B. Method of Financing

The applicant has entered into a lease agreement with Brentwood Behavioral Healthcare for lease of 10 adult psychiatric beds. Lease payments will be \$300,000 per year.

C. Effect on Operating Cost

The applicant projects the following expenses, utilization, and results from operation for the first three years of operation:

Three Year Projected Operating Statement

	First Year	Second Year	Third Year
<u>Revenue</u>			
Gross Patient Revenue	\$2,683,000	\$3,500,000	\$4,000,000
Deductions	1,338,000	1,800,000	2,000,000
Net Revenue	\$1,345,000	\$1,700,000	\$2,000,000
<u>Operating Expenses</u>			
Payroll and Benefits	\$1,000,000	\$1,150,000	\$1,300,000
Other Expenses (Lease)	300,000	300,000	300,000
Total Operating Expenses	\$1,300,000	\$1,450,000	\$1,600,000
Net Income	\$ 45,000	\$ 350,000	\$ 400,000
<u>Assumptions</u>			
No. of Licensed Beds	10	10	10
Occupancy Rate	50	60	72
Patient Days	1,825	2,190	2,628
Cost/Patient Day	\$ 712	\$ 662	\$ 609

Charge/Patient Day	\$ 1,470	\$ 1,598	\$ 1,522
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D. Cost to Medicaid/Medicare

The cost of the project to third party payors is as follows:

Patient Mix	Utilization Percentage	First Year Cost
Medicaid	15.95	\$207,350
Medicare	23.00	299,000
Other	61.05	793,650
Total	100.0	\$1,300,000
Tri-Lakes projects 3.61 percent of gross revenue for medically indigent, bad debt, and charity care patients.		

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid estimates that the increased annual cost to Medicaid will be \$282,328 in inpatient hospital services. The Division further states that any portion which may relate to outpatient services will be paid as outlined in the Medicaid State Plan.

The Department of Mental Health was also provided a copy of the application for comment. No written comments were received from the Department of Mental Health.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the addition of adult psychiatric beds as outlined in the *FY 2005 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000*; 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 Tri-Lakes Medical Center for establishment of adult psychiatric services through lease and relocation of 10 beds to Batesville, Mississippi