

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
JANUARY 17, 2022**

**CON REVIEW: HG-MOB-1221-012
FORREST COUNTY GENERAL HOSPITAL
D/B/A PINE GROVE BEHAVIORAL HEALTH & ADDICTION SERVICES
PINE GROVE BEHAVIORAL HEALTH MEDICAL OFFICE BUILDING
CAPITAL EXPENDITURE: \$14,779,751.00
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Forrest County General Hospital d/b/a Pine Grove Behavioral Health & Addiction Services is a Mississippi public hospital located at 6051 U.S. Highway 49, Hattiesburg, Forrest County, Mississippi 39401. Its bed complement consists of eighty (80) adult psychiatric beds and eight (8) adult chemical dependency beds.

B. Project Description

Pine Grove Behavioral Health & Addiction Services, a division of Forrest County General Hospital ("Pine Grove"), requests Certificate of Need ("CON") authority to construct a new Medical Office Building ("MOB") on its campus in Hattiesburg, Mississippi.

The applicant states Pine Grove MOB will include a main two-story building and an accessory building with a lecture hall and meeting rooms. The applicant asserts the MOB will provide an array of behavioral health outpatient services to the community, as well as partial hospitalization programs. The applicant affirms Pine Grove currently offers a broad range of inpatient and outpatient mental health and addiction services, and the new MOB will complement and enhance those existing services while providing improved access to treatment programs and care. The applicant asserts the proposed project will provide enhanced outpatient behavioral health services through the expansion and consolidation of services in a modern, accessible, and clinically efficient physical environment.

The applicant proposes a capital expenditure of \$14,779,751.00 which includes construction costs, owner incurred costs, professional fees, and a contingency. The applicant proposes to finance the project through a loan acquired from Trustmark National Bank. On December 29, 2021, the Mississippi State Department of Health, Division of Fire Safety and Construction, Bureau of Health Facilities Licensure and Certification, approved the proposed MOB site.

The applicant asserts Pine Grove, through Forrest General Hospital, is licensed by MSDH and complies with all building codes, zoning ordinances, and appropriate regulatory authorities. Further, the applicant affirmed the proposed project will comply with all applicable state statutes and regulations for 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.

Pine Grove anticipates the capital expenditure for the proposed project will be obligated in the second quarter of 2022, and the proposed project will be completed in the first quarter of 2024.

The applicant states no new personnel will be required for the proposed project.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health will review applications for a Certificate of Need (CON) for the construction of a medical office building under the requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code 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, September 1, 2019*; 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 27, 2022.

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* does not contain criteria and standards applicable to the construction of medical office buildings; however, the Plan states MSDH will review applications for a CON for construction, renovation, expansion, or capital improvement involving a capital expenditure in excess of \$5,000,000.00 (for clinical health services) or \$10,000,000.00 (for nonclinical health services). In addition, MSDH reviews CON projects for MOBs constructed by any entity if the capital expenditure is deemed to be "by-or-on-behalf" of a health care facility. MSDH will further review applications under the applicable statutory requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code of 1972, 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 the MSDH; and the specific criteria and standards listed below.

The construction, development, or other establishment of a new health care facility, the replacement and/or relocation of a health care facility or portion thereof, and changes of ownership of existing health care facilities are reviewable regardless of capital expenditure.

SHP Need Criterion 1: Acute Care Bed Need

a. **Projects which do not involve the addition of any acute care beds**

The applicant states since Pine Grove was established in 1984, there has been a tremendous increase in need for behavioral health and addiction services throughout Mississippi. The applicant states, according to the National Association of Mental Illness ("NAMI"),

Mississippi ranks as one of three (3) states with the lowest access to mental health services and has the highest incarceration of those with mental health and substance use disorders. The applicant asserts the the continued need for mental health services in Mississippi is expected to increase. The applicant further states during 2020, the prevalence of completed suicides and overdoses increased in Mississippi.

The applicant asserts Pine Grove campus must modernize and expand in order to meet the level of need that is readily apparent in the community. Pine Grove states their proposed MOB will offer an array of outpatient services to the community, as well as partial hospitalization programs as medically necessary. The applicant affirms the new building will also provide an added benefit to employees, that will translate into better care to patients as well as a better quality of life for clinicians and their families. The applicant also states the new facility will be able to offer evening and weekend services and thus will allow greater access to care to those who cannot attend daytime appointments or programming.

Pine Grove states the newly constructed medical office building will have Outpatient Services, an Employee Assistance Program (“EAP”), an Intensive Outpatient Program, a Professional Enhancement Program (“PEP”), Comprehensive Evaluation Services, and Intensive Psycho-educational Workshops and Family Education. The applicant further states, in addition to the professional services, certain administrative functions will also be located in the medical office building, such as Pine Grove’s Call Center, Marketing, and Quality Management Departments.

b. Projects which involve the addition of beds

The applicant states the proposed project does not involve the addition of beds.

SHP Need Criterion 2: Bed Service Transfer/Reallocation/Relocation

The applicant states the proposed project does not involve the transfer, reallocation or relocation of beds.

SHP Need Criterion 3: Charity/Indigent Care

The applicant affirms Pine Grove will provide a reasonable amount of indigent/charity care as described in the *FY 2022 Mississippi State Health Plan*.

SHP Need Criterion 4: Cost of Project

- a. The applicant states the total estimated construction cost of Pine Grove’s MOB is \$11,585,528.00. The applicant states the proposed project involves 52,775 square feet of new construction, or a cost of \$219.53 per square foot. The applicant affirms the estimated cost for this project compares favorably with a project recently approved by the Mississippi State Department of Health.
- b. The applicant affirms the proposed project does not involve the purchase

of new equipment.

SHP Need Criterion 5: Project Specifications

The applicant states the main building of Pine Grove's proposed MOB will be comprised of approximately 30,770 square feet on two floors, and the architectural design of the other building is consistent with state and national norms for similar projects. The applicant asserts the existing buildings on Pine Grove's campus do not place any restraints on the proposed project or involve any special considerations.

SHP Need Criterion 6: Renovation/Expansion Justification

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

SHP Need Criterion 7: Need for Service

The applicant states no new services are proposed in this application. Pine Grove states they will continue to offer outpatient behavioral health services in their new MOB. The applicant further states Pine Grove, through Forrest General Hospital, is currently licensed to provide inpatient and outpatient psychiatric and behavioral health services.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2019*, addresses general criteria by which all CON applications are reviewed. This 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* does not contain criteria and standards applicable for the construction of a MOB; however, the project is in substantial compliance with general CON policies.

GR Criterion 2 - Long Range Plan

The applicant submits Pine Grove's proposed MOB is the product of extensive planning, analysis and review by Forrest General Hospital's Board of Trustees, senior management team, medical staff, and behavioral health providers. The applicant asserts the project is consistent with and advances Forrest General Hospital's long-term plan to increase access to quality health care in South Mississippi. The applicant further states, the proposed MOB will enable Pine Grove to continue its role as one of the nation's premier treatment campuses for behavioral health and addiction.

GR Criterion 3- Availability of Alternatives

- a. **Advantages and Disadvantages of Alternatives:** The applicant states the only alternative to the proposed project is to maintain the status quo. The applicant asserts the alternative was rejected because the current arrangement will not enable Pine Grove to expand and consolidate its outpatient behavioral health services in a central, desirable, and accessible location. The applicant further states, additionally, continuing the current arrangement will not address the

tremendous increase in need for behavioral health and addiction services throughout Mississippi, as documented in this application.

- b. New Construction Projects:** The applicant submits modernization of existing facilities is neither feasible nor desirable because it would not accomplish Pine Grove's objective of expanding and consolidating its services in a central location. The applicant states the construction of an MOB on Pine Grove's existing campus is a cost-effective means of achieving this goal.
- c. Beneficial Effects to the Health Care System:** The applicant asserts the proposed MOB will benefit the health care system by enhancing the provision of outpatient behavioral health and addiction services in direct response to current and future patient needs.
- d. Effective and Less Costly Alternatives:** According to Pine Grove, there is not an effective and less costly alternative to the proposed project.
 - i. Unnecessary Duplication of Services:** The applicant states the proposed project is not an unnecessary duplication of services because Pine Grove does not propose new health services but will continue to serve as the only provider of behavioral health services in the area.
 - ii. Efficient Solution:** The applicant asserts the consolidation of behavioral health services in the Pine Grove proposed MOB is highly efficient from both a clinical and operational perspective. The applicant states the proposed project is a more efficient solution to the identified need because the MOB will allow for the consolidation of behavioral health services in a single and accessible location. The applicant further states this will increase clinical and operational efficiency that will result in an improved experience for patients and their families.
- e. Improvements and Innovations:** The applicant states the proposed MOB will not only enhance the quality of care for patients in need of behavioral health services but will also achieve cost effectiveness by allowing these services to be provided in an expanded outpatient setting.
- f. Relevancy:** The applicant asserts all health services, including behavioral health care are moving increasingly from an inpatient to an outpatient setting. The applicant states this proposed project has been developed in direct response to this current and future trend.

GR Criterion 4 - Economic Viability

- a. Proposed Charge:** The applicant has included in their application the financial analysis tables based on the facility's historical charge structure.
- b. Projected Levels of Utilization:** The applicant states Pine Grove's current and projected levels of utilization reflect the need for the proposed replacement project.

- c. **Financial Feasibility Study:** The application contains a financial feasibility letter from the Chief Financial Officer of Forrest General Hospital attesting to the viability of Forrest General Hospital's portion of the project.
- d. **Financial Forecasts:** The applicant asserts Pine Grove does not project that its financial forecasts will deviate significantly from the facility's historical financial experience.
- e. **Covered Expenses:** The applicant affirms Pine Grove does not anticipate the proposed project will fail to meet projected revenues, but has financial resources through, Forrest General Hospital, available to cover expenses.
- f. **Impact of Proposed Project on Health Care Cost:** The applicant states the proposed project's impact on Medicare, Medicaid and other payors is reflected in the financial analysis tables included in their application.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The applicant asserts the construction of the Pine Grove MOB is proposed in direct response to the needs of the population served by the facility. The applicant states all residents of the service area, including medically underserved groups, will continue to have access to the services provided.
- b. **Relocation of Services:** The applicant states the proposed project does not involve the relocation of a facility or service.
- c. **Current and Projected Utilization of Comparable Facilities:** The applicant submits Pine Grove is the only hospital-based provider of behavioral health services in its nineteen (19) county service area. The applicant states the proposed project does not involve the establishment of new health services, only the expansion and consolidation of existing outpatient behavioral health services through the construction and operation of the proposed Pine Grove MOB.
- d. **Probable Effect on Existing Facilities in the Area:** The applicant asserts the proposed project will not have an adverse impact on existing providers, The applicant states Pine Grove is the only hospital-based provider of behavioral health care in its nineteen (19) county service area.
- e. **Community Reaction to Service:** The applicant submitted eleven (11) letters in support of the proposed project.

GR Criterion 6- Access to the Facility or Service

- a. **Access to Services:** The applicant submits Pine Grove is accessible to all residents of its service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly. The applicant states the residents of its service area will have access to the proposed services and or facility as described in their application.

The following table shows the projected estimated gross patient revenues of health care to charity care patients for Pine Grove:

	Charity Care Charges Foregone	Charity Care (%)	Charity Care (\$)
Historical Year 2019	\$28,913,499	1.56%	\$8,461,739.00
Historical Year 2020	\$27,075,949	1.50%	\$8,363,513.00

- b. Existing Obligations:** The applicant indicates that it has no existing 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 submits Pine Grove will continue to serve Medicare, Medicaid, and medically indigent patients at its facility and the proposed MOB.
- d. Access to Proposed Facility:** The applicant indicates all health services offered by Pine Grove are accessible to all residents of the service area.
- e. Access Issues:**
 - i. Transportation and Travel:** The applicant states Pine Grove is located in Hattiesburg, Mississippi, and is easily accessible from U.S. Highway 49 and Interstate 59.
 - ii. Restrictive Admission Policy:** The application contains a copy of the current admissions policy, which indicates Pine Grove does not restrict patients based on race, color, age, sex, ethnicity, or ability to pay.
 - iii. Access to Care by Medically Indigent Patients:** The applicant states Pine Grove is accessible to medically indigent patients and provides a significant amount of indigent care each year.
 - iv. Operational Hours of Service:**
 - 1. **Regular operation.** The applicant states Forrest General Hospital operates 24 hours a day, 7 days a week.
 - 2. **Emergency only operation.** The applicant states emergency services are available at Forrest General Hospital 24 hours a day, 7 days a week.

GR Criterion 7- Information Requirement

Pine Grove affirms that it will record and maintain the information stated in this criterion, and make it available to the Mississippi State Department of Health within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

- a. **Comparable Services:** The applicant states Pine Grove is the only hospital-based behavioral health care provider in its nineteen (19) county service area in South Mississippi.
- b. **Effects on Existing Health Services:**
 - i. **Complement Existing Services:** The applicant asserts the outpatient behavioral health services provided in the Pine Grove MOB will continue to complement Pine Grove's inpatient services as part of a continuum of care.
 - ii. **Provide Alternative or Unique Services:** The applicant states Pine Grove is one (1) of the nation's premier treatment campuses for behavioral health and addiction.
 - iii. **Provide Services for a Specific Target Population:** The applicant submits the proposed project is directly responsive to the growing number of patients in need of behavioral health services in an accessible, outpatient setting.
 - iv. **Provide Services for Which There is an Unmet Need:** The applicant states according to the National Association of Mental Illness ("NAMI"), Mississippi ranks as one (1) of three (3) states with the lowest access to mental health services and the highest incarceration of those with mental health and substance abuse disorders.
- c. **Adverse Impact:** Pine Grove suggests if the project is not implemented, behavioral health patients will be deprived of the significant clinical benefits to be offered through the construction and operation of Pine Grove's proposed MOB.
- d. **Transfer/Referral/Affiliation Agreements:** The applicant states Pine Grove does not have any transfer/referral/affiliation agreements that are directly related to this project.

GR Criterion 9 - Availability of Resources

- a. **New Personnel:** The applicant asserts Pine Grove anticipates it will be able to staff the proposed project with existing personnel. The applicant asserts Pine Grove's services are currently provided by an interdisciplinary team of professionals, including psychiatrists, psychologists, registered nurses, licensed professional nurses, licensed clinical therapists, counselors, dietitians, and clinical assistants. The applicant further states this team of professionals will continue to serve patients in the new MOB.
- b. **Contractual Services:** The applicant states their clinically related contractual services include therapy, neuropsychology, diet/nutrition, psychology, and polygraphy.
- c. **Existing Facilities or Services:** The applicant asserts Pine Grove, a division of

Forrest General Hospital, is licensed by the Mississippi State Department of Health and fully complies with applicable regulations on staffing.

- d. **Alternative Uses of Resources:** The applicant affirms the proposed project is the best alternative for the provision of outpatient behavioral health services in response to community needs.

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. **Support and Ancillary Services:** The applicant states Pine Grove is a licensed and Medicare/Medicaid certified facility that currently has all necessary support and ancillary services needed for the proposed project.
- b. **Changes in Costs or Charges:** The applicant states Pine Grove does not anticipate a material change in costs or charges as a result of this project.
- c. **Accommodation of Changes in Costs or Charges:** The applicant states accommodation of changes in costs or charges is not applicable to the proposed project as stated above.

GR Criterion 11- Health Professional Training Programs

The applicant states Pine Grove has affiliations with William Carey College, The University of Southern Mississippi, Jones Community College, and other institutions.

GR Criterion 12 – Access by Health Professional Schools

The applicant states Pine Grove will continue its clinical and educational affiliations following the development of the proposed MOB.

GR Criterion 13 – Access to Individuals Outside Service Area

The applicant states approximately fourteen percent (14%) of the patients seen by Pine Grove in the Forrest General Hospital Emergency Department reside outside of the hospital's nineteen (19) county service area. The applicant further states this demonstrates patients travel long distances, inside and outside of the State, to seek mental health care.

GR Criterion 14 – Construction Projects

The applicant included a construction cost estimate in its application.

GR Criterion 15 – Competing Applications

The applicant states there are no competing applications on file with the Department with respect to their proposal.

GR Criterion 16 - Quality of Care

- a. **Past Quality of Care:** The applicant states Pine Grove, a division of Forrest General Hospital, is licensed by the Mississippi State Department of Health, and certified for participation in the Medicare and Mississippi Medicaid programs.

- b. **Improvement of Quality of Care:** The applicant submits the design and layout of the new Pine Grove MOB will greatly enhance the clinical and treatment experience of the facility's patients.
- c. **Accreditation and/or Certificates:** The applicant affirms Pine Grove is Medicare and Medicaid certified and accredited through Forrest General Hospital.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Item	Cost	Percentage of Total
New Construction	\$8,133,900.00	55.03%
Renovation	0.00	0.00%
Capital Improvements	0.00	0.00%
Land Cost	0.00	0.00%
Fixed Equipment	0.00	0.00%
Non-fixed Equipment	1,514,319.00	10.25%
Fees (architectural, etc.)	0.00	0.00%
Site Preparation	410,000.00	2.80%
Legal and Accounting Fees	810,987.00	5.49%
Contingency Reserve	3,620,904.00	24.50%
Capitalized Interest	0.00	0.00%
Other	289,639.00	2.00%
Totals	\$14,779,749.00	100.00%

Note: Staff's calculation of Percentage of Total may differ from Applicant's due to rounding.

B. Method of Financing

The project will be financed by Trustmark National Bank over a term of twenty-one (21) years. The application contains a Term Sheet letter from Trustmark National Bank summarizing the terms and conditions of the proposed loan.

C. Effect on Operating Costs

See Attachment 1 for the applicant's Three-Year Operating Statement.

D. Cost to Medicaid/Medicare

The applicant projects gross patient revenue cost to third party payors as follows.

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	53.00%	\$854,326,466.00
Medicaid	15.00%	\$242,322,618.00
Commercial	22.00%	\$347,854,779.00
Self-Pay	7.00%	\$106,688,487.00
Charity Care	0.00%	\$0.00
Other	4.00%	\$59,762,201.00
Total	100.00%	\$1,610,954,550.00

Note: Staff's calculation of Percentage of Total may differ from Applicant's due to rounding.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. As of the date of this staff analysis, the Division has not provided any comments on the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This *FY 20202 Mississippi State Health Plan* does not contain criteria and standards for the construction of a medical office building; however, the project is in compliance 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, September 1, 2019, 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 Forrest County General Hospital d/b/a Pine Grove Behavioral Health & Addiction Services for the construction of a medical office building on its campus.

Attachment 1

Pine Grove Behavioral Health & Addiction Services Three-Year Operating Statement (With Project)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$916,760,118.00	\$925,927,719.00	\$935,186,996.00
Outpatient	\$694,194,432.00	\$701,136,377.00	\$708,147,740.00
Gross Patient Revenue	\$1,610,954,550.00	\$1,627,064,096.00	\$1,643,334,737.00
Charity Care	\$24,532,259.00	\$24,777,581.00	\$25,025,357.00
Deductions from Revenue	\$1,110,794,501.00	\$1,121,902,446.00	\$1,133,121,471.00
Net Patient Revenue	\$475,627,790.00	\$480,384,068.00	\$485,187,909.00
Other Operating Revenue	\$10,552,817.00	\$10,658,346.00	\$10,764,929.00
Total Operating Revenue	\$486,180,607.00	\$491,042,413.00	\$495,952,838.00
Expenses			
Operating Expenses:			
Salaries	\$191,638,892.00	\$193,555,281.00	\$195,490,833.00
Benefits	36,686,120.00	37,052,981.00	37,423,511.00
Supplies	127,660,491.00	128,937,096.00	130,226,467.00
Services	64,728,880.00	65,376,169.00	66,029,930.00
Lease	0.00	0.00	0.00
Depreciation	29,635,750.00	29,932,108.00	30,231,429.00
Interest	2,425,333.00	2,449,587.00	2,474,082.00
Other	39,533,040.00	39,928,371.00	40,327,654.00
Total Expenses	\$492,308,507.00	\$497,231,592.00	\$502,203,908.00
Net Income (Loss)	\$(6,127,899.00)	\$(6,189,178.00)	\$(6,251,070.00)
Assumptions			
Inpatient days	134,491	135,835	137,194
Outpatient days	130,703	132,010	133,330
Procedures	0	0	0
Charge/outpatient day	5,311	5,311	5,311
Charge per inpatient day	6,817	6,817	6,817
Charge per procedure	N/A	N/A	N/A
Cost per inpatient day	\$3,661	\$3,661	\$3,661
Cost per outpatient day	\$3,767	\$3,767	\$3,767
Cost per procedure	N/A	N/A	N/A

Note: Staff's calculation of Percentage of Total may differ from Applicant's due to rounding