

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
JULY 7, 2025**

REVISED

CON REVIEW: FSF-A-0525-005

CARES CENTER INC. D/B/A CANOPY CHILDREN'S SOLUTIONS

AMENDMENT TO CON # R – 0994 (FSF-RC-0922-015)

**RELOCATION OF PSYCHIATRIC RESIDENTIAL TREATMENT FACILITY (PRTF)
BEDS AND CONSTRUCTION/ RENOVATION OF PSYCHIATRIC RESIDENTIAL
TREATMENT FACILITY**

ORIGINAL CAPITAL EXPENDITURE: \$10,256,993.00

ADDITIONAL CAPITAL EXPENDITURE: \$21,486,412.00

REVISED CAPITAL EXPENDITURE: \$31,743,405.00

LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Mississippi Children's Home Society ("MCHS"), a Mississippi non-profit corporation, is an affiliate of CARES Center, Inc. d/b/a Canopy Children's Solutions ("CARES"), the Applicant herein, and, with the same Board of Directors and Principal Officers as CARES, MCHS is controlled by the same individuals who control CARES. MCHS is the actual legal owner of the buildings CARES utilizes in the operation of the psychiatric residential treatment facility in Jackson (the "Jackson PRTF"). As such, MCHS is a participant in this Application for CON Amendment and Additional Capital Expenditure (the "CON Amendment") to the fullest extent necessary with respect to the project contemplated herein (the "Expanded Project" or the "Project").

B. Project Background

CARES is the licensee and operator of the Jackson PRTF and, until its closure, was the licensee and operator of the CARES psychiatric residential treatment facility in Harrison County (the "Gulf Coast PRTF"). Effective as of December 1, 2017, CARES closed the Gulf Coast PRTF and placed the twenty (20) psychiatric residential treatment facility ("PRTF") beds in abeyance in accordance with §41-7-191(1)(b) of the CON law. Two (2) letters to the Mississippi State Department of Health ("MSDH") notifying MSDH's Office of Policy and Planning and its Health Facilities Division of Licensure and Certification ("Division of Licensure") of such closure and placing twenty (20) PRTF beds in abeyance were included as Exhibit A to the Application for a Certificate of Need filed in September of 2022, pursuant to which CON No. R-0994 was granted (the "CON Application"). CON No. R-0994 granted CARES authority for a capital expenditure of \$10,256,993.00 for (i) the relocation of the twenty (20) PRTF beds from the Gulf Coast PRTF, that was closed

effective as of December 1, 2017, to the Jackson PRTF, (ii) the renovation of a part of the Jackson PRTF known as the Powers Campus ("Powers Campus") to provide twenty (20) single-occupancy bedrooms for youth with high acuity levels, and (iii) the construction of three (3) additional ten (10) bed cottages on the Jackson PRTF's Jean Austin Bagley campus ("Bagley Campus") for adolescents who fit within the traditional description as a candidate for PRTF therapy and care (the "Original Project").

CARES is also the operator of all the CARES schools. All persons who work in the CARES facilities and the CARES schools are employees of CARES.

C. Project Description

CARES requests a cost overrun to CON No. R-0994 to increase the capital expenditure from \$10,256,993.00 to \$31,743,405.00, an increase of \$21,486,412.00.

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

The application includes a copy of the original Certificate of Need (CON) No. R-0994, with an approved capital expenditure of \$10,256,993.00.

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.)

According to the Applicant, unlike the Original Project that, provided for sixty (60) of the PRTF beds to be located on the Bagley Campus and twenty (20) of the PRTF beds to be located on the Powers Campus, , the Expanded Project, the expansion of which has been made possible because of receipt of additional grant funding for the Project, provides for all eighty (80) PRTF beds to be located on the Bagley Campus. The Applicant states, therefore, there will be no need to renovate the Powers Campus to provide for twenty (20) of the PRTF beds in single-occupancy bedrooms as has been authorized by CON R-0994.

The Applicant states this CON Amendment requests approval for (i) an additional capital expenditure of \$21,486,412.00, (ii) a slight modification to the design and size of the three (3) new ten (10) bed single- occupancy cottages approved by CON No. R-0994 for the traditional PRTF residents (the New Traditional PRTF Cottages,"), (iii) the construction and furnishing of a new trauma center (the

"Trauma Center"), which will include (a) two (2) ten (10) bed single-occupancy cottages for residents with high acuity levels who often exhibit physical and sexual aggression (the "Trauma Center Cottages"), (b) a new school for the residents of the Trauma Center Cottages (the "Trauma Center School"), and (c) a commons area (the "Commons") that will serve multifunctional purposes, (iii) the construction and furnishing of a new trauma center (the "Trauma Center"), which will include (a) two (2) ten (10) bed single-occupancy cottages for residents with high acuity levels who often exhibit physical and sexual aggression (the "Trauma Center Cottages"), (b) a new school for the residents of the Trauma Center Cottages (the "Trauma Center School"), and (c) a commons area (the "Commons") that will serve multifunctional purposes, (iv) the construction of a guard house (the "Guard House") at the main entrance, and (v) the relocation of the detention pond in order to accommodate the expanded construction. Hereafter, the defined term "Cottages" shall include, together, the Trauma Center Cottages, the New Traditional PRTF Cottages, and the three (3) existing ten (10) bed double-occupancy cottages (the "Existing Traditional PRTF Cottages" and, together with the New Traditional PRTF Cottages, the "Traditional PRTF Cottages").

The Applicant states there are two (2) major construction aspects to the Expanded Project: (i) the construction of the three (3) ten (10) -bed New Traditional PRTF Cottages and (ii) the construction of the new Trauma Center. The Applicant submits the site plans for the Project, both the currently existing site plan referred to as the demolition site plan (the "Demolition Site Plan") and the site plan for the Expanded Project (the "Site Plan") each of which are included in the application, respectively, demonstrate how the Expanded Project will make the most appropriate use of the Bagley Campus, which consists of twenty – one (21) acres, and will enhance it from what is now a most desirable facility to an exceptional facility for the children and adolescents in need of residential psychiatric therapy.

The Applicant states upon completion of the proposed project, the ages and gender of the occupants of each of the Traditional PRTF Cottages will be as follows:

- Cottages A – Ages 6-10 (male and female)
- Cottages B – Ages 13-17 (female)
- Cottages C – Ages 11-13 (female)
- Cottages D – Ages 11-17 (male)
- Cottages E – Ages 13-17 (female)
- Cottages F – Ages 13-17 (female)

In addition, the Applicant states upon completion of the proposed

project, the ages and gender of the occupants of each of the Trauma Center Cottages will be as follows:

- Cottage G – Ages 6-17 (male)
- Cottage H – Ages 6-17 (female)

a. Transfer of CON:

The Applicant states this statement is not applicable to the proposed project.

b. Change of Site:

The Applicant states this statement is not applicable to the proposed project.

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 submits this statement is not applicable to their proposed Amendment request.

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 application includes a letter containing a copy of the revised cost estimate signed by Danny Cawthon, AIA, a principal of the Architect, which is licensed in Mississippi.

The Applicant states bids regarding the construction plans for the Expanded Project were opened on May 8, 2025. The Applicant states CARES accepted the lowest bid, which was submitted by Alliant Construction.

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

The Applicant affirms the actual construction has not begun. The Applicant states, this CON Amendment regarding an expansion of the Original Project, to construct the Trauma Center, this construction of which has been made possible is because of the significant additional grant funding. The Applicant states because CON No. R-0994 authorized the construction of three (3) New Traditional PRTF Cottages, and because Fire and Safety has approved the plans for such construction, and has authorized its

commencement, site development of the three (3) New Traditional PRTF Cottages could and may begin as soon as a construction contract has been entered into with Alliant Construction, given that CON No. R-0994 approved the construction of three (3) New Traditional PRTF Cottages. However, the Applicant states, because Alliant Construction submitted its bid for construction of the Expanded Project, it may be difficult for Alliant Construction to begin site development for only the New Traditional PRTF Cottages without impacting the construction of the Trauma Center. The Applicant further states that the design of the New Traditional PRTF Cottages has been modified and states construction and site development of the part of the proposed Project that has been expanded will not commence until the MSDH grants its approval of this CON Amendment.

The Applicant submits as stated in the CON Application; the Original Project was to be funded with grant funds. The Applicant also submits during year 2023, CARES received congressionally directed funds and additional grant funds. In year 2024, pursuant to Mississippi Senate Bill 3162 ("Senate Bill 3162"), CARES has now received \$20,000,000.00 in grant funding for the Expanded Project, which additional funds will allow CARES to construct the Trauma Center with (a) two (2) ten (10)-bed Trauma Center Cottages for those children with high acuity levels who often exhibit physical and sexual aggression, (b) a new school for grades one through twelve (1-12) for the residents of the Trauma Center Cottages, and (c) the Commons. The Applicant asserts that the additional funding will allow CARES the unique opportunity to expand the Original Project for the betterment of Mississippi's youth in need of specialized residential psychiatric treatment and the provision of additional educational opportunities in a specialized therapeutic environment.

The Applicant submits the provisions of Senate Bill 3162 require the Mississippi's Treasurer's office to allocate to the Department of Mental Health ("DMH") \$20,000,000. The Applicant submits the DMH, in turn, is required to utilize those funds for the following purpose:

Entering into a subgrant with Canopy Children's Solutions for the construction and renovation of the CARES Center, including the children and youth Psychiatric Residential Treatment Facility for

Trauma Recovery

The Applicant states the subgrant (the "Subgrant") was made conditional on CARES' agreement to designate at least thirty- three (33) beds for "first preference and priority admission for individuals

who meet admission criteria and are under the care of the Department of Mental Health and Child Protection Services”

The Applicant states as a result of having been granted additional funding, CARES is filing this CON Amendment and has received the approval of Fire and Safety of the construction plans for the Expanded Project. Currently, the Expanded Project is fully funded, and there will be no delay in going forward with the entire Project as soon as MSDH grants its approval. The Applicant has included the SME Request dated May 1, 2025, in the application demonstrating that CARES has expended, as of May 1, 2025, \$1,180,000.00 in furtherance of the Project.

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

The Applicant states this statement 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 this statement is not applicable for the proposed project.

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

The Applicant states that during the first year of operation following completion of the proposed Project, CARES anticipates the hiring of fifty-one (51) additional full-time employees, bringing the total number of employees working at Jackson PRTF to 196.1 employees. The Applicant states of the fifty -one (51) new staff members, more than half t (28.8) will be residential care specialists; two (2) will be therapists; 3.7 will be registered nurses; One (1) will be a physician. The Applicant states CARES will also employ 2.5 additional administrative personnel, two (2) additional social service personnel, two (2) additional technical/paramedical personnel, two

(2) additional security personnel, four (4) additional dietary personnel, two (2) additional custodial personnel, and one (1) additional maintenance/supply personnel. The Applicant submits that each newly hired employee has been or will be specially trained to care for children and adolescents with emotional and behavioral disorders.

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 states the only change to the list is the addition of the DMH and Mississippi Department of Child Protective Services ("CPS"). The Applicant further states the agreement regarding the Subgrant with DMH and CPS has been executed.

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

The Applicant asserts that the proposed Expanded Project is fully funded, and a contractor has been selected. The Applicant submits construction of the proposed Expanded Project will begin as soon as the MSDH approves this CON Amendment application and will be completed approximately two (2) years following the date construction commences.

II. TYPE OF REVIEW REQUIRED

The original project was reviewed in accordance with Section 41-7-173, 41-7-191 1(c) and 41-7-193 of the Mississippi Code of 1972, Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health.

The governing legislation and the Mississippi State Department of Health rules provide that any person directly affected by the proposal may request a public hearing during the course of review. The deadline to request a hearing expires on July 17, 2025.

III. FINANCIAL ANALYSIS

A. Capital Expenditure Summary

1. Complete the Capital Expenditure Summary.

Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase or (Decrease)
New Construction	\$ 3,671,798.00	\$20,380,273.00	\$16,708,475.00
Other Const. Costs	\$428,762.00	0.00	(\$428,762.00)
Const./Renovation	\$713,538.00	0.00	(\$713,538.00)
Land	0.00	0.00	0.00
Site Work	\$1,211,185.00	\$4,804,545.00	\$3,593,360.00
Fixed Equipment	0.00	Included in Construction cost above	0.00
Non-fixed Equip.	\$1,488,579.00	\$2,424,650.00	\$936,071.00
Contingency	\$1,733,584.00	\$2,000,000.00	\$266,416.00
Fees (Architectural, Consultant, etc.)	\$959,547.00	\$1,883,937.00 Includes architect's fee and consultant fee	\$924,390.00
Legal and Accounting Fees	\$50,000.00	\$250,000.00	\$200,000.00
Capitalized Interest	0.00	0.00	0.00
Capital Improvement	0.00	0.00	0.00
Total Capital Expenditure	\$10,256,993.00	\$31,743,405.00	\$21,486,412.00

The above capital expenditure table represents approximately a 209% increase over the original capital expenditure.

2. Provide line-item justification for each increase (or decrease) in capital expenditure.

a. Document capital expenditure made to date and the percentage of completion.

The Applicant affirms that as of May 1, 2025, CARES has expended \$1,180,000.00 of the approved capital expenditure toward completion of the project which demonstrates approximately three-point seven two percent (3.72%) completed.

3. Enclose a revised projected operating statement for the first full year of operation after completion of the project (for the proposed project/service only); include increased or decreased cost per day/procedure and charges per day/procedure.

The Applicant's revised projected operating statement is included as Attachment 1 of this Staff Analysis.

4. Disclose source of all financing (if debt, attach creditor's letter).

The Applicant submits all grant monies necessary to complete the Expanded Project have been received; therefore, as of the date of this CON Amendment, the entire Project is fully funded.

a. Provide amount of loan/lease, interest rate, term of loan and payment/lease amount.

b. Enclose a loan amortization schedule for all loans.

5. Provide audited or un-audited financial statements for the past year.

The application contains the Preliminary Draft of Mississippi Children's Home Services, Inc. and Affiliates d/b/a Canopy Children's Solutions Consolidated Financial Report for 2024.

6. Enclose a revised depreciation schedule for all assets.

The Applicant's application included a revised depreciation schedule. The Applicant also states that, because MCHS is the owner of the buildings and the non-fixed equipment, the depreciation schedule as it relates to

the new buildings and non-fixed equipment is relevant to MCHS only and, therefore, is not included on the Income Statement for Project Only or on the CARES Income Statement with Project.

7. Show effect of project on Medicaid patients, Medicare patients and other payers.

The Applicant states there will be no effect on Medicaid patients, Medicare patients, or other payors as a result of this CON Amendment because there is no anticipated increase in the utilization that was anticipated in the CON Application.

B. Method of Financing

See item 4(a) above.

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 proposed project will affect Medicaid patients; Medicare patients and other payers as follows:

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	0.00%	0.00
Medicaid	98.00%	\$1,277,400.00
Commercial	0.00%	0.00
Self-Pay	0.00%	0.00
Charity Care	2.00%	\$25,000.00
Other	0.00%	0.00
Total	100.00%	\$ 1,302,400.00

IV. COMPLIANCE WITH STATE HEALTH PLAN, POLICIES AND PROCEDURES

A. State Health Plan (SHP)

The FY 2022 Mississippi State Health Plan, Second Edition (the "FY 2022 MSHP") was in effect at the time the original CON application was submitted; The original application was found to be in substantial compliance with the guidelines for all health planning in Mississippi as contained in the FY 2022 MSHP and continues to be in compliance.

B. General Review (GR) Criteria

The Original project was in substantial compliance with General Considerations contained in the *Mississippi Certificate of Need Review Manual, Revised, September 1, 2019*; and the duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Amendment Application complies with Chapter 6 (Subsequent Review) of the CON Review Manual, revised November 11, 2023, and the duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid ("DOM") was provided a copy of this application for review and comment; however, the Division of Medicaid has not provided a comment on the proposed project as of July 7, 2025.

The Mississippi Department of Mental Health (DMH) also provided a copy of this application for review and comment. The Mississippi Department of Mental Health (DMH) stated in an email received in the Department, dated July 1, 2025, that (DMH) supports the proposed project. DMH states they recognize the need for expanded and modernized services to better meet the behavioral health needs of children in Mississippi.

VI. CONCLUSION AND RECOMMENDATION

The original project was found to be in substantial compliance with the guidelines for all health planning in Mississippi, as *contained in the Mississippi State Health Plan, Mississippi Certificate of Need Review Manual, Revised November 11, 2023*, and all adopted rules, procedures, and plans of the Mississippi State Department of Health. The Cost Overrun Application continues to comply with all the 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 CARES Center Inc. d/b/a Canopy Children's Solutions for an Amendment on CON No. R-0994, The Amendment will allow CARES to increase the authorized capital expenditure for the Relocation of Psychiatric Residential Treatment

Facility (PRTF) Beds and Construction/Renovation of Psychiatric Residential Treatment Facility from \$10,256,993.00 to \$31,743,405.00, an increase of \$21,486,412.00.

Attachment 1
CARES Center Inc. d/b/a Canopy Children's Solution
Amendment on CON No. R-0994.
Relocation of Psychiatric Residential Treatment Facility (PRTF) Beds
And Construction/ Renovation of Psychiatric Residential Treatment Facility
One-Year Projected Operating Statement

Revenue and Expenses	Year I
Patient Revenue:	
Inpatient	\$ 19,710,000.00
Outpatient	0
Gross Patient Care Revenue	\$ 19,710,000.00
Charity Care	\$50,000.00
Deductions from Revenue	<u>\$4,127,581.00</u>
Net Patient Care Revenue	\$15,532,419.00
Other Operating Revenue	\$50,000.00
Total Operating Revenue	\$15,582,419.00
Expenses	
Operating Expenses:	
Salaries	\$8,558,569.00
Benefits	\$1,630,663.00
Supplies	\$1,086,442.00
Services	\$1,231,413.00
Lease	\$604,183.00
Depreciation	\$99,725.00
Interest	0
Other	\$1,870,403.00
Total Expense	<u>\$ 15,081,398.00</u>
Net Operating Income (Loss)	\$ 501,021.00
Assumptions	
Inpatient days	26,280
Outpatient days	0
Procedures	0
Charge/inpatient day	\$750.00
Charge per outpatient day	0
Charge per procedure	0
Cost per inpatient day	\$595.80
Cost per outpatient day	0
Cost per procedure	0