

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
FEBRUARY 2009**

**CON REVIEW: HG-A-1208-044
MISSISSIPPI BAPTIST MEDICAL CENTER, INC. D/B/A
BAPTIST MEDICAL CENTER, JACKSON
AMENDMENT/ADDITIONAL CAPITAL EXPENDITURE ON CON #R-0661
(CONSTRUCTION/RENOVATION & RELOCATION PROJECT)
ORIGINAL CAPITAL EXPENDITURE: \$82,233,000
ADDITIONAL CAPITAL EXPENDITURE: \$30,039,306
TOTAL CAPITAL EXPENDITURE: \$112,272,306
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Mississippi Baptist Medical Center, Inc. d/b/a Baptist Medical Center, Jackson, is a Mississippi non-profit corporation composed of 15 corporate officers and a 15 member Board of Directors. Mississippi Baptist Medical Center is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

The 651-bed short term general acute care hospital consists of 541 medical/surgical beds, which includes 25 geriatric psychiatric beds, 100 adult chemical dependency beds, and 10 adolescent chemical dependency beds.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for Baptist Medical Center are as follows for the years 2005 through 2007:

**Baptist Medical Center
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2005	50.92	5.16	9.37
2006	54.52	5.12	11.87
2007	52.26	5.09	10.84

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

B. Project Background

Mississippi Baptist Medical Center, Inc., Jackson (MBMC) was issued CON No. R-0661, with an effective date of December 16, 2004, and an expiration date of December 16, 2005. The certificate authorized MBMC to complete the following: construct a 236,084 square foot, seven-story tower west of the hospital, renovate

38,284 square feet of space on the second and fourth floor of the existing hospital, and primarily utilize the tower to house obstetrics and cardiac services as well as provide additional space for future expansion projects.

C. Project Description

Mississippi Baptist Medical Center now requests an amendment on CON No. R-0661 and an additional capital expenditure of \$30,039,306. The applicant requests this amendment/cost overrun to increase the capital expenditure to complete the project.

The proposed project will consist of the following parts.

- The interior build-out and equipping of the 5th floor of the West Tower, which was originally planned to be shelled-in space only.
- The relocation of the West Tower of Women's Services, support office spaces, meeting rooms and gift shop to the lower level, which was originally programmed to be shelled for future use.
- The relocation of women's surgery services from the 2nd floor main hospital OR to an approximately 13,250 square foot women's surgery suite involving four (4) OR's and one (1) procedure room in the lower level of the West Tower.
- An atrium space is to be created between the West Tower and the existing hospital at the 1st floor level.
- The main entrance plaza and canopy will be redesigned and enhanced to integrate and coordinate with the new West Tower.
- The proposed project also will reconfigure and renovate, as an expanded part of the "back fill" element of the portions of the existing hospital "vacated" by relocation into the West Tower.

This amendment will increase the renovation square footage from 38,284 square feet to 43,054 square feet consisting of an additional 4,770 square feet.

The net result of the OR components of the proposed project will be that Baptist's reconfigured operating suites will be comprised of a total of eighteen (18) operating rooms and two (2) procedure rooms on the 2nd floor and four (4) operating rooms and one (1) procedure room on the lower level at the West Tower. Mississippi Baptist Hospital believes that the relocation of the four (4) operating rooms on the lower level at West

Tower will make the women's surgery suite more convenient and accessible to the women's inpatient rooms.

This project will not establish any new institutional health services. The Baptist Medical Center declared that their operating room suite was originally built in 1976, and is experiencing an increase in surgery utilization; but, more importantly, technology developments demand that every OR in the hospital be enlarged simply to house the equipment needed to be in the OR's to facilitate today's technologically enhanced surgery procedures.

II. TYPE OF REVIEW REQUIRED

The original project was reviewed in accordance with Section 41-7-191, subparagraph (1) (a) and (j) of the Mississippi Code of the 1972 Annotated, as amended.

The State Health Officer reviews all projects for amendments and cost overrun in accordance with duly adopted procedures and standards of the Mississippi State Department of Health.

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 20 days of publication of the staff analysis. The opportunity to request a hearing expires on March 10, 2009.

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

A. State Health Plan (SHP)

The original application was in substantial compliance with the overall objectives of the *Plan* in effect at the time of submission. The amendment/cost overrun project continues to be in compliance with the *State Health Plan*.

B. General Review (GR) Criteria

Chapter 8 of the Mississippi Certificate of Need Review Manual (February 23, 2008 as amended) addresses the general criteria by which all applications for Certificate of Need are reviewed. This project was in substantial compliance with general review at the time of original submission, and continues to be in substantial compliance with said criteria.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost	\$43,860,000	\$52,862,000	\$9,002,000
2. Construction/Renovation	4,200,000	6,095,000	1,895,000
3. Land	0	0	0
4. Site Work	4,700,000	4,700,000	0
5. Fixed Equipment	0	0	0
6. Non-Fixed Equipment	15,960,000	28,509,306	12,549,306
7. Contingency	4,850,000	6,350,000	1,500,000
8. Fees (Architectural, Consultant, etc)	6,213,000	10,096,000	3,883,000
9. Capitalized Interest	2,450,000	3,660,000	1,210,000
10. Capital Improvement	0	0	0
Total Capital Expenditure	82,233,000	112,272,306	30,039,306

The original CON application contemplated the construction of the West Tower's 6th level. However, in a change of scope the 6th level was not built-out, in an effort to adjust the size the project in relation to the more immediate needs of the Mississippi Baptist Medical Center. As an alternative the interior build-out of the 3rd and 4th floors was accelerated because of how disruptive that work would be for the patients on the 2nd and 4th floors of the West Tower after the project was occupied.

The latest new construction addition, which was not contemplated in the original CON application, is the build-out to accommodate Women's Services in the lower level of the West Tower to house offices, meeting rooms, a gift shop and a women's surgery suite therein. These spaces are necessary to complete the consolidation/relocation of women's services from various locations of the existing hospital to a consolidated portion of the West Tower, with the ultimate aim of the delivery of more efficient and patient friendly healthcare services.

Total square footage of the project is approximately 43,054 square feet of renovation and 218,118 square feet of new construction with an estimated cost of \$218.62 per square foot.

The total net capital expenditure increase on these new construction components is \$9,002,000, or 10.95% of the original total CON approved capital expenditure.

Capital expenditures for renovations/backfill “for the project have increased by \$1,895,000, or 2.3% of the original total CON approved capital expenditure.”

The applicant submits that the additional capital expenditure is attributed to the following:

- An increase in construction cost due to changes in construction/relocation;
- Non-fixed equipment cost; and
- Changes in contingency, fees, and capitalized interest.

All elements of this project are anticipated to be complete within 36 months or less from the date of approval of this amendment.

B. Method of Financing

The applicant intends to finance the proposed project from accumulated cash reserves.

The application includes a letter signed by the vice president – corporate controller of the Mississippi Baptist Medical Center, attesting to the financial feasibility for the proposed amended project.

C. Effect on Operating Cost

	Year 1	Year 2	Year 3
Net Patient Revenue – 000’s	\$291,350	\$310,288	\$330,456
Other Operating Revenue	7,804	7,882	7,961
Total Revenue	\$299,154	\$318,170	\$338,417
Operating Expenses			
Salaries and benefits	\$129,209	\$137,608	\$146,552
Supplies and other expense	110,185	117,347	124,975
Rent and utilities	10,188	10,850	11,555
Bad debts	15,161	16,146	17,196
Depreciation and interest	31,797	32,041	32,287
Total operating expenses	\$296,540	\$313,992	\$332,565
Operating Income	\$ 2,614	\$ 4,178	\$ 5,852
Non-Operating Income	\$ 5,972	\$ 6,151	\$ 6,336
Revenues and Gains in Excess Expenses and Losses	\$ 8,586	\$ 10,329	\$ 12,188

D. Cost to Medicaid/Medicare

According to the applicant, the impact of the project on third party payers is expected to be negligible.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this amendment/cost overrun application for comment. The Division of Medicaid opposes this project.

VI. CONCLUSION AND RECOMMENDATION

The original project was in substantial compliance with the overall objectives as contained in the FY 2005 State Health Plan; the Mississippi Certificate of Need Review Manual, revised 2000, and all adopted rules, procedures and plans of the Mississippi State Department of Health. The project is a change in scope from the original project nevertheless, the overall objectives remain equivalent.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by Mississippi Baptist Medical Center, Inc. for the West Tower amendment/additional capital expenditure project.