

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

**CON REVIEW HG-R-0109-003  
UNIVERSITY OF MISSISSIPPI MEDICAL CENTER  
BLAIR E. BATSON HOSPITAL FOR CHILDREN  
PEDIATRIC EMERGENCY ROOM RENOVATION/RELOCATION  
CAPITAL EXPENDITURE: \$6,304,371  
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

A. Applicant Information

The University of Mississippi Medical Center (UMMC) is a state owned not-for-profit acute care teaching inpatient hospital with full emergency and outpatient services. The facility has a management service agreement with Quorum Health Resources of Nashville, Tennessee. The full authority and ultimate control of the hospital remains with the Board of Trustees of State Institutions of Higher Learning, with administrative authority delegated to the Chancellor and Vice Chancellor for Health Affairs of the University of Mississippi Medical Center. The facility is accredited through the Joint Commission on Accreditation of Healthcare Organizations.

The hospital is currently licensed to operate 664 medical/surgical beds, 21 adult psychiatric beds, 12 pediatric psychiatric beds and 25 rehabilitation beds. The total licensed bed capacity is 722.

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

**University of Mississippi Medical Center  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2005	65.56	6.34	47.82
2006	60.81	6.42	51.72
2007	56.57	6.33	51.62

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

**B. Project Description**

The University of Mississippi Medical Center requests Certificate of Need (CON) authority for renovation/relocation of the Blair E. Batson Hospital for Children pediatric emergency room on the campus of the existing hospital. The applicant states that the proposed project involves renovating the basement of the round tower and relocating the existing pediatric emergency space to that area. The project includes renovating the pediatric emergency department to accommodate pediatric ER services that are currently located in the basement adjacent to the Blair E. Batson Hospital. The new pediatric emergency department shall include 21 exam-treatment rooms plus two trauma rooms, office space for medical staff, patient waiting room with children's play area, and a mechanical room. The University of Mississippi Medical Center asserts that the project includes renovation of 10,672 square feet of the existing Batson Children's Hospital including the ground level of the 1960's circular building and attached addition of 4,789 square feet, to accommodate relocation of the existing Batson's Pediatric Emergency Department from the old acute services wing. The total project will be 15,461 square feet of renovated space. According to the applicant, a new pediatric ambulance entry will be located at the end of the existing ambulance dock with a new pediatric emergency ambulatory entry accessible from the existing ambulance yard or from public parking in garage B on UMMC's campus. An interdepartmental connection is being maintained between the existing adult emergency department and this new pediatric emergency department. Vacated space in the old acute service wing will be used for future expansion of the adult emergency department. No inpatient beds will be added as a result of this project.

The applicant believes that the proposed project is necessary to meet its mission as the state's only children's hospital and will provide continued teaching capability to support the University Medical Center's academic training mission.

The total proposed capital expenditure is \$6,304,371 and of that amount, approximately 64.79 percent is for renovation; 7.93 percent for non-fixed equipment; 7.93 percent for fixed equipment; 5.94 percent for fees (architectural, consultant, etc.); and 12.95 percent for contingency reserve. The applicant indicates the proposed capital expenditure will be funded from private donations that are available.

MSDH Division of Health Facilities Licensure and Certification asserts that since Blair E. Batson Children's Hospital is an existing hospital already providing patient care, a site inspection is not required. After the CON approval the Department will require a set of construction documents for review.

**II. TYPE OF REVIEW REQUIRED**

The Mississippi State Department of Health reviews applications for construction, renovation, expansion, or capital improvement involving a capital expenditure in excess of \$2,000,000, under the applicable statutory requirements of Section 41-7-191, subparagraphs (1) (e) and (j) 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.

In accordance with Section 41-7-197(2) of the Mississippi Code 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 May 27, 2009.

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

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

The *FY 2009 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving CON authority for construction, renovation, expansion, or capital improvement involving a capital expenditure in excess of \$2,000,000. The application is in substantial compliance with these criteria.

**SHP Criterion 1 – Need**

**Projects which do not involve the addition of any acute care beds:** The applicant shall document the need for the proposed project. Documentation may consist of, but is not limited to, citing of licensure or regulatory code deficiencies, institutional long-term plans (duly adopted by the governing board), recommendations made by consultant firms, and deficiencies cited by accreditation agencies (JCAHO, CAP, etc.). In addition, for projects which involve construction, renovation, or expansion of emergency department facilities, the applicant shall include a statement indicating whether the hospital will participate in the statewide trauma system and describe the level of participation, if any.

According to the applicant, the University of Mississippi Medical Center is a Level 1 Trauma center that encompasses both the adult and pediatric emergency rooms. The applicant asserts that Joint Commission on Accreditation of Health Care Organizations (JCAHO) cited in their 2005 survey that the pediatric emergency room square footage was insufficient to serve the current patient volume.

This project will not involve additional beds or the offering of a new institutional health service.

**SHP Criterion 2 – Bed Service Transfer/Reallocation/Relocation**

This project does not involve the transfer/reallocation or relocation of beds.

**SHP Criterion 3 – Uncompensated Care**

The applicant submits the following percentages of historical/projected gross patient revenue provided or to be provided to the medically indigent/charity care patients for the past two years and for the first two years of this project:

**Gross Patient Revenue  
Amount**

	<b>Medically Indigent (%)</b>	<b>Charity Care (%)</b>
Historical Year 2007	18	4
Historical Year 2008	17	3
Projected Year 1	15	4
Projected Year 2	15	4

**SHP Criterion 4- Cost of Project**

- a. Cost per Square Foot: This project involves renovation of the pediatric emergency department to accommodate pediatric ER services that are currently located in the basement adjacent to the Blair E. Batson Hospital.

The proposed renovation project shall cost approximately \$373.62 per square foot.

- b. The proposed project involves the purchase of fixed equipment (\$500,000) and non-fixed equipment \$500,000.

**SHP Criterion 5 – Floor Area and Space Requirements**

The applicant indicates that the total project will be 15,461 square feet of renovated space.

**SHP Criterion 6 –Renovation versus Replacement**

According to the applicant, the physical location of the service and the relationships to the surrounding services dictated that UMMC renovate versus build a new structure. This was the justification for its decision.

**SHP Criterion 7 – Need for Service**

According to the applicant, it was determined through in-house strategic planning that the proposed course of action was the most appropriate in light of recent facility addition and current space utilization. Ultimately, UMMC needs to revamp the adult and pediatric emergency rooms to accommodate patient flow and access from the public. The applicant believes that the increase in space will enhance the delivery of patient care.

The applicant states that the pediatric emergency department at UMMC is the only one in the state of Mississippi and supports the Level 1 Trauma center at UMMC.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised February 23, 2008*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

**GR Criterion 3 – Availability of Alternatives**

According to the applicant, the emergency room services are a major component of pediatric critical and acute patient care. Previous studies analyzed the construction of new facilities, but due to budget constraints the, renovation option was more desirable. This project improves the health care system by providing a more effective and efficient emergency department that supports pediatric service. Specifically, increasing the space of the exam rooms, treatment rooms and patient waiting area will improve patient flow and improve the delivery of patient care.

**GR Criterion 4 - Economic Viability**

The application contains a statement signed by the Director of Finance of UMMC attesting to the viability of this project. The project is being funded by private donations and will have little impact on projected future operating revenues and expenses.

**GR Criterion 5 - Need for the Project**

- a. **Access by Population Served:** The applicant asserts that each year there are approximately 30,000 pediatric emergency department patient visits. This often necessitates lengthy delays, causing significant patient waiting times. Also, the current pediatric emergency department is grossly undersized for today's need and recent volume has shown the need for much more space.
- b. **Relocation of Services:** This application does not propose the relocation of services. According to the UMMC, only its location within UMMC will change. All necessary notification, signage and other means will be used to communicate to the public its new location.
- c. **Current and Projected Utilization of Like Facilities in the Area:** No additional services are being proposed.
- d. **Probable Effect on Existing Facilities in the Area:** The project proposes renovation/relocation of the Blair E. Batson Hospital for Children's pediatric emergency room on the campus of the existing hospital. The applicant states that the pediatric services offered to the public will not change, only its location within the UMMC will change. The proposed project involves renovating the basement of the round tower and relocating the existing pediatric emergency space to that area. The applicant asserts that all necessary notification, signage and other means will be used to communicate to the public its new location. Therefore, no significant effect is anticipated on existing facilities in the area.

The applicant believes that failure to implement the proposed project will result in continued congestion of the current pediatric emergency room. Patient wait time will increase and patient satisfaction will decrease, which could deter patients from seeking health care services. Also, the adult emergency room would not be able to expand if the pediatric emergency room is not expanded.

- e. **Community Reaction:** The application contained eleven (11) letters of support for the proposed project.

The Department received no letters of opposition concerning the proposed project.

#### **GR Criterion 6 - Access to the Facility or Service**

- a. **Medically Underserved Population:** The University of Mississippi Medical Center asserts that it serves all residents of the health planning service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly. The applicant believes that the proposed project will improve access to the general public by reducing wait times and allow for a more efficiently run pediatric emergency department at UMMC.
- b. **Performance in Meeting Federal Obligations:** The applicant states that the hospital has no existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs to be Served by Applicant:** The University of Mississippi Medical Center states that the hospital is a disproportionate share facility and qualifies for Medicaid UPL payments. The hospital does not restrict access by medically indigent patients.

#### **GR Criterion 7 - Information Requirement**

The applicant asserts that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of request.

#### **GR Criterion 8 - Relationship to Existing Health Care System**

According to the University of Mississippi Medical Center, the Blair E. Batson Hospital for Children is the only children's hospital in the state of Mississippi, thus the current patient population accesses the services via referrals or can schedule visits directly with the clinic.

Because no new services will be offered as a result of this project, staff concludes that this project would have no adverse affect on other providers in the referenced service area.

#### **GR Criterion 9 - Availability of Resources**

According to the applicant, the current pediatric emergency room is staffed appropriately and sufficient coverage is available for any volume changes.

#### **GR Criterion 14 - Construction Projects**

- a. **Cost Estimate:** The application contains a cost estimate prepared by Dale/Morris Architects PLLC.
- b. **Schematic Drawing:** The application contains a schematic drawing of the proposed project.
- c. **Space Allocations:** The applicant submits that space will conform to applicable local and state licensing standards.
- d. The MSDH's staff' calculates the project's renovation of 15,461 square feet of space at an estimated cost of \$373.62 per square foot (See Attachment 1). The applicant states that the estimated cost of 15,461 square feet of space will be \$77.07 per square foot.
- e. **Cost per Square Foot:** The proposed project involves approximately 15,461 square feet of renovated space at an estimated cost of \$373.62 per square foot (See Attachment 1). The *Means Construction Cost Data, 2009* does not compare costs for renovation.

#### **GR Criterion 16 - Quality of Care**

The University of Mississippi Medical Center is in compliance with the *Minimum Standards for the Operation of Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification, MSDH. The facility is accredited by the Joint Commission on Accreditation of Health Care Organizations and quality is monitored and reviewed by the Hospital's Performance Improvement and Risk Management departments.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The total estimated capital expenditure is allocated as follows:

	Item	Cost	Percent of Total
a.	Construction Cost -- New	0	0
b.	Construction Cost -- Renovation	\$4,084,975	64.79
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	500,000	7.93
e.	Total Non-Fixed Equipment Cost	500,000	7.93
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	374,651	5.94
i.	Contingency Reserve	816,995	12.95
j.	Capitalized Interest	0	0
k.	Other	<u>27,750</u>	<u>0.46</u>
	<b>Total Proposed Capital Expenditure</b>	<b><u>\$6,304,371</u></b>	<b><u>100.00</u></b>

The above capital expenditure is proposed for renovation/relocation of the Blair E. Batson Hospital for Children pediatric emergency room. The proposed project involves approximately 15,461 square feet of renovated space at an estimated cost of \$373.62 per square foot (See Attachment 1). The *Means Construction Cost Data, 2009*, does not compare costs of renovation projects.

**B. Method of Financing**

The applicant proposes to finance this project through private donations.

**C. Effect on Operating Cost**

The University of Mississippi Medical Center states that there is no anticipated increase in pediatric emergency services due to the project, thus, there would be no incremental increase in revenue and operation costs for the proposed project.

**D. Cost to Medicaid/Medicare**

As stated above, the applicant does not project an increase or decrease in operating cost as a result of this project. The project is being financed by donations and will not affect the overall operations of UMMC.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid states that effective October 1, 2005, it changed the methodology by which the Division reimburses inpatient hospital services so that cost incurred subsequent to that date no longer affects per diem rates, and that any portion of the cost which may relate to outpatient service will be paid as outlined in the *Medicaid State Plan*. The Division takes no position on the proposed project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the construction, renovation, expansion, capital improvements, replacement of health care facilities, and addition of hospital beds as contained in the *FY 2009 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised February 23, 2008*; and duly 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 University of Mississippi Medical Center for renovation/relocation of the Blair E. Batson Hospital for Children pediatric emergency room.

**University of Mississippi Medical Center  
 HG-R-0108-003  
 Attachment 1  
 Computation of Renovation Cost\***

<b>Cost Component</b>	<b>Total</b>	<b>Renovation</b>
New Construction Cost	0	0
Renovation Cost	\$4,084,975	\$4,084,975
Total Fixed Equipment Cost	\$500,000	\$500,000
Total Non-Fixed Equipment Cost	\$500,000	0
Land Cost	0	0
Site Preparation Cost	0	0
Fees (Architectural, Consultant, etc.)	\$374,651	\$374,651
Contingency Reserve	\$816,995	\$816,995
Capitalized Interest	0	0
Other	\$27,750	\$27,750
<b>Total Proposed Capital Expenditure</b>	<b>\$6,304,371</b>	<b>\$5,766,621</b>

Square Footage	<b>15,461</b>	<b>15,461</b>
Allocation Percent		100%

<b>Costs Less Land, Non-Fixed Eqt. &amp; Other</b>	<b>\$5,776,621</b>	<b>\$5,776,621</b>
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<b>Cost Per Square Foot</b>	<b>\$373.62</b>	<b>\$373.62</b>
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\*Source: Mississippi Certificate of Need Review Manual, Revised February 23, 2008

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