

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
MARCH 2010**

**CON REVIEW: HG-NIS-1210-036  
BRANDON HMA, LLC D/B/A CROSSGATES RIVER OAKS HOSPITAL  
ESTABLISHMENT OF A 15-BED BURN CENTER/CARE SERVICES  
CAPITAL EXPENDITURE: \$5,972,816  
LOCATION: BRANDON, RANKIN COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

A. Applicant Information

Brandon HMA, LLC d/b/a Crossgates River Oaks Hospital (CROH) is a 134-bed, short-term general acute care hospital owned by Health Management Associates, Inc., Naples, Florida. Brandon HMA, LLC leased the hospital from the Rankin County Board of Supervisors effective January 1, 1996. Crossgates River Oaks Hospital is governed by eight (8) Officers and Directors, accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), and certified for participation in the Medicare and Medicaid programs.

The occupancy rates, average lengths of stay (ALOS) and the Medicaid utilization rates for the medical surgical beds at Crosstgates River Oaks Hospital are as follows for the three most recent fiscal years:

**Crossgates River Oaks Hospital  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2006	46.78	5.20	6.90
2007	45.40	5.22	8.01
2008	43.09	5.23	9.15

**Source:** Division of Health Facilities Licensure and Certification, Mississippi State Department of Health, (MSDH)

B. Project Description

Brandon HMA, LLC d/b/a Crossgates River Oaks Hospital is requesting Certificate of Need (CON) authority for the establishment of a 15-bed burn center/care services (Burn Center) on the campus of Crossgates River Oaks Hospital. The applicant asserts that pursuant to House Bill 55, the proposed 15-beds will be classified and limited to use for the treatment of burn victims and will not be converted to any other use. These beds will also participate in the trauma care system, improving Crossgates' ability to deliver trauma care and improving the level of trauma care available in Mississippi.

According to the applicant, after the establishment of the burn center, patients not only from the Jackson metro area but the entire state of Mississippi will be able to receive specialized burn care within the state. Since the burn center in Greenville closed in 2005, local and statewide residents have been forced to travel outside the state, some over 500 miles to Joseph M. Still Burn Center, Inc. (JMS), located in Augusta, Georgia, to obtain treatment for major burns. Crossgates River Oaks Hospital entered into a co-management agreement with JMS to treat burn victims in June 2009. This arrangement currently allows for patient to be triaged at the scene of an accident and either directed to Crossgates River Oaks Hospital or JMS, and provides the hospital with the expertise and guidance in treating burn victims. While CROH has been offering burn care services to patients under this affiliation with JMS since the Summer, 2009, the level of patient acuity has been lower than what is anticipated to be offered with the establishment of the burn center.

Crossgates River Oaks Hospital asserts that the burn care services offered at the burn center will be co-managed by the Crossgates River Oaks Hospital and Joseph M. Still Burn Centers, Inc. (JMS) located at 1220 George C. Wilson Drive, Augusta, Georgia. The application contains a copy of the burn care service line co-management agreement between CROH and JMS for the proposed project.

The applicant states that in order to establish the Burn Center to provide specialized burn care services, Crossgates River Oaks Hospital proposes to renovate approximately 8,344 square feet of the existing space within the hospital to provide a five bed intensive care unit, a ten-bed step down patient care unit and two new operating rooms to ensure the availability of operating room space for the burn victims. The renovation will require the following: demolition and removal of existing construction on the second floor to allow for construction of the 15-bed unit, approximately 5,272 square feet; demolition and removal of existing construction on the first floor to allow for construction of the two new operating rooms, approximately 3,062 square feet; infection control procedures during construction; new metal stud and gypsum board walls; new doors, frames, and hardware; new floor, wall, and ceiling finishes to match existing; re-working existing plumbing; adding additional HVAC and re-work existing system on the Burn Center unit; re-working and expanding existing HVAC system at operating rooms; reworking and expanding existing medical gas system; re-working and expanding existing sprinkler and fire alarm systems; and re-working and expanding existing electrical service. The applicant states that the bed complement will change at CROH as a result of this project.

The applicant proposes a total capital expenditure of \$5,972,816, composed of renovation (44 percent), fees (3.30 percent), contingency reserve (4.90 percent), fixed equipment (5.79 percent), non-fixed equipment (41.76 percent), and legal and accounting fees (0.25 percent), (See capital expenditure summary, page 8). The applicant proposes to fund the project from cash reserves. The application contains a letter signed by Health Management Associates, Inc.'s, senior vice president - finance and chief financial officer, attesting to its ability to fund the hospital's proposed project.

According to the applicant, the capital expenditure for this project will be obligated within 120 days upon CON approval. The applicant proposes the completion within one year from the obligation of the capital expenditure.

The Department's Division of Health Facilities Licensure and Certification, found the site to be acceptable for the proposed project.

## II. TYPE OF REVIEW REQUIRED

This project, which involves a capital expenditure in excess of \$2,000,000, is reviewed in accordance with Sections 41-7-191 subparagraph (1)(j), Mississippi Code of 1972, as amended (House Bill 55, Section 19, 2009 Regular Session), and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health.

House Bill 55, Section 19, states that: The State Department of Health shall issue any certificates of need necessary to any person proposing the construction of, addition of, or conversion of any beds, or the expansion of any health care facility for use exclusively for the treatment of burn victims. Such beds shall be classified and limited to use for such treatment of burn victims, may not be converted to any other use, and are not to be classified or included in the acute care bed inventory of the state for health planning purposes. Any such beds shall participate in the statewide trauma care system as provided by Section 41-59-5 and be entitled to an allocation of funds from the Mississippi Burn Care Fund as established by Section 7-9-70. For purposes of this subsection, the provisions of Section 41-7-193(1) requiring substantial compliance with the projection of need as reported in the current *State Health Plan* are waived.

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

The *FY 2010 State Health Plan* does not contain policy statements, criteria, and standards for the establishment of a burn center/care services as proposed by this project. However, this application is in substantial compliance with the over all objectives of the *Plan*.

### B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2009 Revision*, addresses general criteria by which all CON applications are reviewed.

#### **GR Criterion 2 - Long Range Plan**

According to the applicant, Crossgates River Oaks Hospital's long term goal is to ensure more complex burn care services are available in the State. To help reach this goal, in early 2008 CROH began meeting with representatives from Joseph M. Still Burn Centers, Inc., Georgia, to establish a relationship with a regional burn center to both provide services for Mississippi residents and determine how best to implement CROH's long range plans. By partnering with an established regional burn center, CROH is able to learn from JMS' expertise and plan its burn center.

#### **GR Criterion 3 – Availability of Alternatives**

Crossgates River Oaks Hospital recognized there was a need for the burn care services in the State in 2008 and worked to establish a relationship with a regional burn center. It currently provides low acuity burn care services through its relationship with Joseph M. Still Burn Centers, Inc., Georgia. The applicant asserts that the establishment of the burn center with beds dedicated to the treatment of burn victims will allow it to expand and intensify the acuity level of the currently offered services. Without seeking approval for the burn center, CROH would be limited to treating lower level burn victims and more serious patients would

continue to be transferred out-of-state. The establishment of the burn center at CROH will provide treatment for critical burn patients and enhance and complement Mississippi's Trauma system.

The burn center will improve the delivery of health services and improve health care quality in the State as there are no Mississippi alternatives for burn care services.

The applicant asserts that the proposed burn center will offer burn care services in the State thus keeping patients and their families from being forced to travel out-of-state for such services.

#### **GR Criterion 4 - Economic Viability**

The application contains a financial feasibility study prepared and signed by Brandon HMA, LLC d/b/a Crossgates River Oaks Hospital's chief financial officer, attesting to the financial feasibility of this project.

Crossgates River Oaks Hospital projects net operating income to be \$746,401 the first year, \$1,653,326 the second year, and \$2,678,793 the third year after completion of this project. See effect on operating cost, attachment 1.

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

Crossgates River Oaks Hospital asserts that the high acuity of burn care services have been unavailable in the State since the Greenville Burn Center closed in 2005. Since that time, Mississippi residents have been forced to seek burn care services outside of the State. The establishment of the burn center will allow the majority of burn cases in the State to be treated in Mississippi. Burn care services will be available to any resident regardless of their economic status, race, gender, disability, or age. There are no similar services within the State. The establishment of the burn center will provide services that are currently not available in the state and enhance the State's trauma system.

The applicant asserts that because there are no similar facilities in the area, there will be no significant effect on existing facilities in the area or state.

The application contains numerous letters of support from state and national elected officials, fire officials, healthcare providers, physicians, and the community.

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

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

According to CROH, all residents of the health planning service area, hospital service area, or patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped, and elderly persons have access to the existing services of Crossgates River Oaks Hospital.

The applicant submits that CROH has no obligations under any federal regulations requiring uncompensated care, community service, or access by minority/handicapped persons.

The following table shows the percentage of estimated gross patient revenue and actual dollar amount of health care provided to Medicaid and medically indigent patients for the past three fiscal years at Crossgates River Oaks Hospital:

**Gross Patient Revenue**

	<b>Medically Indigent %</b>	<b>Charity Care %</b>
Historical Year 2008	4.4	2.0
Historical Year 2009	4.2	2.0
Projected Year 1	4.2	2.0
Projected Year 2	4.2	2.0

**GR Criterion 7 - Information Requirement**

Crossgates River Oaks Hospital affirms 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**

The applicant asserts that currently burn victims are either sent out-of-state, usually to JMS, or if the burn can be appropriately treated at Crossgates River Oaks Hospital, the patient is triaged to the hospital for care. The proposed burn center will enhance hospital's existing burn services and increase the ability of the hospital to care for higher acuity patients. The proposed burn center will be the only facility offering burn care services in Mississippi. Only patients in need of burn care services will seek services. Currently high acuity burn victims are transferred out-of-state. The establishment of the burn center will allow these patients to remain in Mississippi.

The applicant asserts that the proposed burn center will enhance Mississippi's trauma system. Crossgates River Oaks Hospital believes that failure to implement the burn center will result in a continued gap of service in the trauma system and require Mississippi residents to continue to seek services outside the state.

As previously mentioned, the Department received no letters of opposition concerning the proposed project.

Staff does not anticipate that this project will have an adverse impact on any of the existing hospitals in GHSA 5 or the state.

**GR Criterion 9 - Availability of Resources**

According to the applicant, Crossgates River Oaks Hospital already has personnel dedicated

to the treatment of burn victims under its arrangement with Joseph M. Still, a co-manager of the burn center. The relationship with JMS provides the hospital access to physicians and management with expertise in providing burn care services. After the establishment of the burn center, Crossgates River Oaks Hospital anticipates hiring five additional full-time equivalent personnel to provide burn care services at an estimated annual cost of \$1,073,414. The applicant states that physicians specialized in the care of burn victims already aide Crossgates River Oaks Hospital in providing service and will continue to do so.

**GR Criterion 10 – Relationship to Ancillary or Support Services**

The applicant asserts that CROH is a full service, general acute care hospital. All support and ancillary services which may be needed by the burn center will be available at the hospital. According to the applicant, the only change in cost or charges will be the cost or charges associated with the treatment of burn victims. The applicant believes that the proposed project will not impact other hospital costs or charges.

**GR Criterion 14 - Construction Projects**

The application contains a cost estimate prepared by Canizaro, Cawthon and Davis Architecture, Planning, and Interior Design, Jackson and a schematic drawing of the proposed project.

The applicant submits that space for the project will conform to applicable local and state licensing standards.

As previously mentioned, the proposed project involves renovation of 8,334 square feet of space, at an estimated cost of \$415.58 per square foot for renovation (see Attachment 2). The *Means Construction Cost Data, 2009* does not compare costs for renovation.

**GR Criterion 16 - Quality of Care**

Crossgates River Oaks Hospital is in compliance with *the Minimum Standards for the Operation of Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification, MSDH. Crossgates River Oaks Hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations.

**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.	Renovation –Cost	\$2,625,210	44
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	346,207	5.79
e.	Total Non-Fixed Equipment Cost	2,494,301	41.76
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	197,500	3.30
i.	Contingency Reserve	294,598	4.90
j.	Capitalized Interest	0	0
k.	Other (Legal and Accounting Fees)	15,000	0.25
	<b>Total Proposed Capital Expenditure</b>	<b>\$5,972,816</b>	<b>100.00</b>

The above capital expenditure is proposed for the establishment of a 15–bed Burn Center on the campus of Crossgates River Oaks Hospital. According to the applicant, the proposed project involves 8,334 square feet of renovated space at an estimated cost of \$415.58 per square foot (see Attachment 2). The *Means Construction Cost Data, 2009*, does not compare costs of renovation projects.

**B. Method of Financing**

The applicant proposes to fund the project from cash reserves. The application contains a letter signed by Brandon HMA, LLC d/b/a Crossgates River Oaks Hospital’s chief financial officer, attesting to the hospital’s and its parent company’s ability to service the anticipated debt from operations and cash reserves without a negative effect on present and future operations.

**C. Effect on Operating Cost**

Crossgates River Oaks Hospital’s three-year projected operating statement is presented at Attachment I.

**D, Cost to Medicaid/Medicare**

Patient Mix by Type Payer	Utilization Percentage	First Year Revenue
Medicaid	13	\$1,896,698
Medicare	26	3,793,397
Other	61	8,899,890
<b>TOTAL</b>	<b>100</b>	<b>\$14,589,985</b>

Crossgates River Oaks Hospital projects 4.29 percent of gross revenue for medically indigent patients and 2.0 percent for charity patients for the first year of operation for the proposed project.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid estimates that the increased annual cost to Medicaid for the proposed project will be \$186,893 in inpatient services, and that outpatient services will be paid as outlined in the *Medicaid State Plan*. The Division of Medicaid opposes this project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the overall objectives as contained in the FY 2010 *State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised September 1, 2009*; House Bill 55 Section 19, 2009 Regular Session; 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 this application submitted by Brandon HMA, LLC d/b/a Crossgates River Oaks Hospital for the establishment of a 15 bed burn center/care services.



**Attachment 1**

Crossgates River Oaks Hospital Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
<b>Revenue</b>			
<b>Patient Revenue:</b>			
Inpatient	\$11,147,485	\$16,740,479	\$22,864,903
Outpatient	<u>\$3,442,500</u>	<u>\$7,229,250</u>	<u>\$11,386,069</u>
<b>Gross Patient Revenue</b>	<b><u>\$14,589,985</u></b>	<b><u>\$23,969,729</u></b>	<b><u>\$34,250,972</u></b>
Charity Care	0	0	0
Deductions from Revenue	<u>\$10,394,722</u>	<u>\$17,172,373</u>	<u>\$24,696,802</u>
<b>Net Patient Revenue</b>	<b><u>\$4,195,263</u></b>	<b><u>\$6,797,356</u></b>	<b><u>\$9,554,170</u></b>
<b>Expenses</b>			
<b>Operating Expenses:</b>			
Salaries	\$ 1,073,414	\$1,649,725	\$ 2,238,793
Benefits	264,835	404,121	546,629
Supplies	579,404	980,666	1,386,499
Services	367,328	541,245	720,124
Lease	0	0	0
Depreciation	343,823	343,823	343,823
Interest	0	0	0
Other	820,058	1,224,450	1,639,509
<b>Total Expenses</b>	<b><u>\$ 3,448,862</u></b>	<b><u>\$ 5,144,030</u></b>	<b><u>\$ 6,875,377</u></b>
<b>Net Income (Loss)</b>	<b>\$ 746,401</b>	<b>\$ 1,653,326</b>	<b>\$ 2,678,793</b>
<b>Assumptions</b>			
Inpatient days	1,643	2,190	2,738
Outpatient days	0	0	0
Procedures	225	450	675
Charge per outpatient day	0	0	0
Charge per inpatient day	6,785	\$7,644	\$8,351
Charge per procedure	\$64,844	\$53,266	\$50,742
Cost per inpatient day	\$ 2,099	\$2,349	\$2,511

Cost per outpatient day	0	0	0
Cost per procedure	\$15,328	\$11,431	\$10,186

**Crossgates River Oaks Hospital  
 HG-NIS-1209-036  
 Attachment 2  
 Computation of Renovation Cost\***

<b>Cost Component</b>	<b>Total</b>	<b>Renovation</b>
New Construction Cost	0	0
Renovation Cost	\$2,625,210	\$2,625,210
Total Fixed Equipment Cost	\$346,207	\$346,207
Total Non-Fixed Equipment Cost	\$2,494,301	0
Land Cost	0	0
Site Preparation Cost		
Fees (Architectural, Consultant, etc.)	\$197,500	\$197,500
Contingency Reserve	\$294,598	\$294,598
Capitalized Interest	0	0
Other (Legal and Accounting Fees)	\$15,000	0
<b>Total Proposed Capital Expenditure</b>	<b>\$5,972,816</b>	<b>\$3,463,515</b>
Square Footage	<b>8,334</b>	<b>8,334</b>
<i>Allocation Percent</i>		100%
<b>Costs Less Land, Non-Fixed Eqt. &amp; Other</b>	<b>\$3,463,515</b>	<b>\$3,463,515</b>
<b>Cost Per Square Foot</b>	<b>\$415.58</b>	<b>\$415.58</b>

\*Source: Certificate of Need Review Manual, 2009 Revised

