

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

**CON REVIEW HG-A-0210-005
UNIVERSITY OF MISSISSIPPI MEDICAL CENTER
AMENDMENT AND COST OVERRUN TO CON NO. R-0793
(PEDIATRIC INTENSIVE CARE RENOVATION)
APPROVED CAPITAL EXPENDITURE: \$3,122,978
ADDITIONAL CAPITAL EXPENDITURE: \$ 415,797
REVISED CAPITAL EXPENDITURE: \$ 3,538,775
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 2006 through 2008:

**University of Mississippi Medical Center
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2006	60.81	6.42	51.72
2007	56.57	6.33	51.62
2008	61.38	6.57	50.97

Source: Division of Health Facilities Licensure and Certification, MSDH

B. Project Background

University of Mississippi Medical Center obtained Certificate of Need No. R-0793, effective September 24, 2009, and an expiration date of September 24, 2010 for pediatric intensive care renovation.

The original project involved renovation of Blair E. Batson Hospital for Children pediatric intensive care unit on the campus of the existing hospital. The project involves renovating the existing 28-bed pediatric intensive care unit (PICU) on the first floor of the Blair E. Batson Children's Hospital. The major components of the proposed project involve 11,832 square feet of renovation which includes the creation of 14 private patient rooms (including two isolation rooms), redefined support spaces, and better family waiting space. The 14 new patient rooms will be sized to accommodate all the equipment needs and allow for family sleeping. There will be 16 curtained-bays that will provide for "transitional care" on the east side of the unit. No major equipment purchases are planned for this proposed project.

C. Project Description

University of Mississippi Medical Center now requests Certificate of Need authority for an amendment and cost overrun to its CON No. R-0793. The applicant asserts that the amendment and cost overrun is necessary because during the design development phase, it was determined that office space needed to be constructed on the in-patient floors to allow for relocation of administrative personnel. This will increase the build-out space from 11,832(original approved) to 12,932 square feet, an increase of 1,100 square feet of renovated space. During the design development phase, additional equipment was identified (not a part of the original project). There will be no change in service.

The applicant asserts that the original submission included \$312,000 of non-fixed equipment. The revised fixed and non-fixed equipment estimate is \$632,867.

According to the applicant, the capital expenditure approved in the original CON is \$3,122,978 and the additional costs for this amendment and cost overrun proposal are \$415,797, resulting in a revised capital expenditure of approximately \$3,538,775. This amendment and cost overrun project does not change the scope of the original project.

II. TYPE OF REVIEW REQUIRED

The original project was reviewed under the applicable statutory requirements of Section 41-7-191, subparagraph (1) (j), Mississippi Code of 1972, as amended.

The State Health Officer reviews all projects for amendment and cost overruns in accordance with 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 or 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of this staff analysis. The opportunity to request a hearing expires on May 13, 2010.

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

A. State Health Plan

The original project was in substantial compliance with the *FY 2009 State Health Plan*, in effect at the time the original application was submitted. This amendment and cost overrun project continues to be in substantial compliance with the *State Health Plan*.

B. General Review Criteria

The original project was in substantial compliance with the *Certificate of Need Review Manual, 2009 revision*, in effect at the time of submission. This application continues to be in compliance with applicable general review criteria and standards contained in the *Manual*.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	<u>Approved Capital Expenditure</u>	<u>Revised Capital Expenditure</u>	<u>Increase (Decrease)</u>
New Construction	0	0	0
Renovation	*\$2,264,470	2,264,470	0
Capital Improvements	0	0	0
Land	0	0	0
Site Work	0	0	0
Fixed Equipment	0	374,802	374,802
Non-Fixed Equipment	**312,000	258,065	(53,935)
Architectural/Engineering Fees	277,230	277,230	0
Contingency Reserve	269,278	364,208	94,930
Capitalized Interest	0	0	0
Total	<u>\$3,122,978</u>	<u>\$3,538,775</u>	<u>\$415,797</u>

As previously mentioned, the capital expenditure approved in the original CON is \$3,122,978 and the additional costs for this amendment and cost overrun proposal are \$415,797, resulting in a revised capital expenditure of approximately \$3,538,775. The original project involves 11,832 square feet of renovated space at an estimated cost of \$237.57 per square foot. This amendment and cost overrun project does not change the scope of the original project.

*According to the applicant, there is no additional renovation cost as a result of this project.

**This amount was listed in the original project as other.

B. Method of Financing

As mentioned in the original project, the applicant asserts that the additional cost will be finance through private donations.

C. Effect on Operating Cost

According to the applicant, this amendment and cost overrun will not result in a change in the projected operating statement for the first year of operation after completion of the project.

D. Cost to Medicare/Medicaid

As stated in the original project, the applicant does not project an increase or decrease in operating cost as a result of this amendment and cost overrun project.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this amendment and cost overrun project.

VI. CONCLUSIONS AND RECOMMENDATION

This project continues to be in substantial compliance with the overall objectives of the FY 2009 *State Health Plan; Certificate of Need Review Manual, Revised 2009*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of approval.

The Division of Health Planning and Resource Development recommends approval of the application submitted by University of Mississippi Medical Center for an amendment and cost overrun to CON #R-0793 (pediatric intensive care renovation).