

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
JUNE 2015**

**CON REVIEW HG-R-0415-007  
PHC-CLEVELAND, INC., D/B/A BOLIVAR MEDICAL CENTER  
COSMETIC UPGRADES AND RENOVATIONS FOR BOLIVAR MEDICAL CENTER  
CAPITAL EXPENDITURE: \$4,381,308  
LOCATION: CLEVELAND, BOLIVAR COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

PHC-Cleveland, Inc., d/b/a Bolivar Medical Center is a 200-bed public, for-profit hospital. Bolivar Medical Center is licensed to operate 141 short-term acute beds, 12 swing beds, 12 adult psychiatric beds and 35 long-term care beds. Bolivar Medical Center is owned by PHC-Cleveland, Inc. which is a wholly-owned subsidiary of Province Healthcare Company, a business corporation. Lifepoint Hospital, Inc. is the owner of Province Healthcare Company; Province Healthcare Company (DE) is the owner of PHC-Cleveland, Inc.; PHC-Cleveland, Inc. is the owner of Bolivar Medical Center and Bolivar Medical Center Long Term Facility. The application contains a chart demonstrating the ownership structure outlined above.

Bolivar Medical Center registered with Secretary of State of Mississippi on March 9, 2000. The hospital is accredited by the Joint Commission on the Accreditation of Healthcare Organizations and licensed by the Mississippi State Department of Health (MSDH).

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for Bolivar Medical Center are as follows:

**Bolivar Medical Center  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2010	30.51	4.31	49.38
2011	24.78	3.93	56.56
2012	24.09	3.99	57.04

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

**B. Project Description**

PHC-Cleveland, Inc., d/b/a Bolivar Medical Center (Bolivar Medical Center) requests Certificate of Need (CON) authority for renovation and cosmetic upgrades to the second and third floor patient rooms, restrooms, ICU, OB department and public corridors on the upper floors. As a reference, Bolivar Medical Center filed a Determination of Reviewability (DR) application on February 12, 2015. A ruling letter was issued on March 17, 2015 regarding the following DR pertaining to the filing of the April 2, 2015 CON application:

*Determination of Reviewability  
Bolivar Medical Center (BMC)  
Cosmetic Upgrades and Minor Renovation for BMC  
Capital Expenditure: \$4,381,308.00*

The scope of the proposed project involves the renovation and cosmetic upgrades to the second and third floors of the existing hospital. According to the applicant, the project involves renovating a total of 36,376 square feet of space. Renovations of the floors/departments by square feet are as follows:

First Floor

Bolivar Medical Center asserts that no cosmetic or renovation work will be done on the first floor unless required for piping access into walls.

Second Floor = 12,196 square feet

Bolivar Medical Center states the following:

- Cosmetic upgrades to patient rooms in the east and west wings of the south tower; scope of work will include new finishes and new light fixtures.
- Cosmetic upgrades to patient toilet rooms in east and west wings of south tower; scope of work will include new finishes, plumbing fixture replacements, and new light fixtures.
- Renovation to relocate existing Nurse Station to be centered in the south wing directly across from the main elevators and stairs to improve visitor and patient traffic as well as interaction with staff.
- Renovation of existing Nurse Station to become a new Nurse Lounge & Storage.
- Renovation to combine two Labor Deliver Rooms (LDRs) into one new LDR with new patient toilet off of the proposed room.
- Renovation to create a new accessible Shower (2020) on east wing, south tower.
- The applicant states that no work will be done in the north tower.

Third Floor = 24,180 square feet

Bolivar Medical Center states the following:

- Cosmetic upgrades to patient rooms in the east and west wings of the south tower; scope of work will include new finishes and new light fixtures.
- Cosmetic upgrades to patient toilet rooms in east and west wings of south tower; scope of work will include new finishes, plumbing fixture replacements, and new light fixtures.
- Renovation to expand existing Nurses Station at beginning of east wing in the south wing; scope will include recreation of Meditation Room and expanded staff work area in the proposed Nurses Station.
- Renovation of existing ICU Suite to relocate break room and better organize core support areas behind and in ICU Nurses Station, relocate lavatory in four (4) patient rooms to be near entrance to room.
- Renovation to relocate main Staff Lounge, Lockers, and Staff Toilet to area north of newly created Auxiliary Nurse Station.
- Renovation to create new accessible shower on east wing, south tower.
- Cosmetic upgrades to patient rooms in both wings of the north tower; scope of work will include new finishes, new patient wardrobes, and new lights. Existing main nurse's station to receive replacement casework; clean room 3015 will be slightly expanded and Shower 3010 will be renovated for ADA compliance

#### Fourth Floor

Bolivar Medical Center asserts that no cosmetic or renovation work will be done on the fourth floor unless required for piping access into walls.

The applicant affirms that no new services or additional beds will be offered as a result of this project.

The applicant's final objectives for the proposed project are to renovate and construct cosmetic upgrades to approximately 36,376 square feet of existing space on the Bolivar Medical Center's campus. The applicant affirms that the current finishes in the hospital are antiquated in many areas, and a finish upgrade would immediately improve the perception of the hospital. The applicant further states that no interior upgrades have happened since 1992 and they did not address patient rooms which were long overdue for renovations. Bolivar Medical Center considers these renovations and cosmetic upgrades necessary to continue to provide high levels of care to the citizens of Bolivar County. The applicant affirms that by making the cosmetic upgrades and renovations, Bolivar Medical Center hopes to increase patient satisfaction, which in turn should increase the hospital's payment from CMS (Center for Medicare & Medicaid). The applicant believes that in turn, the project will likewise deter decreases in payment from CMS for poor patient satisfaction.

According to the applicant, there will be no additional FTE's (full-time equivalent employees) required for the proposed project. The hospital does not anticipate any staffing issues as a result of the cosmetic renovations and upgrades for ADA access to the hospital.

The application contained a signed cost estimate from HMK Architects PLLC and the total proposed capital expenditure is \$4,381,308. (See Expenditure Summary for complete percentage breakdown of project). The applicant indicates the proposed capital expenditure will be obligated as soon as possible after CON approval and the proposed project will be completed within 6 months of the capital expenditure obligation.

The applicant indicates that the proposed capital expenditure will be funded from hospital cash reserves.

The MSDH Division of Health Facilities Licensure and Certification approved the site for the project on April 14, 2014.

## **II. TYPE OF REVIEW REQUIRED**

This project is reviewed in accordance with Section 41-7-173, and 41-7-191 (1)(c) and 1(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 July 8, 2015.

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

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

The *FY 2015 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving CON authority for construction, renovation, and expansion. This application is in substantial compliance with the applicable criteria and standards stated in the *Plan* as follows:

### **SHP Criterion 1 - Need**

#### **Projects which do not involve the addition of acute care beds.**

In projects that do not involve the addition of acute care beds, the applicant shall document the need for the proposed project. In addition, projects that involve construction, renovation, or expansion of emergency department facilities shall include a statement indicating whether the hospital will participate in the statewide trauma system and describe the level of participation, if any. The applicant documents that Bolivar Medical Center participates in the statewide trauma system as a Level IV facility.

The applicant asserts that the project is necessary to continue to provide high levels of care to the citizens of Bolivar County. The applicant states that the current finishes in the hospital are antiquated in many areas, and a finish upgrade would immediately improve the perception of the hospital. The applicant further suggests that no interior upgrades have happened since 1992 and the changes done at that time did not address patient rooms which are long overdue for renovations. The applicant believes that the proposed remodel will help increase patient satisfaction, which is the core goal of Bolivar Medical Center.

The proposed project involves approximately 36,376 square feet of renovated space located within the existing hospital.

### **SHP Criterion 5 – Charity/Indigent Care**

The applicant states that all patients, including the underserved, will have access to services provided by Bolivar Medical Center. The applicant affirms that it will provide a reasonable amount of indigent/charity care.

### **SHP Criterion 6 – Reasonableness of Cost**

The applicant submits that the project will cost \$120.45 per square foot for renovation. Bolivar Medical Center asserts that the renovation costs fall within the range of previously approved projects by the MSDH. The applicant states that the proposed project does not entail purchasing any medical equipment with the exception of replacing some outdated patient beds.

### **SHP Criterion 7 – Floor Area and Space Requirements**

According to the applicant, the gross square footage of the proposed project is 36,376 square feet of renovation. The project involves cosmetic upgrades to patient rooms and restrooms on the 2<sup>nd</sup> and 3<sup>rd</sup> floors, ICU, OB department and public corridors on the upper floors.

## **SHP Criterion 8 – Renovation vs. Replacement**

The applicant submits that the proposed renovation project is significantly less than the cost of a replacement facility.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2011*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria contained in the manual.

#### **GR Criterion 1- Consistency with the *State Health Plan***

The project is in substantial compliance with all criteria, standards, and policies of the *FY 2015 Mississippi State Health Plan* applicable to the construction, renovation, and expansion projects.

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

Bolivar Medical Center asserts that the cosmetic upgrades to patient rooms and restrooms on the second and third floors, ICU, OB department and public corridors on the upper floors were necessary for the long term plans of the hospital to improve patient satisfaction for the residents of Bolivar County and Mississippi. The applicant additionally states that the hospital determined ADA upgrades to showers in patient rooms on the second and third floors were necessary to make the hospital more accessible to disabled patients. The applicant affirms that these cosmetic upgrades and ADA upgrades were the most cost effective method of meeting the hospital's long term goal of providing quality care to patients, and increasing patient satisfaction.

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

Bolivar Medical Center states that the modernization of their existing structure is significantly more feasible and affordable than constructing a new structure. The applicant suggests that the modernization of the facility will have less disruption on patient care than new construction. The applicant also states that contractors will work to complete renovations one department/hospital wing at a time to further minimize patient disruption.

The applicant states there is no effective, less costly alternative to the proposed project. Bolivar Medical Center believes that the proposed renovations will improve patient satisfaction, which in turn will increase the hospital's payments from CMS. The applicant states that the cost of constructing a new facility instead would far exceed the costs of the proposed renovation project at Bolivar Medical Center.

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

The applicant provided a three-year projected operating statement and it indicate that the total operating revenue over a projected three year period shows an increase from \$47,397 to \$55,358. In addition, the statement reflects net incomes shows a loss for the projected first year and a profits for the second and third year for the project and they are shown in Attachment 1.

The capital expenditure of the proposed project is more than \$2,000,000 and Bolivar Medical Center provided a financial feasibility study attesting to the financial feasibility of the project.

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

- a. **Access by Population Served:** Bolivar Medical Center asserts that all patients, including those that are medically underserved, will continue to have access to services. The reallocation of space will enable the applicant to serve a greater number of the service area residents.
- b. **Relocation of Services:** The project does not propose the relocation of services outside the existing facility. The proposed project involves the renovation and cosmetic upgrades to patient rooms and restrooms on the second and third floors, ICU, OB department, public corridors on the upper floors, and ADA upgrades to showers in patient rooms at Bolivar Medical Center.
- c. **Community Reaction:** The application contains letters of support from the Chief of Staff and Chairman of the Board at Bolivar Medical Center; Mayor of Cleveland, MS; Alderman from Ward 3 of Cleveland, MS; and the Executive Director of the Cleveland Chamber of Commerce. The endorsement letters express how the proposed project will aid in enhancing the quality of care at Bolivar Medical Center.

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

Bolivar Medical Center submits that all patients of the service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly have access to the services of the hospital. The applicant asserts that it currently treats medically indigent patients, a subset of the self-pay patient population, and will continue to do so during and after the proposed project is completed.

The applicant asserts medically indigent and charity care percentages and the dollar amount for medically indigent care were not tracked; however the dollar amount for charity care is shown below. The applicant submits the actual dollar amount of health care provided to charity care patients for the last two years as well as the projected amounts for the two years following completion of the proposed project.

### Gross Patient Revenue (GPR)

	GPR %	Charity Care Patients Dollar Amount
Historical Year 2013	Not Tracked	\$165.00
Historical Year 2014	Not Tracked	\$113.00
Projected Year 1	Not Tracked	\$121.00
Projected Year 2	Not Tracked	\$125.00

According to the applicant, Bolivar Medical Center does not have existing obligations under federal regulating requiring uncompensated care, community service, or access by minority/handicapped persons.

### GR Criterion 7 - Information Requirement

The applicant affirmed 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

Bolivar Medical Center is located in General Hospital Service Area III. The applicant states that Bolivar Medical Center is the only primary hospital and provider of emergency department services in Cleveland, Mississippi and Bolivar County. Once the proposed project is complete it will enhance the healthcare system by offering improved health facilities needed for the community. The project is not expected to have an adverse effect on other health care providers in GHSA III.

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

### GR Criterion 9 - Availability of Resources

According to the applicant, there will be no additional FTE's (full-time equivalent employees) required for the proposed project. The hospital does not anticipate any staffing issues as a result of the cosmetic renovations and upgrades for ADA access to the hospital.



The applicant affirms that Bolivar Medical Center has maintained satisfactory staffing of the hospital in the past and therefore Bolivar Medical Center is equipped with proper staffing for the proposed project.

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

The applicant states that all of Bolivar Medical Center's existing ancillary and support services are in place and will remain after the proposed project is complete. Bolivar Medical Center anticipates its costs and charges will remain substantially the same as a result of the project. The applicant submits that it does not anticipate any change in costs or charges and will bill for services and operate efficiently in such a manner that costs will not exceed charges.

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

The application contains a cost estimate prepared by HMK Architects PLLC and a schematic drawing concerning the proposed project. The applicant submits that space will conform to applicable local and state licensing standards.

This project does not involve new construction. The proposed project involves 36,376 square feet of renovation space. *RSMMeans Building Construction Cost Data 2014 Edition* does not compare costs of renovation projects; however the publication lists the cost of new construction for hospitals as: from \$202, 253, and \$350 per square foot. Based on the formula listed in the *FY 2015 MSHP*, staff determined that the renovation cost per square foot is \$119.34 and it is captured in Attachment 2 of this document. Thus, the renovation cost is closer to the construction cost of \$202.

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

Bolivar 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 certified for participation in the Medicare and Medicaid programs.

**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	\$ 3,055,000	69.73%
c.	Capital Improvements	\$ 0	0.00%
d.	Total Fixed Equipment Cost	\$ 269,658	6.15%
e.	Total Non-Fixed Equipment Cost	\$ 0	0.00%
f.	Land Cost	\$ 0	0.00%
g.	Site Preparation Cost	\$ 11,500	0.26%
h.	Fees (Architectural, Consultant, etc.)	\$ 612,150	13.97%
i.	Contingency Reserve	\$ 254,000	5.80%
j.	Capitalized Interest	\$ 120,000	2.74%
k.	Other Cost (unforeseen/miscellaneous expenses)	\$ 59,000	1.35%
	<b>Total Proposed Capital Expenditure</b>	<b>\$ 4,381,308</b>	<b>100.00%</b>

Information pertaining to the cost per square feet for the proposed renovation is listed under GR Criterion 14 – Construction Project.

**B. Method of Financing**

The applicant indicates that the proposed capital expenditure will be funded from hospital cash reserves.

**C. Effect on Operating Cost**

The Hospital's three-year projected operating statement is presented at Attachment 1.

**D. Cost to Medicaid/Medicare**

The applicant projects the cost to third party payors as follows:

<b>Payor Mix</b>	<b>Utilization Percentage (%)</b>	<b>First Year Revenue (\$)</b>
Medicare	40%	84,908
Medicaid	25%	53,559
Commercial	1%	2,238
Self Pay	8%	17,389
Charity Care	0%	121.00
Other	26%	54,994
<b>Total</b>	<b>100.00%</b>	<b>\$213,208</b>

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment; however, as of July 18, 2015, the Division of Medicaid has not provided any comments regarding the proposed project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for construction, renovation, expansion, or capital improvements involving a capital expenditure in excess of \$2,000,000 contained in the *FY 2015 Mississippi State Health Plan*; the *Mississippi Certificate of Need Review Manual, 2011 Revision*; 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 PHC-Cleveland, Inc. d/b/a Bolivar Medical Center for cosmetic upgrades and renovations to Bolivar Medical Center.

**Attachment 1**

<b>Bolivar Medical Center Three-Year Operating Statement (with Project)</b>			
	Year 1	Year 2	Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$ 103,515	\$ 106,621	\$ 109,820
Outpatient Care Revenue	109,693	112,984	116,373
<b>Gross Patient Revenue</b>	<b>\$ 213,208</b>	<b>\$ 219,605</b>	<b>\$ 226,193</b>
Charity Care	1,848	1,866	1,904
Deductions from Revenue	163,963	165,619	168,931
<b>Net Patient Revenue</b>	<b>\$ 47,397</b>	<b>\$ 52,119</b>	<b>\$ 55,358</b>
Other Operating Revenue	-		
<b>Total Operating Revenue</b>	<b>\$ 47,397</b>	<b>\$ 52,119</b>	<b>\$ 55,358</b>
<b>Operating Expenses</b>			
Salaries	\$ 18,598	\$ 19,156	\$ 19,730
Benefits	3,926	4,044	4,165
Supplies	6,450	6,643	6,843
Services	5,638	5,807	5,982
Lease	116	120	123
Depreciation	2,772	2,855	2,941
Interest	952	980	1,010
Other	9,382	9,664	9,954
<b>Total Expenses</b>	<b>\$ 47,834</b>	<b>\$ 49,269</b>	<b>\$ 50,747</b>
<b>Net Income (Loss)</b>	<b>(437)</b>	<b>2,850</b>	<b>4,611</b>
	<b>Proposed Year 1</b>	<b>Proposed Year 2</b>	<b>Proposed Year 3</b>
Inpatient days	0	0	0
Outpatient days	0	0	0
Procedures	0	0	0
Charge/outpatient day	N/A	N/A	N/A
Charge per inpatient day	N/A	N/A	N/A
Charge per procedure	N/A	N/A	N/A
Cost per inpatient day	N/A	N/A	N/A
Cost per outpatient day	N/A	N/A	N/A
Cost per procedure	N/A	N/A	N/A

**Attachment 2**

**CON Review Number: HG-R-0415-007  
 Bolivar Medical Center  
 Computation of Renovation Cost**

<b>Cost Component</b>	<b>Total</b>	<b>Renovation</b>
New Construction Cost	\$0	
Renovation Cost	\$3,055,000	\$3,055,000
Total Fixed Equipment Cost	\$269,658	\$269,658
Total Non-Fixed Equipment Cost	\$0	
Land Cost	\$0	
Site Preparation Cost	\$11,500	
<i>Fees (Architectural, Consultant, etc.)</i>	\$612,150	\$612,150
<i>Contingency Reserve</i>	\$254,000	\$254,000
<i>Capitalized Interest</i>	\$120,000	\$120,000
<i>Other (unforeseen/miscellaneous expenses)</i>	\$59,000	\$30,300
<b>Total Proposed Capital Expenditure</b>	<b>\$4,381,308</b>	<b>\$4,341,108</b>
Square Footage	<b>36,376</b>	36,376
<i>Allocation Percent</i>		100.00%
<b>Costs Less Land, Non-Fixed Eqt., Other</b>	<b>\$4,381,308</b>	<b>\$4,341,108</b>
<b>Cost Per Square Foot</b>	<b>\$120.45</b>	<b>\$119.34</b>

Source: Mississippi Certificate of Need Review Manual, Revised 2011 and FY 2015 MSHP.