

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2003**

**CON REVIEW HG-NIS-1202-071
CLARKSDALE H.M.A. INC. DBA NORTHWEST
MISSISSIPPI REGIONAL MEDICAL CENTER
ESTABLISHMENT/ADDITION OF A LEVEL II 20-BED COMPREHENSIVE
MEDICAL REHABILITATION UNIT/SERVICES
CAPITAL EXPENDITURE: \$50,000
LOCATION: CLARKSDALE, COAHOMA COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Northwest Mississippi Regional Medical Center (NWMRMC) is a short term general acute care facility, located in Clarksdale, Mississippi. The hospital is licensed for 175 general acute care beds and 20 extended care beds. NWMRMC is a for-profit corporation owned by Health Management Associates, Inc., Naples, Florida and is governed by a 12-member Board of Trustees.

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

**Northwest Mississippi Regional Medical Center
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
1999	59.16	4.60	35.82
2000	55.18	4.72	35.53
2001	53.16	4.70	25.56

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

B. Project Description

Clarksdale H.M.A., Inc. dba Northwest Mississippi Regional Medical Center is requesting Certificate of Need (CON) authority to establish/add a Level II 20-bed comprehensive medical rehabilitation program/services as part of its 175 licensed beds at the hospital. NWMRMC cites that there will be only minor refurbishment/renovation required for the proposed project. In addition, there is available therapy equipment to support the majority of the unit therapy gym and related services. Renovation includes new doors, glass, wall removal, etc.

According to the applicant, there will be a 20-bed increase in licensed rehabilitation beds and 20-bed decrease in the licensed medical beds to 155. The total licensed bed capacity at the hospital will remain the same at 175 as a result of this project.

NWMRMC asserts that there will be no additional ancillary staff required to provide the additional volume of services. In addition, no change in the charge master is expected from the initiation of the proposed rehabilitation services offered by the hospital. The project projects 24.8 FTE personnel for the new rehabilitation unit at an annual cost of \$938,250.

The total proposed capital expenditure is \$50,000, which is composed of the following: renovation (new doors, glass, wall removal, etc.) - 30 percent, and fixed equipment - 70 percent, which the applicant proposes to finance from the hospital's accumulated cash reserves.

The applicant asserts that the proposed project will be initiated upon CON approval.

The application contains a letter requesting site approval from the Division of Health Facility Licensure and Certification for the proposed project.

II. TYPE OF REVIEW REQUIRED

Projects which involve the establishment of specified institutional health services require Certificate of Need (CON) review by the State Department of Health, pursuant to Sections 41-7-173, 41-7-191, subparagraphs (1) (a), (d), (iii) and (j), and 41-7-193 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, 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 6, 2003.

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

A. State Health Plan (SHP)

The FY 2003 State Health Plan contains policy statements, criteria and standards which an applicant is required to meet before receiving CON authority to provide comprehensive inpatient rehabilitation services. The FY2003 State Health Plan was amended, effective November 8, 2002, to allow 40 additional Level II Comprehensive Medical Rehabilitation beds in the state. The applicant is in substantial compliance with applicable criteria and standards.

SHP Criterion 1 - Need

Based on a formula of 0.0489 beds per 1,000 population for the state as a whole, the Mississippi State Department of Health has determined a need for 40 Level II comprehensive medical rehabilitation beds. The applicant is requesting to establish 20 beds. However, the applicant is one of three applicants for Level II comprehensive medical rehabilitation beds.

NWMRMC proposes to develop and implement a program of Level II comprehensive medical rehabilitation services and to provide the services to a rural region such as the north Delta area. The applicant believes that the need for the proposed project at NWMRMC is even greater today in the face of an aging population in the Delta, and the accessibility barriers that inhibit addressing the tragic chronic disease that plagues the north Delta. A strong patient volume can be projected that will serve the financial goals of the Hospital as a result of the proposed project.

The applicant asserts that the proposed project is in line with the **2003 State Health Plan** and responsive to the underserved needs for patients requiring acute rehabilitation care, and recognizes the unit's responsibilities in coordination with the Level I centers and the state's trauma center network. The proposal includes projections of regional clinical need, regional referral sources, and financial feasibility.

SHP Criterion 2 - Treatment Limitation

The applicant proposed to establish Level II comprehensive medical rehabilitation services. NWMRMC asserts that it will meet all conditions required of this criterion for the proposed project.

The applicant indicates that Northwest Mississippi Regional Medical Center shall include on the hospital's annual report submitted to the Department of Health the following information: total admissions, average length of stay by diagnosis, patient age, sex, race, zip code, payor source, and length of stay by diagnosis.

SHP Criterion 3B - Staffing

As previously mentioned, the applicant projects 24.8 FTE personnel for the proposed project. The applicant cites that NWMRMC currently has available appropriate physician specialists to support the proposed project and appropriate licensed and certified nursing, therapy, and social work staff to provide for the current and expanded number of rehabilitation patients.

B. General Review (GR) Criteria

Chapter 8 of the Mississippi Certificate of Need Review Manual, May 13, 2000 revisions, addresses general criteria by which all CON applications are reviewed. This project is in substantial compliance with applicable criteria.

GR Criterion 3 -Availability of Alternative

The applicant asserts that over the past three years there has been a 47.7 percent increase in rehabilitation discharges through the combination of historical Level I centers and the new Level II centers. However, during the same period, the change in the number of discharges from Coahoma County and the North Delta has been negligible. The only consistent rehabilitation option has been through referral to the hospital in Helena, Arkansas. This is impossible for the great majority of qualified North Delta patients. This, in turn, clearly limits the ability of patients to reach their highest level of functional independence and quality of life through rehabilitation.

According to the applicant, while there is a Level II unit in Greenwood and the Level I unit in Greenville has shown significant growth, the patient service area for the NWMRMC is distinct and separate from both. The availability of a new rehabilitation center in Clarksdale will allow for a model rehabilitation network of the three hospitals to serve the full Delta region (north and south) that can serve as a model for the rest of the state. Furthermore, the reality of such a network will serve to benefit all the region's health and reflect the social accountability all share in seeking solutions to the tragic incidence of chronic disease that plagues the region.

The applicant believes that for the above reasons, no alternatives are acceptable and the restrictions of the current status quo have been clearly detrimental to the welfare and quality of life for the regional service area residents.

GR Criterion 4 - Economic Viability

The applicant projects excess revenues over expenses of \$55,969 the first year. The revenues are expected to exceed expenses by \$832,123 for the second year and by \$832,123 for the third year following completion of this project.

GR Criterion 5 - Need for Project

The applicant indicates that clear efforts have been made to research the socio-economic factors of the North Delta reflective of race, the elderly, family income, Medicaid eligibles, chronic disease, and the incidence/prevalence of HCFA-10 related disease. With the development of this service through referrals from NWMRMC medical staff and regional physicians, plus direct referrals from the health providers of the frail and elderly network, access to the referenced groups will be assured. Given the inherent characteristics of the North Delta, the referenced groups will cumulatively constitute 80 percent plus of the projected patient populations.

NWMRMC cites that the clear purpose and mission of the proposed project will be to serve the immediate needs of those qualified internal referrals as well as to establish an outreach referral system to secure appropriate qualified referrals for the service area. The proposed project will also serve the needs of rural hospitals and their swing bed units, rural home health agencies, nursing homes, FQHC clinics, private physicians, and other health providers of the North Delta of Mississippi because of the historical socio-economic challenges and the tragic incidence of chronic disease.

The applicant believes that failure to approve the proposed project would ignore the tragic status quo of accessibility barriers and clear patient need.

The application contains eight (8) letters of comment/support and a list of notarized projected referral estimates from physicians for the proposed project.

GR Criterion 6 - Accessibility

According to the applicant, NWMRMC does not discriminate against the poor, handicapped, women, the elderly, and members of racial and ethnic minorities. All have access to the clinical efficacy of acute rehabilitation which is available to assure their highest level of functional independence and quality of life.

The applicant estimates that indigent care will total two percent plus of the discharges from the proposed rehabilitation unit/services.

Criterion 7 - Information Requirement

The applicant asserts that the hospital will record and maintain the required information and will 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 is one of three applicants for Level II comprehensive medical rehabilitation beds. The addition of the proposed rehabilitation unit will further support the referral base of the NWMRMC and specialty physicians, not only for rehabilitation, but also for neurology, trauma, cardiology, oncology, and medical/surgical sub-specialists. The hospital has a broad base of physician specialists and tertiary services. The applicant believes that the project is expected to be a key link in a new rehabilitation network system and to directly support the evolving State trauma system. Staff believes that the proposed project will have no adverse impact on existing facilities in the service area.

GR Criterion 9 - Availability of Resources

According to the applicant, the proposed project includes 24.8 full-time equivalent personnel at an estimated annual cost of \$938,250.

According to the applicant, the hospital currently has available appropriate physician specialists to support the proposed acute rehabilitation services and appropriate licensed and certified nursing, therapy, and social work staff to provide for the current and expanded number of rehabilitation patients. All involved individuals will receive planned hospital in service and be scheduled to attend regional professional continuing education conferences into the concepts of rehabilitation in relation to its focused rehabilitation diagnoses as a Level II center.

GR Criterion 15 - Competing Applications

Policy Statement 8, Chapter XI of the **FY 2003 State Health Plan** (amended), provides that when reviewing two or more competing CON applications for comprehensive medical rehabilitation beds, the MSDH shall use the following factors in the selection process, including, but not limited to, a hospital having a minimum of 160 licensed acute care beds as of January 1, 2000; the highest average daily census of the competing applications; location of more than 45 mile radius from an existing provider of comprehensive medical rehabilitation services; proposed comprehensive range of service; and has the patient base needed to sustain a viable comprehensive medical rehabilitation service.

The Department received three applications for the establishment of Level II comprehensive medical rehabilitation beds. All applicants are in compliance with the applicable criteria and standards; all applicants are located more than a 45 mile radius from an existing provider; and all applicants have the patient base needed to sustain a viable comprehensive medical rehabilitation service. However, because only 40 beds are available, and because 20 is the maximum number of Level II beds that can be established by any one applicant, staff contends that each applicant can benefit from a reduction of beds allotted to each facility. Therefore, staff recommends that 14 Level II comprehensive medical rehabilitation beds be granted to Northwest Mississippi Regional Medical Center. Because staff recommendation is approval by reduction, these applications are not considered competing in the usual sense.

GR Criterion 16 - Quality of Care

Northwest Mississippi Regional Medical Center is in compliance with the Minimum Standards of Operation for Mississippi Hospitals, according to the Division of Health Facilities Licensure and Certification. The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Renovation Cost (new doors, glass, wall removal, etc.)	\$15,000
Non-Fixed Equipment Cost	\$35,000
Total Proposed capital Expenditure	\$50,000

The above capital expenditure is for renovation and purchase of non-fixed equipment for the proposed project.

B. Method of Financing

The proposed project will be funded from the hospital's accumulated cash reserves. No debt is involved.

C. Effect on Operating Cost

Northwest Mississippi Regional Medical Center projects the following expenses, utilization, and revenue for the first three years after initiation of this proposed project:

	First Year	Second Year	Third Year
Salaries	\$ 750,600	\$1,127,600	\$1,127,600
Benefits	\$ 187,650	\$ 281,900	\$ 281,900
Ancillary Cost	\$ 551,380	\$ 978,880	\$ 978,880
General Cost	\$ 130,590	\$ 231,840	\$ 231,840
Bad Debt	\$ 294,263	\$ 522,413	\$ 522,413
Other Cost	\$ 290,200	\$ 515,200	\$ 515,200
Total Expenses	\$2,204,683	\$3,657,833	\$3,657,833

Revenue

# of Patient Days	2,902	5,152	5,152
Cost/Pt. Day	\$759.71	\$1,260	\$1,260
Charge/Pt. Day	\$1,690	\$1,690	\$1,690

Gross Rev.	\$ 4,904,380	\$ 8,706,880	\$ 8,706,880
Deductions	\$(2,643,728)	\$(4,216,924)	\$(4,216,924)
Net Pt. Rev.	\$ 2,260,652	\$ 4,489,956	\$ 4,489,956
Net Income (Loss)	\$ 55,969	\$ 832,123	\$ 832,123

According to NWMRMC, the projected occupancy rates for the first three years are as follows:

Year 1	40%
Year 2	70.5%
Year 3	70.5%

D. Cost to Medicaid/Medicare

The applicant states that the impact of the project on third party payers is as follows:

Patient Mix	Utilization Percentage	First Year Cost
Medicare	17.9	\$ 394,638
Medicaid	50.3	\$1,108,956
Other Payors*	31.8	\$ 701,089
Total	100	\$ 2,204,683

* The applicant projects 4.5 percent care for self pay/charity and medically indigent patients and 6 percent care for bad debt patients.

V. **RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid (DOM) does not oppose the approval of this project. The Division estimates the increased annual cost to Medicaid for inpatient services to be \$328,497.

VI. **CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the establishment of Level II comprehensive medical rehabilitation services as contained in the amendment to FY 2003 State Health Plan, Chapter 8 of the Certificate of Need Review Manual, May 13, 2000 revisions, and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Northwest Mississippi Regional Medical Center is one of three (3) applicants requesting Certificate of Need authority to establish 20 Level II comprehensive medical rehabilitation beds. The FY 2003 State Health Plan shows a need for only 40 Level II beds. However, staff contends that patients from all areas involved can benefit from the establishment of Level II beds at each of the facilities, and therefore, recommends a reduction in the number of beds allotted each facility.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Clarksdale H.M.A. dba Northwest Mississippi Regional Medical Center for the establishment of Level II comprehensive medical rehabilitation beds by reduction to 14 beds, provided the applicant agrees in writing to such reduction.