

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
MARCH 19, 2018**

**CON REVIEW HP-COB-0218-002
ALLIANCE HEALTH CENTER, INC.
D/B/A ALLIANCE HEALTH CENTER
CONVERSION FOR EXPANSION OF PSYCHIATRIC BEDS
LOCATION: MERIDIAN, LAUDERDALE COUNTY, MISSISSIPPI
CAPITAL EXPENDITURE: \$0.00**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Alliance Health Center, Inc. d/b/a Alliance Health Center (“Alliance”) is a business corporation that owns and operates a 154 bed acute care hospital. Its bed complement consists of 78 acute care beds, 41 adult psychiatric beds, 30 adolescent psychiatric beds, and 5 adult chemical dependency beds. Alliance is located at 5000 Hwy 39 North in Meridian, Lauderdale County, Mississippi 39301. The facility is governed by six officers and directors. As of January 3, 2018, Alliance Health Center is in good standing with the Mississippi Secretary of State.

The facility is licensed for 41 adult psychiatric beds. The occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years available are as follows for the adult psychiatric beds (ONLY):

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate%
2013	100	8.99	N/A
2014	100	9.42	N/A
2015	100	8.85	N/A

Source: Annual Hospital Reports for 2013, 2014 and 2015, Division of Health Facilities, Licensure and Certification, MSDH

B. Project Description

Alliance requests Certificate of Need (CON) authority to increase its adult psychiatric bed capacity by five (5) beds. The applicant affirms that the proposed expansion will be accomplished through the conversion of its five (5) adult chemical dependency beds. The applicant states that this request is due to Alliance's increased psychiatric patient demand (an average utilization rate of 89% for the past two years). The increase will bring the adult psychiatric bed total to 46 adult psychiatric beds. The applicant avers that the actual number of beds available will not increase, because Alliance is converting their remaining Chemical Dependency Unit beds to adult psychiatric beds.

The applicant states that no renovations will be necessary to accommodate the proposed expansion as the Unit is already large enough to house the additional adult psychiatric beds. The applicant further states that in compliance with the State Health Plan, the Hospital will maintain appropriate separation of males and females, with no unit over thirty (30) beds.

According to the applicant, the project will require two incremental FTEs (Full-Time Equivalents) over the projected three years. The additional staff will consist of a registered nurse and a mental health technician at an estimated annual cost of \$81,000.

Alliance states that if approved, the proposed project will more efficiently serve a growing demand for psychiatric services at Alliance. The applicant believes that an increase in available beds will improve access to adult psychiatric services, which will translate into better patient outcomes to further treat those with psychological disorders.

The Bureau of Health Facilities Licensure and Certification approved the site for the project on December 5, 2017.

The applicant expects to obligate the capital expenditure within six (6) months of final CON approval and the proposed project will be completed within twelve (12) months of CON approval.

II. TYPE OF REVIEW REQUESTED

The Mississippi State Department of Health will review applications for a Certificate of Need (CON) to increase psychiatric beds under the requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code of 1972 Annotated, as amended. MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revision*; all adopted rules, procedures, and plans of the MSDH; and the specific criteria and standards listed below.

In accordance with Section 41-7-197(2) of the Mississippi Code of 1972 Annotated, as amended, any affected person may request a public hearing on this project within 10 days of publication of the staff analysis. The opportunity to request a hearing expires March 29, 2018.

III. CERTIFICATE OF NEED CRITERIA AND STANDARDS

A. State Health Plan (SHP)

The *FY 2015 Mississippi State Health Plan (MSHP)* contains policy statements, and both general and service specific criteria and standards which the applicant is required to meet before receiving CON authority for acute psychiatric beds and services. This application is in compliance with applicable policy statements and criteria and standards.

State Health Plan Policy Statements

SHP Policy Statement 1 –Indigent/ Charity Care

The applicant submits that it continues to provide a reasonable amount of Charity care.

SHP Policy Statement 2 – Mental Health Planning Areas

The applicant acknowledged that the state as a whole is used as a planning area for acute psychiatric beds/services. The applicant asserts that Alliance's existing utilization and Need Criterion 1(c) demonstrate the need for these beds.

SHP Policy Statement 3 – Public Sector Beds

The applicant acknowledges that the Mississippi Department of Mental Health’s psychiatric beds are not counted in the State bed inventory for determining need.

SHP Policy Statement 4 – Comments from Department of Mental Health

The applicant states that Alliance currently has and will maintain a cooperative relationship with the Mississippi Department of Mental Health.

SHP Policy Statement 5 – Separation of Adult and Children/Adolescents

The applicant states that Alliance currently treats adolescent psychiatric patients. It further avers that the Applicant is, and will continue to be, compliant with this requirement; however, the proposed project will not impact adolescent psychiatric patients.

SHP Policy Statement 6 – Separation of Males and Females

The applicant asserts that Alliance currently separates males and females and will continue to do so.

SHP Policy Statement 7 – Patients with Co-Occurring Disorders

The applicant avers that Alliance does not currently treat patients under the “swing bed” allowance and it has no plans to do so. However, the applicant states that should Alliance determine a need to utilize 25% of psychiatric beds as swing beds, they will comply with the Departments regulations for licensure and certification before providing such services.

SHP Policy Statement 8 – Comprehensive Program of Treatment

The applicant states that Alliance currently provides a comprehensive program of treatment and will continue to do so with the approval of the proposed project.

SHP Policy Statement 9 – Medicaid Participation

The applicant affirms that Alliance is currently certified to accept Medicaid, and will continue to maintain such certification. Alliance states that they will provide MSDH with information regarding services to Medicaid patients upon request.

SHP Policy Statement 10 – Licensing and Certification

The applicant states that Alliance is currently licensed by the Mississippi Department of Health. The applicant further states that Alliance will continue to meet all of the applicable licensing and certification regulations of the Division of Health Facilities Licensure and Certification.

SHP Policy Statement 11 – Psychiatric Residential Treatment Facility

Policy Statement 11 is not applicable to the proposed project.

SHP Policy Statement 12 – Certified Educational Programs

Policy Statement 12 is not applicable to the proposed project.

SHP Policy Statement 13 – Preference in CON Decisions

Policy Statement 13 is not applicable to the proposed project.

SHP Policy Statement 14 – Dedicated Beds for Children’s Services

Policy Statement 14 is not applicable to the proposed project.

SHP Policy Statement 15 - Addition/Conversion of Beds

The applicant acknowledges the statutory requirement and as a result has filed the proposed Application.

SHP Policy Statement 16 – Voluntarily Delicensed Beds

Policy Statement 16 is not applicable as the hospital has not voluntarily delicensed beds.

SHP Policy Statement 17 – Cease of Operation

Policy Statement 17 is not applicable as the hospital has not ceased to operate for 60 months.

State Health Plan General Criteria and Standards

SHP General Criterion 1- Need

The application is in compliance with Need Criterion 1(c) which indicates that the Department may approve additional beds for facilities which have maintained an occupancy rate of at least 80 percent for the most recent 12-month licensure reporting period or at least 70 percent for the most recent two (2) years.

Alliance states that given the high volume of utilization experienced at the hospital and the separation requirements for the male and female patient populations, it is often unable to admit patients in need of adult psychiatric services. The applicant states that these patients are often transferred to another facility for psychiatric services. The applicant expects that the conversion of Alliance's five (5) chemical dependency beds will help to increase the delivery of care and overcrowding experienced at Alliance.

The applicant submits that for the past two years, the hospital has maintained an average utilization rate of 89% for adult psychiatric services, surpassing the need requirement of 70% for the most recent two year period. The application contains documentation of utilization from October 2015 through September 2017.

In addition, Alliance asserts that it serves a high level of underserved patients. Therefore, the approval of this application will benefit the community by increasing access to care.

SHP General Criterion 2 – Information Requirement

Alliance affirmed that it will record and maintain, at a minimum, information regarding charity care and care to the medically indigent as required and make such information available to MSDH within fifteen (15) business days of the request.

SHP General Criterion 3 – Signed Memoranda of Understanding

The application contained a signed agreement between Laurelwood Center, Inc. d/b/a Alliance Health Center, Meridian, and Brentwood Behavioral Healthcare of MS, Flowood, MS.

SHP General Criterion 4 – Letters of Comment

The application contains letters of comment from community mental health centers, physicians, political leaders, other health care facilities and patients.

SHP General Criterion 5 – Exclusion Policies

The applicant affirmed that neither Alliance nor its staff have policies or procedures that would exclude patients because of race, color, age, sex, ethnicity, or ability to pay. In addition, the applicant affirmed that it will provide a reasonable amount of charity/indigent care.

Service Specific (SS) Criteria And Standards

SHP SS Criterion 1 – Statistical Need

This criterion is not applicable as the applicant currently provides adult psychiatric services and only proposes to convert its five (5) chemical dependency beds to psychiatric. Furthermore, the applicant is in compliance with SHP General Need Criterion 1(c), which permits an increase in beds based on the Hospital's utilization rate for those beds

SHP SS Criterion 2 – Facility Size

The applicant states that upon approval of the proposed project, the 5th floor unit will be comprised of six (6) adult psychiatric beds, which will include the five (5) converted beds as well as one (1) bed being moved from the 6th floor adult psychiatric unit.

SHP SS Criterion 3- Staffing

Alliance submits that unit staff has experience and training for the provision of psychiatric services which includes psychiatrists and psychologists. The applicant projects the addition of a registered nurse and an aide for the

proposed project.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 – State Health Plan

The application is in compliance with the policy statements, service specific and general criteria and standards contained in the **2015 State Health Plan** as discussed above.

GR Criterion 2 - Long Range Plan

The applicant submits that Alliance has been a long-time provider of adult psychiatric services and their goal is to continue to provide these services to the community. If approved, the project will provide five (5) additional adult psychiatric beds, increasing the capacity to 46 adult psychiatric beds. The applicant states that this increase in available beds will decrease the need for the unit to go on diversion status and hopefully improve the accessibility of services.

GR Criterion 3- Availability of Alternatives

Alliance states that in light of the high utilization and separation requirements for males, females, adult and adolescent, maintaining the units in the current size would not help the hospital reach its long-term goals. Therefore, the applicant decided that the most efficient and reasonable alternative was to expand the existing unit at Alliance. According to the applicant, this option meets the goal of increasing the availability of adult psychiatric beds at the hospital in the most cost-effective manner.

This project is not an unnecessary duplication of services since the applicant is a current provider of adult psychiatric services.

The applicant believes that increasing the accessibility and placing additional adult psychiatric beds within the hospital will promote their goal to continue providing quality health care and cost containment.

The applicant discusses several applications reviewed by MSDH from 2010 to 2016 for the addition of psychiatric beds. Alliance states that these applications were filed due to an increase in demand for such services and acknowledgment of mental health issues within the state. Therefore, the applicant believes that the increase in access to psychiatric services at Alliance will help to better meet the current and future community and state demands.

GR Criterion 4 - Economic Viability

The applicant states that the expected charges and profitability for the proposed beds are the same as the current beds operated by Alliance. In addition, the proposed levels of utilization are consistent with the utilization experienced by the hospital. The applicant further states that Universal Health Services will support Alliance if the allocated projections are not met.

The applicant expects that the project should not negatively impact the cost of health care, as the proposed revenues and expenses per patient day for the project are based on existing services at the hospital. Further, the applicant expects that the project will decrease the cost to Medicaid.

GR Criterion 5 - Need for the Project

The applicant submits that the proposed project meets the Need Criterion outlined in SHP Need Criterion 1(c), as the hospital has experienced over 89% occupancy rate for the past two (2) years. The applicant further asserts that the need for increased access to care at the hospital is evidenced by the high occupancy rates and diversions, a trend Alliance anticipates will continue. Alliance has traditionally served the underserved groups as required by this criterion and submits that it intends to continue to do so. The applicant expects the proposed expansion of beds will improve accessibility.

Alliance states that in 2017, the hospital was authorized to reinstate three (3) adult psychiatric beds; however, the demand for increased access to psychiatric treatment continues to exist.

Alliance is the only provider of adult psychiatric services in Lauderdale County, with the closest psychiatric service provider located in Lowndes County, approximately 88 miles away. Therefore, the applicant affirms that this project is not expected to have a negative impact on other facilities.

The application contained nine (9) letters of support for the proposed project.

GR Criterion 6 -Accessibility

Alliance submits that it currently provides services to traditionally underserved populations and will continue to do so. Alliance expects that the increase in the number of available beds will help ensure that Medicare, Medicaid and medically indigent patients have access to adult psychiatric services offered by Alliance.

The percentage of gross patient revenue and actual dollar amount of healthcare provided to medically indigent and charity care patients for the last two years are presented below:

	Historical Year 2015	Historical Year	Projected Year 1	Projected Year 2
Medically Indigent	-	-	-	-
Charity Care	\$2,198,980	\$2,279,450	\$1,537,324	\$1,583,444
Charity Care %	<u>3%</u>	<u>3%</u>	<u>3%</u>	<u>3%</u>

GR Criterion 7- Information Requirement

Alliance Health Center affirms that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

The applicant submits that given the state as a whole serves as the planning district for mental health services, there are other hospital-based providers of adult psychiatric services. The applicant indicates given the high utilization, rate of diversion, and proximity to similar providers, the increased access will help serve patient population by decreasing the need to divert patients seeking mental health services.

GR Criterion 9 - Availability of Resources

The applicant states that Alliance currently has the personnel and physicians necessary to provide services to its seventy-one (71) psychiatric beds. However, two (2) FTEs are expected to be hired during the next three years as a result of the project. Alliance does not anticipate any problems with hiring additional personnel and will recruit additional staff through traditional advertising methods, such as word of mouth.

The applicant is licensed by the Mississippi State Department of Health and certified for Medicare and Medicaid participation.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts that Alliance currently provides adult psychiatric services and has all necessary support and ancillary services for that service and will continue to do so.

GR Criterion 11- Health Professional Training Programs

The applicant states that Alliance has worked with health professional training programs to meet their clinical needs in the past and will continue to do so.

GR Criterion 12- Access by Health Professional Schools

The applicant states they will cooperate with the clinical needs of health professional training programs in the area.

GR Criterion 13 – Access to Individuals Outside Service Area

The applicant affirms that Alliance is not proposing to provide access to individuals outside the allocated service area; therefore, Criterion 13 is not applicable.

GR Criterion 14– Construction Projects

The applicant states that the project does not involve any construction; therefore, Criterion 14 is not applicable.

GR Criterion 15 – Competing Applications

The applicant states that Alliance is not aware of any competing applications.

GR Criterion 16 - Quality of Care

The applicant asserts that their high utilization demonstrates that patients seek services at Alliance in high volumes; which evidences its quality of care. Alliance believes that the increase in bed capacity will help ensure that the hospital can continue to provide quality of care to patients in need of adult psychiatric services.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The proposed project does not require a capital expenditure.

B. Cost to Medicaid/Medicare

The applicant's projections of gross patient revenue percentage and actual dollar amount to Medicaid and Medicare payor sources for the first year of operation is presented below:

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	32%	\$26,301,062
Medicaid	50%	41,446,800
Commercial	9%	7,108,840
Self Pay	2%	1,343,798
Charity Care	2%	1,618,111
Other	6%	4,918,596
Total	100%	\$82,737,207

C. Effect on Operating Cost

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses and net income are shown in Attachment 1. Utilization, cost, and charges are also included in the applicant's Three-Year

Projected Operating Statement (see Attachment 1).

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. In a letter dated March 8, 2018, the Division stated that due to a change in reimbursement methodology, the estimated increase in cost outlier payment resulting from this CON cannot be determined at this time. For this reason, the Division of Medicaid opposes this project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the expansion of adult psychiatric beds/services as contained in the *FY 2015 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revised*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Alliance Health Center, Inc., d/b/a Alliance Health Center for the expansion of adult psychiatric beds by the conversion of five (5) chemical dependency (CDU) beds.

ATTACHMENT 1
Alliance Health Center, Inc., d/b/a Alliance Health Center
Expansion of psychiatric Beds
Three-Year Projected Operating Statement
(Project Only)

	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$1,643,400	\$3,285,000	\$3,285,000
Outpatient	-	-	-
Gross Patient Revenue	<u>1,643,400</u>	<u>3,285,000</u>	<u>3,285,000</u>
Charity Care	79,200	156,600	156,600
Deductions from Revenue	<u>933,365</u>	<u>1,854,065</u>	<u>1,841,320</u>
Net Patient Revenue	<u>\$630,835</u>	<u>\$1,274,335</u>	<u>\$1,287,080</u>
Expenses			
Operating Expenses:			
Salaries	\$81,000	\$83,430	\$85,933
Benefits	16,200	16,200	16,200
Supplies	37,850	76,460	77,225
Services	50,467	101,947	102,966
Lease			
Depreciation			
Interest			
Other			
Total Expenses	<u>\$ 185,517</u>	<u>\$ 278,037</u>	<u>\$ 282,324</u>
Net Income (Loss)	<u>\$ 445,318</u>	<u>\$ 996,298</u>	<u>\$1,004,756</u>
Assumptions			
Inpatient days	913	1,825	1,825
Outpatient days	0	0	0
Procedures	0	0	0
Charge per outpatient day	0	0	0
Charge per inpatient day	\$1,800	\$1,800	\$1,800
Charge per procedure	NA	NA	NA
Cost per inpatient day	203	152	155
Cost per outpatient day	NA	NA	NA
Cost per procedure	NA	NA	NA