

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
APRIL 12, 2018**

**CON REVIEW HP-O-0218-003
GULFPORT BEHAVIORAL HEALTH SYSTEM
TRANSFER OF MEDICAID BEDS
LOCATION: GULFPORT, HARRISON COUNTY, MISSISSIPPI
CAPITAL EXPENDITURE: \$0.00**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Gulfport Behavioral Health System (“GBHS”), f/k/a Memorial Behavioral Health is a 109-bed behavioral health facility for adults, adolescents and children. The facility’s bed complement consists of 59 adult psychiatric beds, 30 adolescent psychiatric beds and 20 adolescent chemical dependency beds. In December 2017, Memorial Behavioral Health was purchased by Universal Health Services, Inc. of Pennsylvania, one of the nation’s largest hospital management companies. Universal Health Services, Inc. (“UHS”) also owns Brentwood Behavioral Healthcare of Mississippi (“Brentwood”), a 74-bed adolescent psychiatric facility located in Flowood, Rankin County, and Diamond Grove Center (“Diamond Grove”) a 25-bed adolescent psychiatric facility located in Louisville, Winston County. Each facility is controlled by a three (3) member board. As of February 2018, these facilities were in good standing with the Mississippi Secretary of State.

Gulfport Behavioral Health System’s occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years available are as follows for the 30 adolescent psychiatric beds (ONLY):

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate%
2013	43.48	6.27	N/A
2014	24.74	5.54	N/A
2015	32.35	6.64	N/A

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

B. Project Description

Gulfport Behavioral Health System requests Certificate of Need (“CON”) authority to transfer fifteen (15) Medicaid-certified adolescent psychiatric beds to Brentwood and four (4) Medicaid-certified adolescent psychiatric beds to Diamond Grove, for a total of nineteen (19) transferred beds. To prevent an increase in adolescent beds at the receiving facilities, the applicant will receive 15 non-Medicaid beds from Brentwood and 4 non-Medicaid beds from Diamond Grove. The applicant affirms that GBHS will then place the 19 non-Medicaid beds in abeyance. The applicant asserts that because the proposed project is a relocation, there will be no increase in the number of Medicaid beds in the State.

The applicant submits that UHS will undertake this project, with the Department’s approval, in order to better provide for the demonstrated needs of Mississippi’s underserved Medicaid population. The applicant states that GBHS has experienced significantly lower utilization of its Medicaid beds as compared with utilization at both Diamond Grove and Brentwood.

Gulfport Behavioral Health System submits that Diamond Grove has exceeded 100% average occupancy of its existing adolescent Medicaid beds in 13 months of the last two calendar years, and exceeded 98% in four more months. In addition, the applicant states that Brentwood maintained an occupancy rate of 64% and above during 2017, and for the twenty-four (24) months in 2016 and 2017 occupancy of those beds exceeded 80% in 13 months and exceeded 100% several times.

According to the applicant, Brentwood will require 6.3 Full-Time Equivalent (“FTE”) aids over the projected three years at an estimated annual cost of \$170,352. Likewise, Diamond Grove will require 4.2 FTE aids over the projected three years at an estimated annual cost of \$117,161.68.

The applicant states that the final objectives of this project are to replace largely unused non-Medicaid beds at both Brentwood and Diamond Grove with Medicaid-certified beds from GBHS so that access to care by Mississippi’s Medicaid population is increased and the existing Medicaid bed complement in the State will be better utilized. The applicant confirms that an equal number of non-Medicaid beds at each facility will be transferred back to GBHS and placed in abeyance.

The application contains a letter, dated February 15, 2018, from the Bureau of Health Facilities Licensure and Certification regarding the sites for the proposed project.

The applicant certifies that there will be no construction, renovation, or new services required by the project. Therefore, GBHS does not expect to obligate any capital expenditure as related to this project. However, the applicant does anticipate immediate implementation of the relocation of beds. Further, GBHS

anticipates completion of the project at both Brentwood and Diamond Grove within thirty (30) days of CON approval.

II. TYPE OF REVIEW REQUESTED

The Mississippi State Department of Health will review applications for a Certificate of Need (CON) to transfer 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 April 22, 2018. However, since April 22, 2018 is a Sunday, requests for a hearing will be accepted until Monday - April 23, 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 an applicant is required to meet before receiving CON authority for acute psychiatric beds and services. However, the applicant and both receiving facilities (Brentwood and Diamond Grove) are current providers of adolescent psychiatric services. This project for the transfer of Medicaid-certified beds and the relocation of non-Medicaid beds will not result in the increase or decrease in beds at any facility. This application is in compliance with the overall objectives of the ***FY 2015 State Health Plan***.

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 overall objectives of the ***FY 2015 State Health Plan***.

GR Criterion 2 - Long Range Plan

The applicant submits that GBHS' long range plans are to improve the quality and

availability of effective treatment for adolescent psychiatric patients in Mississippi; especially patients with decreased ability to pay and who rely on the Mississippi Medicaid program. Further, the applicant states that GBHS seeks, on both a long and short-term basis, to utilize its existing bed complement in the most productive and efficient manner possible. Therefore, the applicant believes that relocating the identified Medicaid-certified beds from Gulfport to facilities in Flowood and Louisville will immediately expand needed Medicaid access in those two locations, while not sacrificing availability of services in Gulfport.

GR Criterion 3- Availability of Alternatives

The applicant believes that there are no less costly or more effective alternative methods of providing additional needed Medicaid services in Rankin and Winston Counties. The applicant further believes that the only available alternatives to the project as proposed would have been to request additional beds at both Brentwood and Diamond Grove, or simply not to relocate or add beds at all and leave things at the status quo. The applicant states that UHS rejected both of those alternatives due to its commitment to its long-term goals of (1) making the most efficient use possible of the beds in its control, and (2) providing superior quality to all patients in need.

The applicant submits that if they decided not to go forward with this project, Medicaid patients in Rankin and Winston Counties would continue to be underserved. The applicant also suggests that simply adding Medicaid beds at the two receiving sites without the relocation, would have added beds and expense to the system unnecessarily.

According to GBHS, this project will improve the delivery of healthcare services to adolescent psychiatric patients by increasing the availability of Medicaid beds for that population. The applicant states that this project will enable both Brentwood and Diamond Grove to continue to provide excellent care, and provide care to more patients in their respective areas who are underserved, indigent, and in need of the care offered.

GR Criterion 4 - Economic Viability

The applicant states that the expected charges applicable to the relocated beds at both Diamond Grove and Brentwood will be consistent with current charges for existing Medicaid beds at both facilities. The applicant expects that the projected levels of utilization will be consistent with other facilities around the State and based on a known need for additional Medicaid beds in both Brentwood and Diamond Grove.

GBHS states that neither Brentwood nor Diamond Grove will experience any increased expenses due to the proposed relocation of beds because neither facility will change the number of licensed beds it currently has in place. Each facility will transfer an equal number of non-Medicaid beds back to GBHS, which will in turn

place those beds in abeyance.

The project is not expected to have an adverse impact on the cost of healthcare to residents of Mississippi. The applicant states that because there will be no impact to the State’s overall or Medicaid-certified bed complement, there will be no significant impact to revenues, expenses per patient day, or Medicaid. The applicant further states that the only increased cost to Medicaid will result from more efficient use of Medicaid certified beds.

GR Criterion 5 - Need for the Project

The applicant submits that UHS will undertake this project in order to better provide for the demonstrated needs of Mississippi’s underserved Medicaid population. The applicant states that GBHS has experienced significantly lower utilization of its Medicaid beds, as compared with utilization rates at both Diamond Grove and Brentwood. The applicant affirms that while neither receiving facility will increase its licensed bed capacity, both will increase their capacity to care for Medicaid patients.

According to the applicant, Diamond Grove has exceeded 100% average occupancy of its existing Medicaid beds in 13 months of the last two calendar years, and exceeded 98% in four more months; likewise, occupancy rates at Brentwood did not drop below 64% in any month in 2017, and for the twenty-four month period in 2016 and 2017, occupancy of those beds exceeded 80% in 13 months and exceeded 100% several times.

The Annual Hospital Reports show the following occupancy data for Brentwood and Diamond Grove for 2013, 2014, and 2015.

Brentwood
 74 Adolescent Psychiatric Beds

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate%
2013	80.82	10.68	N/A
2014	78.54	10.17	N/A
2015	77.39	9.92	N/A

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

Diamond Grove

25 Adolescent Psychiatric Beds

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate%
2013	83.92	11.36	N/A
2014	83.41	10.37	N/A
2015	82.92	9.87	N/A

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

The applicant submits that both Brentwood and Diamond Grove have existing policies which assure that their services are equally available to all patients who may present, regardless of minority status, disability, gender or ability to pay.

The application contained five (5) letters of support for the proposed project.

GR Criterion 6 -Accessibility

GBHS submits that 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, and handicapped persons have access to the services of the existing facilities. However, because these are child/adolescent beds, they are not accessible by the elderly. The applicant avers that the entire purpose of this application is to better serve the demonstrated needs of Medicaid patients in Mississippi; and, adding the relocated Medicaid-certified beds to both Brentwood and Diamond Grove will give both facilities the opportunity to serve patients to whom access was previously unavailable.

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	\$908,788	\$739,524	\$821,594	\$838,026
Charity Care %	<u>1.9%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>

GR Criterion 7- Information Requirement

Both Brentwood and Diamond Grove affirm 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

According to the applicant, the adverse impact due to failure to implement the proposed project will be that patients who need Medicaid services will continue to have those services unavailable. Furthermore, they will be served by Brentwood and Diamond Grove with no reimbursement due to the limited number of Medicaid beds each facility has currently.

The application contains transfer agreements between Brentwood and Mississippi Baptist Medical Center, Jackson, MS; and agreements between Diamond Grove and Brandon HMA, LLC d/b/a Crossgates River Oaks Hospital, the University of Mississippi Health Care, Jackson, MS, and a letter of agreement from Winston Medical Center, Louisville, MS.

GR Criterion 9 - Availability of Resources

The applicant states that because there will be no increased capacity at either Brentwood or Diamond Grove as the result of this project, there will be no need for any additional resources – material or personnel as a result of this project. However, Brentwood will add 6.3 full time equivalent (FTE) personnel during the first year of the project at a cost of \$170,352; and Diamond Grove will add 4.2 FTE personnel during the first year at a cost of \$117,161.68. According to the applicant, Brentwood and Diamond Grove have always maintained adequate staffing to satisfy all applicable regulations and to provide efficient quality care to all of their patients.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant submits that because the beds to be relocated are being relocated to existing operational facilities, all necessary support and ancillary services are already in place.

GR Criterion 11- Health Professional Training Programs

The applicant states that there will be no impact to any training programs.

GR Criterion 12- Access by Health Professional Schools

This criterion is not applicable to the proposed project.

GR Criterion 13 – Access to Individuals Outside Service Area

This criterion is not applicable to the proposed project.

GR Criterion 14– Construction Projects

The proposed project does not involve any construction; therefore, Criterion 14 is not applicable.

GR Criterion 15 – Competing Applications

The application submitted by GBHS is not competing with any existing applications.

GR Criterion 16 - Quality of Care

The applicant submits that both Brentwood and Diamond Grove are licensed by the Mississippi State Department of Health and certified for Medicare and Medicaid participation. In addition, both facilities are accredited by the Joint Commission.

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 (Project Only):

Brentwood (Transfer of 15 Medicaid Beds)

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	0%	\$0.00
Medicaid	100%	\$2,759,400
Commercial	0%	0.00
Self Pay	0%	0.00
Charity Care	0%	0.00
Other	0%	0.00
Total	100%	\$2,759,400

Diamond Grove (Transfer of 4 Medicaid Beds)

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	0%	\$0.00
Medicaid	100%	\$1,806.750
Commercial	0%	0.00
Self Pay	0%	0.00
Charity Care	0%	0.00
Other	0%	0.00
Total	100%	\$1,806,750

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 (for both Brentwood and Diamond Grove) are shown in Attachments 1 and 2. Utilization, cost, and charges are also included in the applicant's Three-Year Projected Operating Statements (see Attachments 1 and 2).

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES (Awaiting comments)

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 overall objectives of 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 Gulfport Behavioral Health System for the transfer of fifteen (15) Medicaid adolescent psychiatric beds to Brentwood and four (4) Medicaid adolescent psychiatric beds to Diamond Grove. Concurrently, each facility will transfer an equal number of non-Medicaid adolescent psychiatric beds back to Gulfport Behavioral Health System to be placed in abeyance.

ATTACHMENT 1

**Gulfport Behavioral Healthcare
 Transfer of 15 Medicaid Adolescent Psychiatric Beds to Brentwood
 Three-Year Projected Operating Statement
 (Project Only)**

	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$2,759,400	\$2,955,600	\$3,121,200
Outpatient	-	-	-
Gross Patient Revenue	\$2,759,400	2,955,600	3,121,200
Charity Care	-	-	-
Deductions from Revenue	<u>1,849,503</u>	<u>1,981,007</u>	<u>2,092,002</u>
Net Patient Revenue	<u>\$ 909,897</u>	<u>\$ 974,593</u>	<u>\$1,029,198</u>
Expenses			
Operating Expenses:			
Salaries	\$ 170,352	\$173,759	\$ 177,234
Benefits	33,219	33,883	34,561
Supplies	58,604	64,028	70,346
Services	98,301	109,545	117,996
Lease			
Depreciation			
Interest			
Other			
Total Expenses	<u>\$ 360,476</u>	<u>\$ 381,214</u>	<u>\$ 400,136</u>
Net Income (Loss)	<u>\$ 549,421</u>	<u>\$ 593,378</u>	<u>\$ 629,062</u>
Assumptions			
Inpatient days	1,533	1,642	1,734
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	\$ 235	\$ 232	\$ 231
Cost per outpatient day	NA	NA	NA
Cost per procedure	NA	NA	NA

ATTACHMENT 2
Gulfport Behavioral Healthcare
Transfer of 4 Medicaid Adolescent Psychiatric Beds to Diamond Grove
Three-Year Projected Operating Statement
(Project Only)

	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$1,806,750	\$1,971,000	\$2,102,400
Outpatient	-	-	-
Gross Patient Revenue	1,806,750	1,971,000	2,102,400
Charity Care	-	-	-
Deductions from Revenue	<u>1,076,933</u>	<u>1,174,836</u>	<u>1,253,159</u>
Net Patient Revenue	<u>\$ 729,817</u>	<u>\$ 796,164</u>	<u>\$ 849,241</u>
Expenses			
Operating Expenses:			
Salaries	\$ 96,096	\$98,883	\$ 101,750
Benefits	21,066	21,677	22,305
Supplies	25,530	28,408	30,908
Services	68,090	75,766	82,433
Lease			
Depreciation			
Interest			
Other			
Total Expenses	<u>\$ 210,782</u>	<u>\$ 224,733</u>	<u>\$ 237,397</u>
Net Income (Loss)	<u>\$ 519,035</u>	<u>\$ 571,431</u>	<u>\$ 611,845</u>
Assumptions			
Inpatient days	1,004	1,095	1,168
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	\$ 210	\$ 205	\$ 203
Cost per outpatient day	NA	NA	NA
Cost per procedure	NA	NA	NA