

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

**CON REVIEW HG-NIS-0303-001
TRI-LAKES MEDICAL CENTER
ESTABLISHMENT OF AN ADULT CHEMICAL DEPENDENCY PROGRAM
CAPITAL EXPENDITURE: \$-0-
LOCATION: BATESVILLE, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Tri-Lakes Medical Center is a short term acute care hospital located in Batesville, Mississippi. The Medical Center is jointly owned by the City of Batesville and Panola County. Furthermore, Tri-Lakes Medical Center is governed by a board which is appointed by the City of Batesville and the Panola County Board of Supervisors.

Tri-Lakes Medical Center is licensed for 70 acute care beds, including 16 inpatient geriatric psychiatric beds.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for the three most recent fiscal years are shown below (medical/surgical beds only).

FISCAL YEAR	OCCUPANCY RATE (%)	ALOS (DAYS)	MEDICAID UTILIZATION RATE (%)
2000	26.87	3.68	35.23
2001	20.42	3.13	32.26
2002	23.24	3.52	36.24

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

B. PROJECT DESCRIPTION

Tri-Lakes Medical Center is requesting Certificate of Need (CON) authority to establish an adult chemical dependency unit. Tri-Lakes has entered into a contract with Franklin County Memorial Hospital to lease its 13 chemical dependency beds which were recently closed. The applicant submits that the program will be overseen by a psychiatrist as well as a physician who will attend to the patients medical needs. They will be supported by a multi-disciplinary staff that possess knowledge of counseling with a specialty in addictions evaluation and treatment.

The applicant proposes to reallocate 13 of its present acute care beds to chemical dependency, in order to accomplish the project. The program will be established in existing space within the hospital; therefore, no capital expenditure will be required. However, some cosmetic issues, such as painting the rooms and hallways, will have to be addressed. The applicant states that the program will allow the hospital to more fully utilize empty space.

Tri-Lakes states that the increases in ancillary and support services will be in the area of food service, laundry, and housekeeping. All of those services are currently available within the hospital and any incremental cost increases will be borne by revenue generated by the program. The applicant projects 106 FTE personnel at an estimated annual cost of \$394,250.

The Division of Health Facilities Licensure and Certification has approved the site for establishment of chemical dependency services. The applicant expects to initiate these services within 30 days of CON approval.

II. TYPE OF REVIEW REQUESTED

This project, for the establishment of chemical dependency services, is reviewed in accordance with Section 41-7-191 (1)(d)(v) and (e) 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 of 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 June 4, 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 criteria and standards which the applicant is required to meet before receiving CON authority for the establishment of an adult chemical dependency unit. This application is in substantial compliance with applicable criteria and standards.

SHP Criterion 1 - Need

Tri-Lakes submits that there is a significant shortage of chemical dependency services in the Tri-Lakes Medical Center primary and secondary service areas. There are no inpatient treatment services available locally. The applicant cited the Adult Population Household Survey and the Integrated Analysis Study, published in FY 1999, in determining a need for the project. According to the applicant, the study determined that approximately 120,616 adult Mississippians (6.2%) need treatment for alcohol; 2,229 persons (0.1%) need treatment for drugs, and 9,800 (0.5%) need treatment for both drugs and alcohol. The applicant states that results of the Integrated Analysis Study indicated that 146,622 adult Mississippians were in need of substance abuse treatment in 1997, representing 7.45 percent of the total population. Tri-Lakes submits that information such as this indicates a dire need for quality services to

deal with this problem.

Based on the formula contained in the *FY 2003 State Health Plan*, the state as a whole is overbedded by 41 adult chemical dependency beds. However, the applicant proposes to lease 13 beds from an already licensed program, thus, no new beds will be added.

Applicant submits that staff will have specialized training in the area of alcohol and substance abuse treatments and a multi-disciplinary psychosocial medical treatment model which involves the family and significant others will be used. Aftercare and follow-up services will be done in conjunction with existing providers of chemical dependency treatment.

Tri-Lakes further submits that the program will conform to the Minimum Standards of Chemical Dependency Units required by the MSDH. This will be a multi-disciplinary approach utilizing physicians, nurses, psychologists, and various treatment counselors. A 12-step model will be implemented. The patients will be involved in a very intensive and aggressive treatment milieu. Medical detoxification services, offered on-site at the unit, will be available to those manifesting this need.

SHP Criterion 2 - Information Requirement

Applicant affirms that it will record and maintain information required by this criterion and make same available to the Mississippi State Department of Health upon request.

SHP Criteria 3 & 4 - Support from Community Mental Health Centers and Others

The application contained letters of support from the Magnolia Counseling Associates, Batesville Police Department and Tri-Lakes Medical Center's chief of staff.

SHP Criterion 5 - Accessibility

Applicant submits that individuals will not be discriminated against in their desire to access the adult chemical dependency program. As a department of Tri-Lakes Medical Center, services will be provided to indigent and charity care patients, thus increasing access.

SHP 6 - Charity/Indigent Care

Applicant projects 15 percent care for the medically indigent for the chemical dependency program. The percentage of indigent care provided at the facility increased from 14.3 percent in FY 2000 to 16.0 percent in FY 2002.

B. General Review (GR) Criteria

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

GR Criterion 3 - Availability of Alternatives

Tri-Lakes indicates that there is a significant shortage of chemical dependency services in its primary and secondary service area. Therefore, the applicant believes that the project is the most effective alternative for the delivery of chemical dependency services to its patients.

GR Criterion 4 - Economic Viability

Three year operating projections reflect a first year net profit of \$76,310, a second year profit of \$133,880, and a third year profit of \$186,200. Therefore, the project appears to be economically viable.

GR Criterion 5 - Need for the Project

The proposed facility will be available to all persons in the service area including low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups.

The applicant submits that the two programs in the closest proximity to Tri-Lakes are in Sunflower and Lee counties. Both programs are in excess of one hour driving distance away. A for-profit facility is located south of Memphis, however, it also is an hour drive away. Consequently, there is a shortage of adult chemical dependency services in Batesville and surrounding areas.

GR 6 - Accessibility

Applicant submits that the proposed program and the facilities involved will be accessible to all residents, regardless of their ethnic, racial, gender, age, or handicapping conditions.

GR Criterion 7 - Information Requirement

Tri-Lakes Medical Center affirms that it 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 affirms that this project will have no adverse effect on facilities currently offering the service in the area. Existing chemical dependency beds are proposed to be leased from Franklin Memorial Hospital.

GR Criterion 9 - Availability of Resources

The applicant submits that Tri-Lakes possesses the capacity to hire the necessary staff to operate this program. Specifically, Dr. Rayudu, psychiatrist, will provide consultations as necessary and Dr. Rosenkrantz will provide medical oversight.

GR Criterion 16 - Quality of Care

Tri-Lakes Medical Center is in compliance with the *Minimal Standards of Operation for Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

No capital expenditure is required for this project.

B. Method of Financing

Since no capital expenditure is required, no financing is required as well.

C. Effect on Operating Costs

The applicant projects the following expenses, utilization, and results from operation for the first three years of operation:

Expense	Year 1	Year 2	Year 3
Salaries	394,250	421,420	448,840
Professional Fees - Medical Director	24,000	24,000	24,000
Consulting Fees	35,000	30,000	30,000
Other	22,000	25,000	28,000
Subtotal - Program Direct Costs	475,250	500,420	530,840
Other Estimated Incremental Costs			
Benefits (estimated @ 20% of Salary Expense)	78,900	84,300	89,800
Laundry	3,700	4,200	4,700
Dietary	6,900	7,900	8,800
Housekeeping	6,900	6,900	6,900
Operation of Plant	9,400	9,400	9,400
Total Operating Costs*	\$581,050	\$613,120	\$650,440

Revenue			
Gross Patient Revenue	\$775,500	\$881,250	\$987,000
Discounts from Gross Revenues	(118,140)	(134,250)	(150,360)
Net Patient Revenue	\$657,360	\$747,000	\$836,640
Net Income	\$76,310	\$133,880	\$186,200
Patient Days	1,100	1,250	1,400
Charge per Day	\$705	\$705	\$705
Cost per Day*	\$528	\$490	\$465

D. Cost to Medicaid/Medicare

Payor Mix	... Utilization Percentage	Cost for First Full Year
Medicaid	80%	\$464,840
Medicare	10%	58,105
Other Payors	10%	58,105
Total	100%	\$581,050

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid estimates that the increased annual cost to the Medicaid program for the capital expenditure will be \$464,838 for inpatient hospital services.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of chemical dependency services contained in the FY 2003 Mississippi State Health Plan, Chapter 8 of the Mississippi Certificate of Need Review Manual, 2000 revisions, and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Tri-Lakes Medical Center.