

DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
AUGUST 2003

CON REVIEW HG-RC-0503-015  
NORTH MISSISSIPPI MEDICAL CENTER  
WEST BEDTOWER AND NORTH PARKING GARAGE  
EXPANSION AND RENOVATION PROJECT  
CAPITAL EXPENDITURE: \$36,236,000  
LOCATION: TUPELO, MISSISSIPPI

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

North Mississippi Medical Center (NMMC) is a 650-bed short-term, acute care hospital, and is a wholly-owned subsidiary of North Mississippi Health Services, Inc. The hospital offers a broad scope of specialty and sub-specialty services as the major regional medical center for the area. The hospital, a not-for-profit, tax-exempt institution, is governed by a 36 member Board. The licensed beds at the hospital consist of 554 general medical/surgical beds, 33 adult psychiatric beds, 33 adult chemical dependency beds, and 30 rehabilitation beds.

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

**Utilization Data  
North Mississippi Medical Center**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2000	66.89	4.92	23.26
2001	66.48	4.77	21.37
2002	63.84	4.68	13.08

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

B. Project Description

North Mississippi Medical Center requests Certificate of Need (CON) authority for construction, renovation, relocation, and expansion of the west bedtower and north parking garage at NMMC. The proposed project will encompass a total of 230,150 square feet of space, to include 165,150 square feet of new construction and 65,000 square feet of renovated space. The applicant indicates that the proposed project involves two specific, major expansions recognizing mutual dependence of each project on the other. NMMC asserts that from an acquisition perspective, expansion of the north parking garage will be constructed initially, followed by expansion of the west bedtower. The applicant believes this sequence is necessary to limit loss of parking during construction and to address the most urgent matter first. The following summaries profile both projects.

**NMMC**  
**North Parking Garage Expansion**

**General Intent of Project:** Expand NMMC's 814 parking space north parking garage by adding approximately **115,150 square feet** of new construction space to the current parking structure, which will add approximately 395 employee parking spaces. The scope of the proposed north parking garage expansion project is to expand the existing parking structure by adding up to 5 levels of parking, increasing the capacity by approximately 395 spaces. In addition, as favored by the City of Tupelo, Council Circle would be realigned to bypass the garage expansion and "cure" a problematic street condition at the intersection of Council Circle and Crossover Road. Finally, the points of entry and exit from the north parking garage would be adjusted to encourage greater accessibility and ease of exit.

**NMMC**  
**West Bedtower Expansion**

**General Intent of Project:** Expand NMMC's 5 story, 162 bed west bedtower to increase the number of beds to approximately 207 and renovate to improve the size, appearance and function of all bedrooms and support areas. To gain operating efficiencies and the building mass needed to meet space requirements, the proposed scope of work involves adding approximately 10,000 square feet to each of the five floors (50,000 sq. ft. total addition) and completely renovating the existing 65,000 square feet west bedtower. The scope of the proposed west bedtower expansion project is to expand and renovate one of four NMMC inpatient bed towers (west bedtower) and in the process make it large enough to move 45 beds from the old east wing, which will consolidate the two inpatient towers (west bedtower and east wing). The resulting west bedtower will then contain 207 beds (162 + 45 = 207).

The bed capacity on each floor will increase from a 30-33 bed range to a 40-45 bed range, which develops greater efficiency and will enable transfer of 45 beds from the east bedtower currently housing three 15-bed units.

Table I identifies the proposed use of all new construction space (50,000 sq. ft.) involved for the proposed **west bed tower**:

**Table I**

<b>New Space</b>	<b>Sq. Ft.</b>
Inpatient Care units	40,000
Support Space	5,000
Mechanical/Electrical	5,000
<b>Total</b>	<b>50,000</b>

According to the applicant, the intent of the proposed west bedtower expansion/renovation is to completely rebuild the existing 65,000 square feet west bedtower by merging with it 50,000 square feet of new space.

Table II identifies the proposed use of all renovated space (65,000 sq. ft.) involved for the proposed **west bedtower**:

**Table II**

<b>Renovated Space</b>	<b>Sq. Ft.</b>
Inpatient Care Units	52,000
Support Space	6,500
Mechanical/Electrical	6,500
<b>Total</b>	<b>65,000</b>

According to the applicant, the scope of work involved in the proposed project will provide facilities for an increase in the number of inpatient rehabilitation beds by 30 rehabilitation beds, which were authorized by an amendment to CON #87366 on July 31, 1997 . NMMC is currently licensed for 30 inpatient rehabilitation beds. The applicant indicates that in 1997, NMMC obtained a series of CON's enabling relocation and expansion of an existing NMMC comprehensive rehabilitation center. On May 7,2003, the Department approved a site change for the 30-bed rehabilitation expansion. Upon completion of the west bedtower expansion proposed in this project, the applicant will request the following changes to the license:

**Current Rehabilitation**  
**30**

**Proposed Rehab Increase**  
**40\***

\*The applicant asserts that the 30 bed rehab expansion authorized by CON #87366 will be phased over the next several years, with phase 1 adding 10 beds.

The proposed project represents expansion of an existing, acute hospital which will consume additional ancillary and support services. Adequate ancillary and support capacity exists for the proposed expansion project.

The total proposed capital expenditure is **\$36,236,000** and of that amount, approximately 48.52 percent is for new construction, which includes \$4.6 million for parking garage expansion and \$13 million for the west bedtower expansion; 27.60 percent for renovation; 11.25 percent for fixed equipment; 0.55 percent for furnishings and minor equipment; 4.63 percent for fees (architectural, consultant, etc.); and 7.40 percent for contingency reserve. The applicant indicates that the proposed capital expenditure will be funded with proceeds from revenue bonds with the Mississippi Hospital Equipment and Facilities Authority of **\$36,236,000** for the proposed project.

The applicant indicates that the capital expenditure for the proposed project shall be obligated within 30 days upon Certificate of Need approval and it is expected that the proposed project shall be completed within approximately 30 months of the date of initial approval.

The application contains a letter from the MSDH Division of Health Facilities Licensure and Certification approving the site for the proposed project.

## II. TYPE OF REVIEW REQUIRED

Construction/renovation/relocation and expansion projects are reviewed in accordance with Sections 41-7-191, subparagraphs (1) (e), (f) and (j), and Section 41-7-173, (c) (iii) 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 September 4, 2003.

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

### A. State Health Plan (SHP)

The **Plan** does not address policy statements, criteria and standards for a parking garage. However, the **2003 State Health Plan** addresses policy statements, criteria and standards which an applicant is required to meet before receiving CON authority for construction/renovation/relocation and expansion projects.

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

The need criterion contained in the **2003 State Health Plan** states that an “applicant shall document the need for the proposed project.” “Documentation may consist of, but is not limited to, citing of licensure or regulatory code deficiencies, institutional long-term plans (duly adopted by the governing board), recommendations made by consulting firms, and deficiencies cited by accreditation agencies (JCAHCO, CAP, etc).”

NMMC indicates that the five level north parking garage, constructed in 1977 and expanded in 1992, provides parking for most NMMC employees as well as dedicated parking for physicians and board members. The demand for employee parking grows each year and currently exceeds the number of designated employee parking spaces by at least 20 percent. Consequently, employee encroachment into parking areas designated for visitor or patient use is inevitable and results in significant customer complaints. Shift change, which requires overlapping employee parking demand, further aggravates the parking shortage, resulting in employee dissatisfaction and tardiness. The applicant asserts that separation of employee and patient/visitor parking, being the best policy, requires additional parking spaces. The convenient location and accessibility of the current north parking garage supports expansion rather than development of an additional parking site.

According to NMMC, the 65,000 square feet west bedtower was constructed over a nine year period (1967-1976) with significant renovation performed in the late 1980's. In spite of its marginal size and appearance, the west bedtower is heavily used as one of the two primary bedtowers at NMMC. Continued long term use of the west bedtower, however, will not meet patient, physician or staff expectations. Deficiencies such as the lack of patient room bathing facilities, small bedroom size, insufficient support space, out of date fixtures and windows, along with air quality issues, ADA accessibility problems and lack of automatic fire sprinkler coverage support major renovation or replacement. The applicant believes that the location of the west bedtower in relation to main unit clinical and support services is satisfactory and worth preserving. Expansion of the bedtower, therefore, is preferred over replacement. The scope of work needed will be massive, resulting in little recognition of current features.

NMMC asserts that the proposed project seeks to achieve facility improvements to virtually all aspects of the existing 162-bed west bedtower and the addition of 395 employee parking spaces. Expansion and renovation of the following areas comprise the scope of the project:

- ~ Patient Bedrooms
- ~ Patient toilet/shower rooms
- ~ Nurse Station
- ~ Support Areas
- ~ Public Waiting

### **SHP Criterion 3 - Charity/Indigent Care**

The applicant asserts that NMMC will continue to provide a reasonable amount of charity and indigent care to its patients. NMMC, as a not-for-profit community hospital, provides patient care without regard for the patient's ability to pay.

#### **SHP Criterion 4 - Project Cost**

North Mississippi Medical Center submits that the cost of the proposed project's new construction will be \$232 per square foot. **Means Building Construction Cost Data 2003** shows the median range per square foot cost of new construction to be \$159 and the high range to be \$241 per square foot. Staff has calculated the cost per square foot for new construction to be \$150.27.

According to the applicant, the cost of equipment for the proposed project is not to exceed the median costs for equipment of similar quality in other NMMC projects.

#### **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 application is in substantial compliance with general review criteria.

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

According to the applicant, three alternatives to expansion renovation of the NMMC west bedtower were considered:

1. Make no changes to the existing west bedtower. Rejected due to urgent need for improvements to meet the clinical and environmental needs and expectations of NMMC patients.
2. Expand the south bedtower to meet the needs of patients treated in the current west bedtower. Convert the vacated west bedtower to administrative services or demolish. Rejected due to interference with current services, code issues involving structures over 75 feet in height and inefficiencies caused by a nine-story bedtower. (Assumes a three-floor expansion of the south bedtower).
3. Construct a new bedtower to replace the west bedtower. Rejected due to insufficient and appropriately located land on which to build a new bedtower.

The applicant asserts that four alternatives to a five-level horizontal expansion of the existing NMMC north parking garage were considered as follows:

1. Construct a two story, 300 space vertical expansion to the existing north parking garage. Rejected due to insufficient existing garage structure to support a two level vertical expansion.
2. Construct a free-standing, 300 space, new parking structure. Rejected due to limited site options and convenience benefit of expanding the existing employee parking structure.

3. Construct remote surface parking lot and shuttle employees to the main unit. Rejected due to staff inconveniences and long term operational challenges.
4. Make no parking additions at the main unit. Rejected due to urgent need for additional employee parking.

**GR Criterion 4 - Economic Viability**

The applicant forecasted a loss of \$378,434; \$1,786,924; and \$1,806,850 the first, second, and third year of operation, respectively.

According to NMMC's, Financial Analyst, the administration believes that there would be sufficient funds to meet NMMC's operating expenses and other financial requirements during the projection periods.

**GR Criterion 5 - Need**

According to NMMC, justification for the proposed project centers on the following issues:

- ~ Increased volume of service
- ~ Future outlook for inpatient services demand
- ~ Patient expectations
- ~ Service delivery changes and the need for increased efficiency
- ~ Need for adequate parking for employees, patients and visitors

NMMC's asserts that its main unit (the site of the proposed expansion and renovation) will continue, for many years, to be the premier health care provider in north Mississippi. As such, provision of services and facilities must be adequate to meet and exceed patient and customer expectations. The west bedtower portion of the main unit and employee parking do not meet expectations. Improvements as referenced in this proposed project must be pursued.

The applicant believes that the long range construction/capital expenditure plan for NMMC has identified expansion of the west bedtower and the addition of employee parking as being needed improvements essential to the long term success of NMMC.

The applicant asserts that the final objective of the proposed project is to provide adequate facilities for existing and expanding clinical services to meet the health care needs of the residents living in the NMMC service area and to provide adequate employee parking to meet demand.

The applicant believes that failure to proceed with this proposed project will prove detrimental to the growth of clinical services essential to the health care needs of area residents and will create huge employee inconvenience.

The application contained thirteen (13) letters of support/comments for the project.

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

According to the applicant, NMMC serves all of the population, including: low income, racial and ethnic minorities, women, and handicapped persons. NMMC is located proximal to these groups of people, and they are familiar with its facilities. NMMC provides health care services to any individual who comes to it in need of services regardless of age, creed, sex, race or ability to pay.

According to the applicant, the percentage of gross patient revenue (GPR) and actual dollar amount of health care provided to medically indigent patients for the last three years are as follows:

	Sept . 30	GPR	Charity	%
Actual	2000	\$569,503,574	\$16,577,757	2.9
	2001	\$622,301,107	\$18,827,917	3.0
	2002	\$660,295,899	\$20,828,785	3.2
Projected	2003	\$729,576,845	\$25,535,190	3.5

**GR Criterion 7 - Information Requirement**

The applicant indicates that it will record and maintain the requested information and make it available to the Mississippi State Department of Health within 15 days of request.

**GR Criterion 8 - Relationship to Existing Health Care System**

North Mississippi Medical Center is located in General Hospital Service Area 1 (GHSA), which contains 2,566 licensed acute care beds in the service area. This application does not propose new services in General Hospital Service Area 1.

Because no new services will be offered as a result of this project, staff concludes that this project should have no adverse affect on other providers in the referenced service area.

**GR Criterion 9 - Availability of Resources**

The applicant projects 13 additional FTE personnel for this proposed project. The applicant asserts that the additional staff will be hired upon completion of the project, which will be constructed in at least four major phases over a 30 month period. Consequently, the first year of the project, while yielding usable building space, does not reflect or incur additional staff expenses. Additional staff expenses will occur beginning in the third year of operation for the proposed project.



**GR Criterion 10 - Relationship to Ancillary or Support Services**

The applicant states that NMMC provides a full range of ancillary and support services on the NMMC campus. These services are appropriately organized and made available to all clinical service functions.

**GR Criterion 16 - Quality of Care**

North Mississippi 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

Construction - New*	\$ 17,600,000
Fixed Equipment	\$ 4,080,000
Furnishings, Minor Equipment	\$ 200,000
Fees (Architectural, Consultant, etc.)	\$ 1,676,000
Contingency Reserve	\$ 2,680,000
<b>Renovation</b>	<b>\$ 10,000,000</b>
<b>Total Capital Expenditure</b>	<b>\$ 36,236,000</b>

\*According to the applicant, new construction cost includes \$4.6 million for parking garage expansion and \$13 million for west bedtower expansion. Additionally, the land and site preparation are included in the project's construction cost.

The above estimated capital expenditure is proposed for construction, renovation, relocation and expansion of the west bedtower and north parking garage at NMMC. The proposed project will add approximately 165,150 square feet of new space at an estimated cost of \$232 per square foot and 65,000 square feet of renovated space at a cost of \$172.77 per square foot. **Means Building Construction Cost Data 2003** shows the high range per square foot cost of new construction to be \$241. The proposal also includes the purchase of fixed equipment, furnishings, and minor equipment.

B. Method of Financing

The applicant proposes to finance the proposed capital expenditure with proceeds from revenue bonds with the Mississippi Hospital Equipment and Facilities Authority of \$36,236,000. The application contains an excerpt from minutes of the Property & Construction Oversight Committee of NMMC Health Services, Inc. endorsing the capital expenditure for the proposed project.

The applicant provided a financial feasibility study documenting NMMC's ability to fund the project.

C. Effect on Operating Cost

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

Item	First Year	Second Year	Third Year
*Salaries & Wages	\$ -0-	\$ -0-	\$ 288,070
*Benefits	\$ -0-	\$ -0-	\$ 97,944
Supplies	\$ -0-	\$ -0-	\$ 96,374
<b>General Services</b>	<b>\$ 10,364</b>	<b>\$225,674</b>	<b>\$ 245,024</b>
<b>Administrative Services</b>	<b>\$ 5,758</b>	<b>\$ 8,505</b>	<b>\$ 47,013</b>
<b>Depreciation &amp; Amortization</b>	<b>\$218,240</b>	<b>\$941,573</b>	<b>\$1,721,573</b>
<b>Interest</b>	<b>\$144,072</b>	<b>\$611,172</b>	<b>\$ 978,372</b>
Bad Debt	\$ -0-	\$ -0-	\$ 141,675
<b>Total Operating Expenses</b>	<b>\$378,434</b>	<b>\$1,786,924</b>	<b>\$3,616,045</b>

\*According to NMMC, the additional staff will be hired upon completion of the project, which will be constructed in at least four major phases over a 30-month period. Consequently, the first year of the proposed project, while yielding usable building space, does not reflect or incur additional staff expenses. The additional staff expenses will occur beginning in the third year of operation for the project.

**Revenue**

Total Pt. Rev.	\$ -0-	\$ -0-	\$ 2,833,509
Deductions	\$ -0-	\$ -0-	\$(1,024,314)
Net Pt. Rev.	\$ -0-	\$ -0-	\$ 1,809,195
<b>Net Income (Loss)</b>	<b>\$(378,434)</b>	<b>\$(1,786,924)</b>	<b>\$(1,806,850)</b>

D. Cost to Medicaid/Medicare

The impact of the project on third party payors is as follows:

<b>Patient Mix</b>	<b>Utilization Percentage</b>	<b>First Year Cost</b>
Medicare	54.0	\$ 204,354
Medicaid	11.7	\$ 44,277
Other Payors*	34.3	\$ 129,803
<b>Total</b>	<b>100</b>	<b>\$ 378,434</b>

\*The applicant projects 3 percent of gross patient revenues to be provided to charity/medical indigent, and 5 percent to bad debt patients for the first years of operation.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid estimates that the increased annual cost to the Medicaid program for the capital expenditure will be \$44.309 for inpatient hospital services.

**VI. CONCLUSION AND RECOMMENDATION**

The project is in substantial compliance with the criteria and standards for construction, renovation, relocation and expansion as contained in the **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.

The Division of Health Planning and Resource Development recommends approval of this application submitted by North Mississippi Medical Center.