

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
AUGUST 2008**

CON REVIEW: HG-FE 0608-019

ST. DOMINIC-JACKSON MEMORIAL HOSPITAL, INC.

ACQUISITION AND INSTALLATION OF FACILITY GENERATORS

CAPITAL EXPENDITURE: \$3,596,109

LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

St. Dominic-Jackson Memorial Hospital (St. Dominic) is a 535-bed short term, acute care, general referral hospital governed by an 18-member Board of Directors. It is licensed to operate 417 medical/surgical beds, 35 adult chemical dependency beds and 83 adult psychiatric beds. St. Dominic, a not-for-profit Mississippi corporation, is accredited by the Joint Commission on the Accreditation of Healthcare Organizations and licensed by the Mississippi State Department of Health (MSDH).

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for St. Dominic are as follows for the past three years:

**St. Dominic-Jackson Memorial Hospital
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2005	58.80	4.47	12.70
2006	57.14	4.48	13.60
2007	65.48	4.54	16.72

Source: Division of Health Facilities Licensure and Certification,
MSDH

B. Project Description

St. Dominic-Jackson Memorial Hospital is requesting Certificate of Need (CON) authority to acquire and install two new 2800 KW diesel generators, a 13.8kV switchgear, and a new primary automatic transfer switch to supplement the power capacity of the hospital's current generators. The hospital's current generators only provide power to the hospital's critical life functions. The additional generators and related switches will provide enough power to provide electricity to the entire hospital in the event of loss of power due to a catastrophic event such as the one experienced in 2005 due to Hurricane Katrina. In addition, the additional generators

will provide the hospital with a more reliable power source and will not affect the hospital's existing emergency electrical system. St. Dominic consulted with The Power Source, PLLC and Entergy to ensure the requested generators and related items were sufficient to power the entire hospital in the event of a power outage.

St. Dominic expects that the proposed generators will provide enough electricity to fully light the hospital during an emergency and permit physicians to perform necessary diagnostic examinations to treat their patients during a power outage. The proposed switchgear will provide automatic electrical switching in the event of poor power quality from the local utility company or when power from the local utility company is restored.

No additional personnel are required by this project. The Division of Health Facilities Licensure and Certification has approved the site for the generators; and the applicant proposes to obligate the capital expenditure within 30 days of CON approval and the project is expected to be completed by May 2009.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the acquisition and installation of facility generators involving a capital expenditure in excess of \$2,000,000, under the applicable statutory requirements of Section 41-7-173, 41-7-191 (1) (j), 41-7-193, and 41-7-195, Mississippi Code of 1972, 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, 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 on September 4, 2008.

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

A. State Health Plan (SHP)

The *FY 2007 State Health Plan* does not contain criteria and standards for the acquisition and installation of facility generators as proposed by this project. However, the project is in substantial compliance with the overall objectives of the Plan.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised February 23, 2008*, addresses general criteria by which all CON applications are reviewed.

GR Criterion 1 – Consistency with the State Health Plan

The project is consistent with the goals contained in the *FY2007 State Health Plan*.

GR Criterion 2 - Long Range Plan

The applicant states that after Hurricane Katrina, St. Dominic evaluated its overall response to the natural disaster. The hospital's current generators only provided power to the hospital's most critical life support functions. The power failure resulting from the hurricane left areas of the hospital, such as the pharmacy, dimly lit and without the support of certain equipment used to ensure efficient delivery of patient care and services. The current generators also did not provide a sufficient amount of electricity to power much of the diagnostic equipment needed by the hospital's physicians. Based upon these concerns and others, St. Dominic determined it was necessary to purchase and install the proposed generators to continue to provide its patients with a high level of patient care during an unforeseen catastrophic event as the one experienced during Hurricane Katrina.

GR Criterion 3 – Availability of Alternatives

St. Dominic states that it considered and rejected at least two alternatives to purchasing the new generators.

- Maintain the status quo, i.e., doing nothing to address concerns arising from a natural disaster similar to Hurricane Katrina. This alternative was rejected for obvious reasons as it ignores the concerns raised as a result of the power outage due to Hurricane Katrina.
- Renting generators. This alternative was rejected since it would be difficult for St. Dominic to be able to rent generators of the size needed to remain fully operational. Furthermore, it may be difficult for a generator to be delivered to the hospital during and after a natural disaster or some other unforeseen catastrophic event.

The applicant submits that installing the proposed generators will permit St. Dominic to offer its full range of services during a catastrophic event. The applicant states that any loss of power, even for a few minutes, could result in the death of a patient dependant on a ventilator or heart monitor.

GR Criterion 4 - Economic Viability

The proposed project is non-revenue producing; therefore, based on the three-year projected operating statement contained in the application, the proposed generators will cost the hospital \$395,179 per year for the first three years. The applicant states that St. Dominic received money from the federal government to assist with the increased wages experienced after the hurricane. The applicant intends to use the money received from the federal government to fund the proposed project.

The application contained a letter signed by the hospital's vice president of finance attesting to the financial feasibility of the project.

GR Criterion 5 - Need for the Project

The applicant based the need for the project on an evaluation of its overall response to Hurricane Katrina. The applicant states that its current generators only provided power to the hospital's most critical life support functions. The power failure resulting from the hurricane left areas of the hospital without the support of certain equipment used to ensure efficient delivery of patient care and services. The proposed generators will allow St. Dominic Hospital to remain fully operational in the event of a power outage.

The application contains seven letters of support for the project from physicians and Hinds County Emergency Management.

GR Criterion 6 - Access to the Facility or Service

- a. **Medically Underserved Population:** St. Dominic submits that it will treat all medically indigent patients who seek or present for service at the facility.
- b. **Performance in Meeting Federal Obligations:** The applicant submits that St. Dominic has no obligations under any federal regulations requiring uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs Served by Applicant:** St. Dominic is a Medicare and Medicaid provider. The applicant reports that 1.9% in 2006 and 2.2% in 2007 of its gross patient charges resulted in uncompensated care. The applicant further projects that 2.2% of its services will be utilized by medically indigent patients the first and second years following completion of this project.

GR Criterion 7 - Information Requirement

St. Dominic affirmed that it will record and maintain the information required by this criterion and 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

St. Dominic submits that the target population does not currently have access to the full range of hospital services during an unforeseen catastrophic event. The proposed generators will allow St. Dominic Hospital to remain fully operational in the event of a power outage.

St. Dominic does not anticipate that the approval of this application will have an adverse impact on other providers in GHSA 3.

GR Criterion 9 - Availability of Resources

As previously mentioned, St. Dominic does not anticipate the need for additional personnel to operate and maintain the proposed generators

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant states that St. Dominic currently offers all necessary ancillary services. The proposed project will have no effect on the hospital's offering of the necessary support and ancillary services, other than to remain fully operational during an interruption of electrical power.

GR Criterion 16 - Quality of Care

St. Dominic-Jackson Memorial Hospital is in compliance with the *Minimum Standards for the Operation of Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification, MSDH. The facility is accredited by the Joint Commission on Accreditation of Health Care Organizations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

Cost Item	Projected Cost	Percent
Construction - New		
Fixed Equipment	\$2,915,214	81%
Non-Fixed Equipment		
Land Cost		
Site Preparation		
Fees (Architectural, Consultant, etc.)	211,837	6%
Contingency Reserve	469,058	13%
Total Proposed Capital Expenditure	\$3,596,109	100%

The above capital expenditure is proposed for the acquisition and installation of two facility generators.

B. Method of Financing

St. Dominic proposes to finance the capital expenditure through cash reserves. The financial statements contained in the application indicate that sufficient funds are available for the project. In addition, St. Dominic received funds from the federal government to assist with expenses after Hurricane Katrina. The applicant states that these funds will be used for this project.

C. Effect on Operating Cost

The Three-Year Projected Operating Statement is presented in Attachment 1 of this staff analysis.

D. Cost to Medicaid/Medicare

Because this project is a non-revenue producing project, the cost to third party payers will be negligible.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. The Division of Medicaid takes no position on this project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the overall contained in the *FY 2007 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised February 23, 2008*; and duly 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 St. Dominic-Jackson Memorial Hospital for the acquisition and installation of two facility generators.

Attachment 1

**St. Dominic-Jackson Memorial Hospital
 Acquisition and Installation of Facility Generators
 Three-Year Projected Income Statement
 Project Only**

Revenue	Year 1	Year 2	Year 3
Gross Inpatient Revenue:			
Outpatient Care Revenue			
Gross Patient Care Revenue			
Deductions From Revenue			
Charity Care			
Other			
Total Deductions from Revenue			
Net Patient Care Revenue			
Other Operating Revenue			
Total Operating Revenue			
Operating Expense			
Salaries	\$ 0	\$ 0	\$ 0
Benefits	0	0	0
Supplies	0	0	0
Services	12,000	12,000	12,000
Lease	0	0	0
Depreciation	359,611	359,611	359,611
Interest	0	0	0
Other	<u>23,568</u>	<u>23,568</u>	<u>23,568</u>
Total Operating Expense	\$ 395,179	\$ 395,179	\$ 395,179
Net Operating Income (Loss)	\$(395,179)	\$(395,179)	\$(395,179)

St. Dominic projects total operating revenues of \$337,593,670 the first year, \$354,473,352 the second year, and \$372,197,021 the third year, which are sufficient to cover the losses projected by this project.