

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
OCTOBER 2010**

**CON REVIEW: HP-A-0710-028
DIAMOND GROVE CENTER, LLC D/B/A DIAMOND GROVE CENTER, LOUISVILLE &
BRENTWOOD ACQUISITION, INC. D/B/A BRENTWOOD BEHAVIORAL HEALTHCARE
AMENDMENT TO CON #R-0759
(ADDITION OF 20 CHILD/ADOLESCENT ACUTE PSYCHIATRIC BEDS)
TRANSFER/RELOCATION OF 15 CHILD/ADOLESCENT PSYCHIATRIC BEDS
APPROVED CAPITAL EXPENDITURE: \$4,500,000
LOCATION: FLOWOOD, RANKIN COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Diamond Grove Center, LLC d/b/a Diamond Grove Center (DGC), is a freestanding, 50-bed acute psychiatric hospital and psychiatric residential treatment facility (PRTF) that is a wholly owned subsidiary of Psychiatric Solutions, Incorporated (PSI). The facility is located in Louisville, Winston County, Mississippi, and is a Delaware Limited Liability Company. The facility is licensed by the Mississippi State Department of Health, certified to participate in the Medicaid program, and is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

Brentwood Acquisition, Inc. d/b/a Brentwood Behavioral Healthcare ("Brentwood"), is a private, for-profit, freestanding behavioral healthcare facility located in Flowood, Rankin County, Mississippi. Brentwood Acquisition, Inc. is a Tennessee business corporation authorized to do business in the state of Mississippi and is currently licensed for 107 acute psychiatric beds, specializing in psychiatric and dual diagnosis services for adults, children, and adolescents. The facility is an affiliate of Psychiatric Solutions, Inc., based in Franklin, Tennessee, and is accredited by the Joint Commission for the Accreditation of Health Care Organizations. On February 23, 2010, Brentwood received a Certificate from the Secretary of State's Office indicating the facility is in good standing with the State of Mississippi. The facility is governed by seven officers and directors and licensed by the Mississippi State Department of Health (MSDH).

Psychiatric Solutions, Inc. ("PSI") owns both DGC and Brentwood.

B. Project Background

Diamond Grove Center obtained Certificate of Need # R-0759, effective March 27, 2008, with an expiration date of March 27, 2009, for the addition of 20 child/adolescent acute psychiatric beds.

The certificate authorized DGC to complete the following:

- Renovate 6,000 square feet of space located between the administration/dining unit (75% of the area for classroom space and the other 25% for the enlargement of dining room space)
- Construct a new 15,000 square foot, single story, freestanding child/adolescent acute psychiatric building next to the academic/recreational unit to house the additional 20 child/adolescent beds.
- Installation/Connection of new and existing drainage and ground work, electrical services, and HVAC systems for patient rooms and public areas.
- The original project also required additional landscaping.

DGC estimated the total capital expenditure for the proposed project was a total of \$4,500,000 and entailed constructing approximately 15,000 square feet of space and renovating 6,000 square feet of space at a cost of \$221.71 and \$162.38 per square foot. The applicant estimates that the total cost for fixed equipment will be \$320,000; however, DGC does not have any costs associated with non-fixed equipment.

C. Project Description

DGC now requests Certificate of Need authority for an amendment to its CON # R-0759, that would permit the transfer/relocation of 15 child/adolescent beds from DGC to Brentwood.

The applicant states that at the time DGC received CON authority to add 20 additional non-Medicaid acute child/adolescent psychiatric beds, there was a demand at its facility for these beds. The applicant further states that since that time, the number of child/adolescent psychiatric patients with a payor source other than Medicaid has dwindled. DGC was able to license and operate five (5) of these non-Medicaid beds in existing space, but was unable to justify the expenditure of \$4.5 million necessary to put into place the fifteen (15) other beds with the decrease in non-Medicaid patients.

The applicant asserts that despite the number of non-Medicaid patients dwindling at DGC's facility, its sister facility (Brentwood) is located in the Jackson metro area which has a wider variety of payor sources and a demand for acute child/adolescent psychiatric beds.

Brentwood already provides child/adolescent psychiatric services at its Flowood location (See Attachment 2 for Occupancy Rates). The applicant states that upon approval of the proposed amendment and the approval of licensure to operate the 15 transferred beds, Brentwood will lose 22 adult psychiatric beds to make room for the 15 child/adolescent beds being transferred from Diamond Grove. With this change, Brentwood will be licensed for 31 adult psychiatric beds at its facility and 74 child/adolescent beds at its facility, for a total of 105 beds. Brentwood will retain authority for 25 additional adult psychiatric beds that are currently leased to Tri-Lakes Medical Center in Batesville, for a total authorized bed count of 130 beds. This amendment project does not change the scope of the original project.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-191, subparagraphs (1) (b), (c), and 4(a)(i), and Section 41-7-195, 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, 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 November 17, 2010.

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

A. State Health Plan (SHP)

The original application was found to be in substantial compliance with the *FY 2007 State Health Plan*, in effect at the time of submission. However, CON No. R-0759 was approved specifically for the Diamond Grove site. Therefore, the Department reviewed the Brentwood site for compliance with the criteria and standards contained in the Plan. According to the updated statistics in the *FY 2011 State Health Plan*, Brentwood child/adolescent program had an occupancy rate of 107.03. Therefore, this amendment project continues to be in substantial compliance with the *State Health Plan*.

General Criteria and Standards for Psychiatric, Chemical Dependency and Psychiatric Residential Treatment Facilities

SHP General Criterion 1 – Need

Brentwood Behavioral Healthcare is an existing provider of psychiatric services and is requesting the addition/relocation of 15 adolescent psychiatric beds.

The *State Health Plan* indicates that the state as a whole needs 249 child/adolescent acute psychiatric beds. The Plan further indicates that there are currently 251 licensed child/adolescent psychiatric beds. The 2010 projected bed need is based on .55 beds per 1,000 population aged 7 to 17. Utilizing this methodology, the *Plan* indicates that the state has an excess of 2 adolescent psychiatric beds.

The applicant states that the beds which Brentwood and DGC seek to relocate are already included in the *FY 2010 State Health Plan's* bed calculation. The applicant further states that the proposed project does not seek to create new child/adolescent psychiatric beds but to relocate already approved beds.

The *State Health Plan* states that notwithstanding the service specific statewide statistical bed need requirement, the Department may only 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.

Based on the Brentwood Behavioral Healthcare facility's occupancy rate of 106.73% for the past 12 month licensure reporting period, the applicant meets the need criterion for the addition of beds. However, Section 41-7-191- (4)(a)(i) prohibits the addition of child/adolescent psychiatric beds, except that the facility agrees in writing that it will not participate in the Medicaid program. The applicant provided a written agreement stating that DGC and Brentwood's proposed project will not participate in the Medicaid program.

SHP General Criterion 2 – Information Requirement

The applicant affirms that it will record and maintain information required by this criterion and make it available to the Department within 15 days of such request.

SHP General Criteria 3 – Memorandums of Understanding

The applicant states that that as an existing provider of child/adolescent psychiatric services, Brentwood Behavioral Healthcare already has such arrangements in place. However, the application contained a memorandum of understanding between Brentwood and Region 8 Mental Health Center.

SHP General Criteria 4 – Letters of Comment

The application contained signed letters of support from the Executive Directors of Region 8 and Region 9 Mental Health Center.

SHP General Criterion 5 – Policy of Exclusion

The applicant affirms that within the scope of its available services, neither the facility nor its participating staff will have policy or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

Service Specific (SS) Criteria and Standards for Acute Psychiatric Beds for Children and Adolescents

SHP SS Criterion 1 – Need

The *FY 2010 State Health Plan* indicates that by using the formula of .55 beds per 1,000 population aged 7 to 17 to calculate need for adolescent psychiatric beds, the state is over bedded by 2 adolescent psychiatric beds.

The applicant states that the beds which Brentwood and DGC seek to relocate are already included in the *FY 2010 State Health Plan's* bed calculation. The applicant further states that the proposed project does not seek to create new child/adolescent psychiatric beds but to relocate already approved beds.

SHP SS Criterion 2 – Facility Size

Brentwood is a psychiatric hospital that treats children/adolescents and adults. The applicant proposes to add 15 adolescent acute psychiatric beds to its existing behavioral health program. The applicant states that Brentwood's facility is organized so that no unit is larger than 60 beds; furthermore, the applicant specifies that the units are much smaller. The applicant affirms that the child and adolescent patients are located in separate wings of the facility which house no more than 23 beds in which male and female adolescents are separated.

SHP SS Criterion 3 – Staffing

The applicant states that Brentwood is an existing, licensed provider that meets the staffing and treatment requirements. Brentwood has sufficient staff in place to accommodate the addition of the 15 proposed child/adolescent psychiatric beds. The applicant affirms that Brentwood currently has 181 FTEs including 3 dietitians, 2 teachers, 1 teacher’s aide, 9 social workers, 3 psychologists and 15 psychiatrists on staff.

SHP SS Criterion 4 – Separation of Children and Adolescents

The applicant affirms that the child and adolescent patients are located in separate wings of the facility which house no more than 23 beds, in which male and female adolescents are separated. The applicant states that on Brentwood’s 13 acre campus there are separate gyms, classrooms, cafeterias, and pools for adults and children/adolescents and children have a different time than adolescents for facility usage.

B. General Review (GR) Criteria

The original project was in substantial compliance with the *Certificate of Need Review Manual, 2007 revision*, in effect at the time of submission. This application continues to be in compliance with applicable general review criteria and standards contained in the *Manual*.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost	\$1,620,000	0	(1,620,000)
2. Construction/Renovation	600,000	0	(600,000)
3. Land	-	0	-
4. Site Work	450,000	0	(450,000)
5. Fixed Equipment	320,000	0	(320,000)
6. Non-Fixed Equipment	-	-	-
7. Contingency	600,000	0	(600,000)
8. Fees (Architectural, Consultant, etc)	540,000	\$20,776.34	(519,223.66)
9. Capitalized Interest	170,000	0	(170,000)
10. Capital Improvement	200,000	0	(200,000)
Total Capital Expenditure	\$4,500,000	\$20,776.34	(\$4,479,223.66)

Total capital expenditure for the project has decreased due to no new construction/renovation being required at Brentwood for these beds. The original CON application contemplated a \$4,500,000 capital expenditure for the project, whereas

\$20,776.34 has been expended. Five (5) of the twenty (20) beds have been approved by Licensure and are currently operational at Diamond Grove. Therefore, twenty-five percent (25%) of the project has been completed. The applicant states that, if the relocation of these beds is approved, there will be no additional capital expenditure for this project since Brentwood has available space at its facility to house the beds in the proposed project.

B. Method of Financing

The project does not require any financing since the applicant has already financed the proposed project under CON #R-0759.

C. Effect on Operating Cost

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

D. Cost to Medicaid/Medicare

The applicant states that with these beds being non-Medicaid and approved only for child/adolescent services, there should be no effect whatsoever on Medicaid or Medicare patients.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application; however, no written comments were received from the Division.

VI. CONCLUSION AND RECOMMENDATION

The original application was found to be in substantial compliance with criteria and standards for the addition of child/adolescent acute psychiatric beds found in the *FY 2007 Mississippi State Health Plan; Certificate of Need Review Manual*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of submission. This project continues to be in compliance with the *State Health Plan* and the *Certificate of Need Review Manual*.

The *State Health Plan* requires that the applicant document that the facility has maintained at least an occupancy rate of 70 percent for the most recent two (2) years or 80 percent for the most recent 12-month licensure reporting period.

Although the Diamond Grove Center and Brentwood Behavioral Healthcare may have failed to meet the statistical need for child/adolescent acute psychiatric beds in the state as a whole, occupancy rates from the applicants show that the applicant maintained at least an occupancy rate of 80 percent for the most recent 12-month licensure reporting period. In addition, Brentwood Behavioral Healthcare has agreed in writing that it will not seek Medicaid reimbursement or admit or keep any patients who are participating in the Medicaid program, for the 15-bed unit sought by the proposed project.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Diamond Grove Center, LLC d/b/a Diamond Grove Center for an amendment of CON # R-0759 to permit the transfer/relocation of 15 child/adolescent psychiatric beds to Brentwood, with the condition that these beds shall not participate in the Medicaid program.

Attachment I

Brentwood Acquisition, Inc. d/b/a Behavioral Healthcare

One-Year Operating Statement

	<u>AMOUNT</u>
Revenue	
Inpatient Care Revenue	\$1,668,897
Outpatient Revenue	\$ 0
Gross Patient Care Revenue	\$1,668,897
Charity Care	\$ 0
Deductions from Revenue	<u>\$ 796,392</u>
Net Patient Revenue	\$ 872,505
Other Operating Revenue	\$ 0
Total Operating Revenue	\$ 872,505
Operating Expense	
Salaries	\$ 157,248
Benefits	\$ 28,680
Supplies	\$ 47,142
Services	\$ 26,355
Lease	\$ 0
Depreciation	\$ 0
Interest	\$ 0
Other	<u>\$ 3,500</u>
Total Operating Expense	\$ 262,925
Net Operating Income (Loss)	\$ 609,580
Inpatient Days	993
Charges per Inpatient Day	\$ 1,681
Cost per Inpatient Day	\$ 265

**ATTACHMENT 2
 Acute Adolescent Psychiatric Bed Utilization**

FY 2008

Facility	County	Licensed/CON/ Abeyance Beds		Inpatient Days	Occupancy Rate(%)	ALOS
Alliance Health Center	Lauderdale	22		14,189	176.22	24.35
Brentwood Behavioral Health Care *	Rankin	59		19,017	88.07	12.56
Diamond Grove Center	Winston	20	20**	7,298	99.70	21.06
Forrest General Hospital	Forrest	16		6,150	105.02	7.46
Memorial Hospital at Gulfport	Harrison	30		5,809	52.91	9.26
Parkwood Behavioral Health System	DeSoto	52		17,388	91.36	10.39
University Hospital & Clinics	Hinds	12		1,555	35.41	7.37
Total Adolescent Psychiatric Beds		211	20**	71,406	92.46	12.47

*Brentwood Behavioral Healthcare-CON approved for 11 beds; however, CON expired November 2007.

**CON Approved

***Beds held in abeyance by the Mississippi State Department of Health

Source: *FY 2010 State Health Plan*