

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
MAY 2014**

**CON REVIEW HG-CFSF-0314-004
FORREST COUNTY GENERAL HOSPITAL D/B/A ASBURY HOSPICE HOUSE
CONSTRUCTION OF HOSPICE FACILITY
CAPITAL EXPENDITURE: \$6,449,306
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Forrest County General Hospital d/b/a Asbury Hospice House (Forrest General) is a 512-bed short term, public, not-for-profit hospital. It is licensed to operate 400 medical/surgical beds, 40 adult psychiatric beds, 24 adult chemical dependency beds, 16 adolescent psychiatric beds, 8 adolescent chemical dependency beds and 24 rehabilitative beds. Forrest General is a public hospital. The hospital is governed by a 7-member Board of Trustees. The hospital is licensed by the Mississippi State Department of Health (MSDH).

Forrest General Hospice (FG Hospice) is licensed by MSDH and is accredited by the Accreditation Commission for Health Care.

B. Project Description

Forrest General requests Certificate of Need (CON) authority to construct a freestanding facility dedicated to hospice care (hospice house). The proposed building will be located at 304 South 40th Avenue, Hattiesburg, Mississippi. The building will consist of approximately 20,000 square feet and is estimated to cost \$6,449,306.

The project is anticipated to be started on August 24, 2014, and to be completed by July 28, 2015. Forrest General proposes to fund the project with donor contributions. The application includes a capital expenditure summary.

The applicant provided a schematic drawing of the hospice house and the contractor verified that it is estimated to cost \$6,449,306.00 to construct the facility. The applicant states that new personnel will be necessary for the proposed project. The application contains a manpower table that estimates 17.0 FTE of personnel including registered nurses and licensed practical nurses.

The hospice house has received site approval from the Mississippi State Department of Health, Division of Health Facilities Licensure and Certification.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for construction, renovation, expansion, or capital expenditure in excess of \$5,000,000 (for non-clinical health services) in accordance with Section 41-7-191, subparagraph (1) (j) Mississippi Code 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 18, 2014.

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

A. State Health Plan (SHP)

The *FY 2014 Mississippi State Health Plan* does not address policy statements, criteria and standards for the construction of a hospice facility. Since the hospital, Forrest General, is making the capital expenditure for the hospice house, the hospital must adhere to CON requirements/law to request CON authority to make the capital expenditure for the construction of the hospice house. The application is in compliance with the CON requirements/law.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 2 - Long Range Plan

The applicant states the purpose of the hospice house is to provide a comfortable homelike environment for patients and their families for hospice care. The hospice house will provide hospice services for patients who require short-term complex care for pain or symptom management; for families who require respite from physical and emotional demands of caring for the hospice patient at home; and for continuous care of patients who can no longer be cared for in their homes.

Forrest General has identified its strategic planning process and community need assessment, a need for inpatient hospice within its service area. The applicant developed an inpatient hospice strategic plan in 2009 and updated it in 2010. In 2012, the applicant hired an outside consultant to conduct a market assessment and develop a financial forecast for operation of an inpatient hospice. Exhibit C to the application contains a hospice market assessment performed by BKD, LLP, in September of 2012. Forrest General proceeded with this application to fill the need for an inpatient hospice in the service area.

GR Criterion 3- Availability of Alternatives

According to the applicant, four alternatives, listed below, were considered with regard to hospice care:

- Inpatient Hospital Beds - this alternative was rejected due to being the most costly option and its limited availability to provide hospice care.
- Skilled Nursing Beds – this alternative was rejected due to the limited availability of beds and would require home hospice providers to supplement nursing home services.
- Private Day Care in Patient Home – this alternative was rejected because the service is not covered by Medicare or other third party payors.

- Hospice House – this alternative was selected due to numerous factors, including but not limited to, that it allows for trained hospice staff to provide needed care under the direction of the patient’s physician in a comfortable homelike and cost effective setting.

The applicant states that it did not identify a more cost effective alternative to the project with discussions with other home hospice providers or with consultation. The applicant asserts that not only is there a present need for inpatient hospice services in the service area, but the need for the service is expected to grow 2.79% annually between 2012 and 2017.

GR Criterion 4 - Economic Viability

According to the applicant, the proposed project is economically viable in that the financial forecast shows a “cash flow breakeven” for the service. The applicant states its analysis concluded that the majority of the patients will be Medicare beneficiaries and factoring in the Medicare allowable rate, will result in the “cash flow breakeven.” The applicant states the capital expenditure is being funded through philanthropic dollars.

GR Criterion 5 - Need for the Project

According to the applicant, an analysis of national trends for the service area show a growing need for hospice service in the area. The hospice market assessment by the applicant’s consultant projects an average daily census of six patients in the first year and increase to 7.5 per day in the second year. The hospice house is designed to add additional beds in a cost effective manner.

The applicant asserts that terminally ill patients can benefit from its provision of inpatient hospice service. While the majority of patients are covered by Medicare, the hospice house will have a policy to accept patients with physician referral regardless of ability to pay. Its financial forecasts include charity care provisions.

The applicant states that no other facility exists in the service area and that it has identified this need in its service area.

The application includes fifteen letters of support for the proposed project.

The Department received no letters of opposition concerning the proposed project.

GR Criterion 6 –Accessibility

The applicant submits that the percentage of gross patient revenue (GPR); actual and projected dollar amount of health care provided to medically indigent and charity care patients for the last two years; and projections for the next two years of operation are as follows for Forrest General:

Gross Patient Revenue Amount

Year	Medically Indigent (\$)	Medically Indigent (\$)
Historical Year 2012	\$78,474,000	\$82,784,962
Historical Year 2013	\$95,513,000	\$30,836,268
Projected Year 1	\$99,231,909	\$35,833,386
Projected Year 2	\$103,095,618	\$41,640,303

The amounts included in the above chart only include amounts where no repayment was expected and does not include bad debt.

Forrest General states that it makes its services available to all patients in its service area regardless of ability to pay. This includes Medicaid recipients, charity/medically indigent patients, racial and ethnicity minorities, women, handicapped persons and the elderly. Forrest General will treat all medically indigent patients who seek services at the hospital. The applicant has included its current admission policy in the application. The hospice house will operate 24 hours per day, 7 days per week.

There is not currently an inpatient hospice provider in the service area.

GR Criterion 7- Information Requirement

The applicant affirms that Forrest General 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

There are no other inpatient hospice providers in the service area. The applicant proposes that the project enables residents of the service area to be provided hospice services in a cost effective and efficient manner. The applicant suggests that denial of the project will result in unnecessary costs and deprive the residents of the service area access to inpatient hospice services.

Forrest General asserts that there are no transfer/referral or affiliation agreements directly related to this project.

Because there is not a provider of inpatient hospice services in the service area of the proposed hospice house, staff concludes that this project would have no adverse affect on other providers in the referenced service area.

GR Criterion 9 - Availability of Resources

The applicant contends that all hospice services will be fully staffed. The applicant is licensed by MSDH and certified for participation in the Medicare and Medicaid programs.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant is currently licensed to provide hospice services and provides all necessary and ancillary services. The applicant does not anticipate any material changes in costs or charges as a result of this project.

GR Criterion 11- Health Professional Training Programs

The applicant asserts that there will be no effect on health professional training programs as a result of the project.

GR Criterion 12- Access by Health Professional Schools

The applicant asserts that there will be no effect on health professional schools as a result of the project.

GR Criterion 13- Services Outside of Service Area

The Staff does not find or anticipate that the project will have any effect outside the service area.

GR Criterion 14 - Construction Projects

The applicant submitted a capital expenditure of \$6,449,306. The capital expenditure includes the new construction cost, fees, non-fixed equipment, and site preparation and improvement costs (landscaping). The application includes a site approval letter from the Division of Health Facilities Licensure and Certification and contains a schematic drawing of the hospice house.

The application includes a copy of a letter from Phillip Perkins, AIA, Perkins & Williams Architecture, PLLC specifying the estimation of costs for the construction of the hospice house. The building is to be located at 304 South 40th Avenue, Hattiesburg, Mississippi.

GR Criterion 16 - Quality of Care

Forrest County General Hospital d/b/a Asbury Hospice House is in compliance with the *Minimum Standards of Operation for Hospice*, according to the Division of Health Facilities Licensure and Certification, MSDH. The hospice is accredited by the Accreditation Commission for Health Care.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total proposed capital expenditure is allocated as follows:

Cost Item	Projected Cost	% of Total
Construction Cost – New	\$ 3,950,328	61.25%
Construction Cost – Renovation		0.00%
Capital Improvements		0.00%
Total Fixed Equip. Cost		0.00%
Total Non-Fixed Equip. Cost	\$ 1,225,809	19.01%
Land Cost		0.00%
Legal and Accounting Fees	\$ 65,393	1.01%
Site Prep. Cost	\$ 358,620	5.56%
Fees (Architectural, Consultant, etc)	\$ 418,261	6.49%
Contingency Reserve	\$ 430,895	6.68%
Capitalized Interest		0.00%
Other Cost		0.00%
Total Proposed Expenditure	\$ 6,449,306	100.00%

B. Method of Financing

As previously mentioned, Forrest General proposes to fund the project with donor contributions.

C. Effects on Operating Costs

Forrest General shows a net operating income for the first three years of operation of the proposed project. The projected first three years of operation for the hospice house shows a net operating loss of \$334,622, \$318,939, and \$330,433, respectively. Even with the projected losses with the operation of the hospice house, it appears that the operations of the project will have very little effects on the operations of Forrest General.

D. Cost to Medicaid/Medicare

Forrest General projects that 14% of net patient revenue will be payments from Medicaid; 72% from Medicare; and 14% will be from commercial.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided an opportunity to review and comment on this project. As of date of publication of this Staff Analysis no comment was received from the Division

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the overall objectives of the *FY 2014 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised 2011*; 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 Forrest County General Hospital d/b/a Asbury Hospice House to construct an inpatient hospice facility.