

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
AUGUST 2015**

**CON REVIEW HG-R-0615-013
SINGING RIVER HOSPITAL SYSTEM D/B/A SINGING
RIVER HOSPITAL
EXTERIOR HARDENING WINDOW REPLACEMENT
CAPITAL EXPENDITURE: \$14,859,227
LOCATION: PASCAGOULA, JACKSON COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Singing River Hospital System d/b/a Singing River Hospital (SRH) is a short-term, general acute care public hospital located in Pascagoula, Jackson County, Mississippi. SRH is owned by Jackson County and is governed by a nine-member Board of Trustees. The hospital is certified to participate in the Medicare and Medicaid programs and is accredited by the Joint Commission on the Accreditation of Healthcare Organizations and licensed by the Mississippi State Department of Health (MSDH).

Singing River Hospital consists of 435 licensed beds (385 acute, 30 psychiatric, and 20 rehabilitation beds).

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for SRH are as follows:

**Singing River Hospital
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2012	23.41	4.36	15.65
2013	25.43	4.11	28.47
2014	24.57	4.01	27.51

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

B. Project Description

Singing River Health System d/b/a Singing River Hospital requests Certificate of Need (CON) authority to harden the exterior of SRH to withstand higher wind speed and comply with impact standards. The proposed project will include replacing all exterior glass and metal frames of SRH, the Regional Cancer Center and the Heart Center, all of which are located on the hospital's campus at 2809 Denny Avenue in Pascagoula, Mississippi. The applicant asserts that when completed, the building/structures will be able to withstand wind speeds up to the current code requirement of 150 mph. The applicant believes that the proposed project will prevent a partial or full evacuation and shut down of the facility. The project will allow Singing River Hospital to continue its use as a designed critical facility in the city, county and state disaster plans, and in any disaster scenario.

SRH states that it has been approved for federal funding for this project through the Federal Emergency Management Association's Mitigation Grant Program (FEMA).

According to the applicant, the project involves only exterior building work, no construction, renovation, addition of beds or health services are involved regarding the project.

The applicant's final objectives for the proposed project are to meet current code requirements of being able to withstand wind speeds up to 150 mph. SRH believes the project will significantly enhance the ability of the hospital to continue to operate during hurricanes and tropical storms.

According to the applicant, the proposed project does not propose the establishment of new health care services and will not require any additional personnel.

The total proposed capital expenditure is \$14,859,227 (see expenditure summary for complete percentage breakdown of project). The applicant indicates the proposed capital expenditure will be obligated the Fall of 2015, after CON approval and the proposed project will be completed the first quarter of 2017.

The applicant indicates that the proposed capital expenditure will be funded from hospital cash reserves (\$2,000,000) and a FEMA grant (\$12,859,227). The application contained a signed letter from the hospital's senior vice president of finance and treasurer, attesting to the financial feasibility of the project and FEMA's letter approving the grant for the project.

The MSDH Division of Health Facilities Licensure and Certification approved the site for the project on May 4, 2015.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-173, and 41-7-191 1(j) 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, 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 8, 2015.

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

A. State Health Plan (SHP)

The *FY2015 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving CON authority for construction, renovation, expansion and capital improvements. This application is in substantial compliance with the applicable criteria and standards stated in the *Plan* as follows:

SHP Criterion 1 - Need

Projects which do not involve the addition of acute care beds.

In projects that do not involve the addition of acute care beds, the applicant shall document the need for the proposed project. In addition, projects that involve construction, renovation, or expansion of emergency department facilities shall include a statement indicating whether the hospital will participate in the statewide trauma system and describe the level of participation, if any.

The applicant asserts that the project is needed to prepare the hospital's structures for tropical storms and hurricanes that strike land at or near coastal Mississippi. Because during previous events, the failure of portions of the hospital's roof, exterior glass and frames caused the loss of availability of critical sections of SRH. The sections includes patients rooms, diagnostic areas, treatment areas, as well as sections of surgery and the emergency department, which placed the personnel, care givers and patients occupying the referenced spaces at risk. SRH submits that as an acute care hospital, SRH is designated as a critical facility in the city, county, state and federal disaster plans; therefore, to operate at its full capacity is critical to the health and well-being of all residents within its service area.

The applicant believes that the retrofit will reduce the impact on other critical health care facilities in the region by preventing the redirection of trauma and other critical types of patient care to other local health care facilities that may not be able to handle the additional load and prevent the potential redirection of patients and their families out of the area.

SHP Criterion 5 – Charity/Indigent Care

The applicant states that SRH provides and will continue to provide a substantial amount of indigent/charity care. During fiscal year 2013, Singing River Health System furnished \$94 million in charity and uncompensated care. The applicant asserts that charity care and compensated care accounted for \$92 million during fiscal year 2012. In addition, SRH projects indigent/charity care will continue at approximately the same referenced levels for the proposed project.

SHP Criterion 6 – Reasonableness of Cost

The applicant submits that the project only involves exterior building work. The cost of the proposed project is reasonable, based on FEMA's approval of the budget and federal grant for the proposed project.

SHP Criterion 7 – Floor Area and Space Requirements

SRH asserts that the proposed project involves exterior building work only and is not a construction, renovation, or expansion project or a replacement facility. Thus, the proposed project does not pertain to SHP Criterion 7.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2011*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria contained in the manual.

GR Criterion 1- Consistency with the *State Health Plan*

The project is in substantial compliance with all criteria, standards, and policies of the *FY 2015 Mississippi State Health Plan* applicable to the construction, renovation, expansion and capital improvements projects.

GR Criterion 2 – Long Range Plan

The applicant asserts that after the devastation of hurricane Katrina, Singing River Health System's planning process included the evaluation of ways to enhance the System's hurricane preparedness. As part of this planning process, SRH applied for and obtained approval for federal funds through the Federal Emergency Management Association's Hazard Mitigation Grant Program. This grant will enable the hospital to replace all exterior glass and metal frames of its building structures to withstand wind speeds up to the current code requirement of 150 miles per hour. The applicant submits that the proposed project will enhance the ability of SRH to continue to operate during hurricanes, tropical storms and other weather events.

GR Criterion 3 – Availability of Alternatives

The applicant states that the only alternative to the proposed project is to maintain the status quo and forego the federal funding that is available to enhance SRH's exterior structure in order to mitigate the threat of future hurricanes. SRH believes the best interest of the hospital and the community it serves is to implement this important project with the use of federal funds.

The applicant asserts that the project will significantly enhance the ability of SRH to continue to operate during hurricanes and tropical storms, which will benefit the health care system as a whole, as well as the residents of the hospital's service area.

GR Criterion 4 - Economic Viability

The applicant provided a three-year projected operating statement and it indicates that the total operating revenue over a projected three year period will be in the range of the same amount of \$340,612,731. In addition, the statement reflects net incomes for the first and second year will be a deficit of \$(11,497,804) and \$(1,624,356); however, it will have a net income of \$5,155,412 for the third year of operation.

The application contained a signed letter from the hospital's chief financial officer, attesting to the financial feasibility of the project.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** SRH asserts that it provides health services to all residents of the service area, regardless of ability to pay. The hospital will remain fully accessible to medically underserved groups.
- b. **Relocation of Services:** The project does not propose the relocation of services outside the existing facility. The proposed project only involves exterior building work on the campus at SRH.

- c. **Community Reaction:** The application contains four letters of support from the City of Moss Point, Jackson County Board of Supervisors, and the City of Pascagoula. The endorsement letters express how the proposed project will improve the exterior structure of SRH, which will safeguard against future hurricanes and storms.

GR Criterion 6 - Access to the Facility or Service

According to the applicant, SRH is accessible to all residents of the service area, regardless of financial status, payor, or ability to pay. The percentage of the medically underserved population currently utilizing SRH corresponds to the percentage of the medically underserved population in the service area as a whole.

As previously mentioned, the applicant submits that during fiscal year 2013, Singing River Health System furnished \$94 million in charity care and charity care accounted for \$92 million during fiscal year 2012. SRH projects indigent/charity care to continue at approximately the same levels.

GR Criterion 7 - Information Requirement

Singing River Health System d/b/a Singing River Hospital affirms 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

According to the applicant, the proposed project does not involve health or clinical services. SRH states that if this project is not implemented the hospital will lose the benefits that are available through the FEMA grant. These benefits include the following: (1) Strengthening the facilities to meet code-required wind and impact standards, (2) Enabling the hospital to continue to operate and serve patients and the public at full capacity during hurricanes and extreme weather conditions and (3) Enhancing the hospital's ability to provide first-responder, trauma, emergency and other forms of critical health care during and following a national disaster.

Because no new services will be offered as a result of this project, staff concludes that this project would have no adverse affect on other providers in General Hospital Services Area 9.

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

GR Criterion 9 - Availability of Resources

The applicant contends that no additional staff is needed for the proposed project.

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant states that the project will not require any additional support or ancillary services.

GR Criterion 14 - Construction Projects

This project does not require new construction. The proposed project involves exterior building work only.

GR Criterion 16 - Quality of Care

Singing River 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 certified for participation in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

	Item	Cost (\$)	Percent (%) of Total
a.	Construction Cost -- New	0	0
b.	Renovation Cost	0	0
c.	Capital Improvements	\$12,868,420	86.60
d.	Total Fixed Equipment Cost	0	0
e.	Total Non-Fixed Equipment Cost	46,180	0.31
f.	Land Cost	0	0
g.	Site Preparation and/or Improvement Cost	1,385,400	9.32
h.	Fees (Architectural, Consultant, etc.)	559,227	3.77
i.	Contingency Reserve	0	0
j.	Capitalized Interest	0	0
k.	Other Cost	0	0
	Total Proposed Capital Expenditure	\$14,859,227	100.00

Method of Financing

The applicant indicates that the proposed capital expenditure will be funded from hospital cash reserves (\$2,000,000) and a FEMA grant (\$12,859,227). The application contained a signed letter from the hospital's senior vice president of finance and treasurer, attesting to the financial feasibility of the project and FEMA's letter approving the grant for the project.

C. Effect on Operating Cost

The Hospital's three-year projected operating statement is presented at Attachment 1 of this staff analysis.

D. Cost to Medicaid/Medicare

The applicant projects the cost to third party payors as follows:

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	49	\$891,615,362
Medicaid	12	214,300,583
Commercial	26	471,955,420
Self Pay	8	149,401,871
Charity Care	0	0
Other	<u>5</u>	<u>82,717,782</u>
Total	100	\$ 1,809,991,018

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment; the Department has not received a letter of comment on the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for construction, renovation, expansion or capital improvements involving a capital expenditure in excess of \$2,000,000 contained in the *FY 2015 Mississippi State Health Plan*; the *Mississippi Certificate of Need Review Manual, 2011 Revision*; 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 the application submitted by Singing River Health System d/b/a Singing River Hospital for exterior hardening window replacement.

Attachment 1

Singing River Hospital			
Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$884,932,187	\$ 911,480,153	\$ 929,709,756
Outpatient	<u>925,058,831</u>	<u>952,810,596</u>	<u>971,866,808</u>
Gross Patient Revenue	\$1,809,991,018	\$ 1,864,290,749	\$ 1,901,576,564
Charity Care	50,490,120	52,004,824	53,044,920
Deductions from Revenue	<u>1,441,828,847</u>	<u>1,485,083,712</u>	<u>1,514,785,386</u>
Net Patient Revenue	\$317,672,051	\$327,202,213	\$ 333,746,257
Other Operating Revenue	\$ (11,442,876)	\$(11,786,162)	\$(12,021,886)
Total Operating Revenue	\$ 329,114,927	\$ 338,988,375	\$ 345,768,143
Expenses			
Operating Expenses:			
Salaries	\$ 131,000,545	\$ 131,000,545	\$131,000,545
Benefits	27,330,150	27,330,150	27,330,150
Supplies	65,285,142	65,285,142	65,285,142
Services	53,595,070	53,595,070	53,595,070
Lease	5,689,062	5,689,062	5,689,062
Depreciation	23,741,241	23,741,241	23,741,241
Interest	4,872,313	4,872,31	4,872,310
Other	<u>29,099,208</u>	<u>29,099,208</u>	<u>29,099,208</u>
Total Expenses	<u>\$ 340,612,731</u>	<u>\$340,612,731</u>	<u>\$340,612,731</u>
Net Income (Loss)	\$ (11,497,804)	\$ (1,624,356)	\$ 5,155,412
Assumptions			
Inpatient days	81,136	83,570	85,241
Outpatient days	4,808	4,952	5,051
Procedures	8,412	8,664	8,838
Charge/outpatient day	192,400	192,400	192,400
Charge per inpatient day	\$10,907	\$10,907	\$10,907
Charge per procedure	\$215,168	\$215,168	\$215,168
Cost per inpatient day	\$ 4,198	\$4,076	\$3,996
Cost per outpatient day	\$70,843	\$68,780	\$67,431
Cost per procedure	\$40,491	\$39,312	\$38,541

