

**Division of Health Planning  
and Resource Development  
May 2006**

**CON Review: HG-RLS-0306-002  
Tri-Lakes Medical Center  
Relocation/Addition of 10 Adult Chemical Dependency Beds  
Capital Expenditure: \$0  
Location: Batesville, Panola County, Mississippi**

**Staff Analysis**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Tri-Lakes Medical Center (Tri-Lakes) is a short term acute care hospital located in Batesville, Mississippi, and owned by the Physicians and Surgeons Hospital Group, a Mississippi non-profit corporation also of Batesville. Tri-Lakes' licensed capacity includes 41 acute care hospital beds (including 22 inpatient geriatric psychiatric beds), 13 adult chemical dependency beds, and 10 adolescent chemical dependency beds. Tri-Lakes Medical Center houses Batesville Specialty Hospital consisting of 29 long-term acute care beds.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for the three most recent fiscal years for Tri-Lakes Medical Center are shown below (medical/surgical beds only).

Tri-Lakes Medical Center Utilization FY 2003, 2004, and 2005			
FISCAL YEAR	OCCUPANCY RATE (%)	ALOS (DAYS)	MEDICAID UTILIZATION RATE (%)
<b>2003</b>	23.24	3.52	36.24
<b>2004</b>	35.88	5.55	14.95
<b>2005</b>	44.09	5.38	18.40

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

**B. Project Description**

Tri-Lakes Medical Center requests Certificate of Need (CON) authority to expand its adult chemical dependency unit (CDU) bed capacity from the present 13 to 23 beds through a lease agreement with Mississippi Baptist Medical Center (Baptist) of Jackson, Mississippi for 10 CDU beds. The application contains a proposed lease agreement between Tri-Lakes and Baptist for the lease of the beds for an initial period of three years. The

agreement will be automatically renewed for three additional years thereafter, unless terminated by either party. Further, upon termination of the lease, ownership of the beds will revert to Baptist.

The project requires no capital expenditure; however, the applicant will pay \$4,635 per month (\$15.45/day/bed) for the 10 beds for a total lease cost of \$55,620 per year.

Tri-Lakes estimates that the project will require no increase in personnel. The applicant submits that the staff in the existing 13 bed adult CDU will be adequate for the initial phase of operation of the planned 23-bed unit and as the occupancy rate increase, additional personnel will be employed.

The MDH Division of Health Facilities Licensure and Certification has approved the site for the project. Implementation of the project will begin immediately upon CON approval, according to the applicant.

## II. TYPE OF REVIEW REQUIRED

Projects which propose the lease and relocation of adult chemical dependency beds are reviewed in accordance with Section 41-7-191, subparagraphs (1)(c), (e), and (g), Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi Department of Health.

In accordance with Section 41-7-197 (2) of the Mississippi Code 1972 Annotated, as amended, any 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 June 5, 2006.

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

### A. State Health Plan (SHP)

The *FY 2006 State Health Plan* (in effect at the time of submission of this application) contains policy statements, criteria, and standards which an applicant is required to meet before receiving CON authority for the expansion of an existing adult chemical dependency service. This application is not in substantial compliance with applicable criteria and standards.

### General Criteria and Standards

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

The *FY 2006 State Health Plan* indicates that the state as a whole needs an additional 26 adult CDU beds. However, the *State Health Plan* states that notwithstanding the service specific statewide statistical bed need requirement, the Department may only approve additional beds for existing

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.

In accordance with a recent Mississippi Supreme Court ruling [No. 2004-SA-02468-SCT (Biloxi Regional Medical Center – vs – Singing River Hospital Systems, March 30, 2006)], the court opined that the relocation of beds from one facility to another must meet existing standards for addition of beds. During the past two years, Tri-Lakes has reported the following adult chemical dependency bed utilization:

Tri-Lakes Medical Center Adult Chemical Dependency Unit Fiscal Years 2004 and 2005			
Fiscal Year	Licensed Bed Capacity	Occupancy Rate (percentage)	Discharges
2004	13	13.47	176
2005	13	77.81	612

As noted above, Tri-Lakes did not report a single-year occupancy rate of 80 percent nor did it have an occupancy rate of 70 percent for the most recent two years as required by *FY 2006 State Health Plan*. This application is not in compliance with this criterion.

#### **SHP General Criterion 2 -Information Recording/Maintenance**

Tri-Lakes affirmed that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

#### **SHP General Criterion 3 - Memoranda of Understanding**

The applicant submitted a Memorandum of Understanding with G. A. Carmichael Family Health Center, Canton, Mississippi, regarding the referral and admission of charity and medically indigent patients.

#### **SHP General Criterion 4 - Letters of Comment**

The application contains three letters of support from community health care providers, and no letters of opposition have been received.

#### **SHP General Criterion 5 - Scope of Services**

The applicant submits that it does not have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

### **SHP General Criterion 6 - Charity/Indigent Care**

The applicant submits that it provides and will continue to provide a reasonable amount of indigent/charity care.

### **Service Specific (SS) Criteria And Standards**

#### **SHP SS Criterion 1 – Need**

The MDH bases the statistical need for adult CDU beds on a ratio of 0.14 beds per 1,000 population aged 18 and older for 2005 in the state as a whole. The current SHP shows a statewide need for 26 adult chemical dependency beds, however, this application must be evaluated based on criteria for addition of beds which requires minimum occupancy.

#### **SHP SS Criterion 2 – Size/Location of Unit**

The applicant proposes to expand its existing 13 bed adult CDU by 10 beds thereby creating a 23-bed adult unit, which is less than the 30 bed maximum for hospital based adult CDUs. The applicant meets this criterion.

#### **SHP SS Criterion 3- Staffing**

The applicant affirmed that the present facility meets this criterion as will the proposed expanded facility. Staff will include both psychiatrists and psychologists and will provide a multi-discipline psychosocial medical approach to treatment.

#### **SHP SS Criterion 4 – Clients to Receive Treatment**

According to the applicant, the proposed expanded adult CDU service will treat both substance abusers as well as alcohol abusers.

### **B. General Review (GR) Criteria**

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, May 13, 2000, (as amended) addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

#### **GR Criterion 1 – State Health Plan**

The proposed project does not comply with the *FY 2006 State Health Plan's* Certificate of Need Criteria and Standards for the addition of Chemical Dependency Beds for Adults.

### **GR Criterion 2 – Long Range Plan**

The applicant states that the proposed project comports with its goal to provide quality, efficient health care to all residents of the community and is compatible with its long range plans.

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

The applicant states that multiple alternatives to this project were considered; however, none were proven beneficial. Tri-Lakes states that there are geographical challenges that it must overcome in relation to chemical dependency care in its medical trade area. The applicant submits that, due to the stigma associated with mental health in America and especially in rural Mississippi, little attention has been given to the access to chemical dependency care. The applicant believes that the proposed project is the most effective alternative available.

### **GR Criterion 4 -- Economic Viability**

The three-year operating projections reflect a net income from operations of \$42,690 for the first year, \$103,260 for the second year, and \$158,580 for the third year. Therefore, the project appears to be economically viable.

As indicated in Section IV-C of this Staff Analysis, the cost per patient day for the first, second, and third years of operations are \$559, \$515, and \$484, respectively. The charge during the same time period is \$705 for each year. These cost and charges at Tri-Lakes are based on a projected 30, 34, and 38 percent occupancy rate during the first, second, and third years of operation, respectively. This compares to the reported occupancy rate of all adult chemical dependency facilities of the state of 29.61 percent during FY 2005.

### **GR Criteria 5 – Need for the Project**

The applicant states that all residents of the area, including low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups, and the elderly have access to the services provided at the hospital and will have access to the proposed adult inpatient CDU services.

In assessing the need for this project, the applicant states that it performed the following activities:

- Compiled data from hospital records on the number of non-medical related illness that were treated in the hospital;
- Recorded calls that came into the hospital's social services department and each of the existing programs on its west campus;
- Used additional data collected from surveys distributed by its Community Education Department; and
- Conducted interviews with all program directors, social workers, and therapists of its existing programs on its west campus.

The applicant submits that the information gathered revealed a severe lack of services in northern Mississippi as it relates to adult chemical dependency services. Tri-Lakes concluded that significant evidence exists to support the need for additional adult CDU services in northern Mississippi.

In the case of relocation of a facility or services, the Department must consider the need that the population presently served has for the service. This project, which proposes transfer of ten vacant beds from Jackson to Batesville, will provide for a more even distribution of licensed adult CDU beds within the state, according to the applicant.

However, in order to add beds to an existing facility an applicant must demonstrate 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 of the adult chemical dependency unit. The applicant failed to demonstrate compliance with this criterion.

#### **GR Criterion 6- Accessibility**

The applicant affirmed that Tri-Lakes is accessible to all residents of the health planning service area, hospital service area, or patient service area.

#### **GR Criterion 7- Information Requirement**

Tri-Lakes affirmed that it will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

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

According to the applicant, this project will not add new adult chemical dependency beds within the state, but will provide a more even distribution of the state's licensed adult CDU beds.

#### **GR Criteria 9 – Availability of Resources**

The applicant affirmed that adequate qualified staff is available at Tri-Lake for the initial operation of the proposed ten-bed expansion of the adult CDU program.

#### **GR Criterion 16 - Quality of Care**

Tri-Lakes is in compliance with the *Minimum Standards of Operation for Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The project requires no capital expenditure; however, the applicant will pay \$4,635 per month (\$15.45 day/bed) for the 10 beds on an operating lease, for a total of \$55,620 per year.

**B. Method of Financing**

The applicant has entered into a lease agreement with Mississippi Baptist Medical Center, Inc. for lease of 10 adult CDU beds. Lease payments will be \$55,620 per year which will be paid from operation revenue. This project does not require a capital expenditure.

**C. Effects on Operating Cost**

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

<b>Tri-Lakes Medical Center Expansion of Adult CDU Three-Year Projected Operating Statement</b>			
	<b>First Year</b>	<b>Second Year</b>	<b>Third Year</b>
<b><u>Revenue</u></b>			
Gross Patient Revenue	\$ 775,500	\$ 881,250	\$ 987,000
Deductions	(118,140)	(134,250)	(150,360)
<b>Net Revenue</b>	<b>\$ 657,360</b>	<b>\$ 747,000</b>	<b>\$ 836,640</b>
<b><u>Operating Expenses</u></b>			
Salaries and Benefits	\$ 473,150	\$505,720	\$ 538,640
Professional Fees	24,000	24,000	24,000
Consulting Fees	35,000	30,000	30,000
Bed Lease	55,620	55,620	55,620
Other	26,900	28,400	29,800
<b>Total Operating Expenses</b>	<b>\$ 614,670</b>	<b>\$ 643,740</b>	<b>\$ 678,060</b>
<b>Net Income</b>	<b>\$ 42,690</b>	<b>\$ 103,260</b>	<b>\$ 158,580</b>
<b><u>Assumptions</u></b>			
No. of Licensed Beds	10	10	10
Occupancy Rate	30	34	38
Patient Days	1,100	1,250	1,400
Cost/Patient Day	\$ 559	\$ 515	\$ 484
Charge/Patient Day	\$ 705	\$ 705	\$ 705

**D. Cost to Medicaid/Medicare**

The cost of the project to third party payors is as follows:

<b>Patient Mix</b>	<b>Utilization Percentage</b>	<b>First Year Cost</b>
<b>Medicaid</b>	80	\$ 525,888
<b>Medicare</b>	10	65,736
<b>Other</b>	10	65,736
<b>Total</b>	<b>100.0</b>	<b>\$ 657,360</b>

Tri-Lakes projects 3.61 percent of gross revenue for medically indigent, bad debt, and charity care patients.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid takes no position on this application.

**VI. CONCLUSION AND RECOMMENDATION**

This project is not in substantial compliance with the criteria and standards for the addition of adult chemical dependency beds as contained in the *FY 2006 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual*, Revised 2000; and all adopted rules, procedures, and plans of the Mississippi Department of Health. Specifically, the applicant failed to demonstrate that the existing adult chemical dependency unit 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.

Therefore, the Division of Health Planning and Resource Development recommends disapproval of this application submitted on behalf of Tri-Lakes Medical Center for the lease and relocation of ten chemical dependency beds from the Mississippi Baptist Medical Center in Jackson to the Tri-Lakes Medical Center in Batesville, Mississippi due to noncompliance with General Criterion 1c of the *FY 2006 Mississippi State Health Plan*.