

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
August 5, 2024**

**CON REVIEW NUMBER: HP-CB-0624-007
DIAMOND GROVE CENTER, LLC D/B/A DIAMOND GROVE CENTER
EXPANSION OF ACUTE CHILD/ADOLESCENT PSYCHIATRIC
BEDS BY TWENTY- FOUR (24)
CAPITAL EXPENDITURE: \$13,400,482.00
LOCATION: LOUISVILLE, WINSTON COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Diamond Grove Center, LLC is a Delaware limited liability company authorized to do business in Mississippi, whose parent organization is Psychiatric Solutions Hospitals, LLC. Diamond Grove Center, LLC operates Diamond Grove Center (“Diamond Grove” or the “Applicant”), a private, freestanding behavioral hospital located at 12356 Highway 15 South, Louisville, Mississippi, 39339. Diamond Grove is currently licensed for twenty-nine (29) acute child/adolescent psychiatric beds and thirty-two (32) psychiatric residential treatment facility (“PRTF”) beds. The Applicant affirms Diamond Grove provides care on a twenty-four (24) hour basis, seven (7) days a week.

The application contains a Certificate of Good Standing from the Office of the Secretary of State. As of July 26, 2024, Diamond Grove, LLC is in good standing with the state of Mississippi.

B. Project Description

Diamond Grove requests Certificate of Need (“CON”) authority to expand its child/adolescent psychiatric bed capacity by twenty-four (24) beds, resulting in fifty-three (53) child/adolescent psychiatric beds. The Applicant states that the proposed expansion will involve the construction of a new addition to the Facility to accommodate the twenty-four (24) new beds.

The Applicant states that for calendar years of 2022 and 2023, Diamond Grove’s daily average census for its twenty-five (25) acute psychiatric beds was twenty-one and forty-eight hundredths’ percent (21.48%) and twenty-two and thirty-six hundredths’ percent (22.36%) respectively. The Applicant states this amounted to a utilization rate of eighty-five and nine tenths’ percent (85.9%) for 2022 and eighty-nine and five tenths’ percent (89.5%) for 2023. The Applicant further states that the addition of the twenty-four (24) beds will help improve accessibility and availability for these services.

The Applicant asserts Diamond Grove will continue to offer a broad range of treatment programs for its patients through a multi-disciplinary staff of professionals that includes psychiatrists, psychologists, pediatricians, social workers, registered and licensed practical nurses, recreational therapists, and teachers.

The Applicant anticipates a capital expenditure of \$13,400,482.00 for this proposed expansion. Furthermore, the Applicant anticipates the construction will take more than a year resulting in a competition date in the Winter of 2026.

The Applicant states in order to accommodate the consistent and growing need

for child/adolescent psychiatric services, Diamond Grove determined the construction of a new twenty-four (24) bed wing was necessary to enable Diamond Grove to treat this specific population. The Applicant affirms the new wing will be 14,188 square feet. The Applicant states that in addition to patient rooms, the new wing will have two out-patient group therapy rooms, a new inpatient group therapy room, quiet rooms, a quiet activity room, a noisy activity room, a new activity yard, a covered patio and pharmacy space. The Applicant affirms Diamond Grove will also have minimal renovation, 775 square feet, to existing administrative space off the connecting corridor to update admissions, assessment and nurse practitioner displayed in the schematic designed with the applicant's application.

The application contains a letter dated July 25, 2024, documenting the Mississippi State Department of Health (MSDH), Division of Health Facilities Licensure and Certification's approval of the site for the proposed project.

The Applicant affirms Diamond Grove is an existing healthcare facility that complies with and will continue to comply with state and local building codes, zoning regulations, and/or appropriate regulatory authority. In addition, for the protection of the environment, the Applicant affirms it will comply with all applicable State statutes and regulations: 1) approved water supplies; 2) sewage and water disposal; 3) hazardous waste disposal; 4) water pollution control; 5) air pollution control; and 6) radiation control.

Diamond Grove asserts the final objective of the proposed project is to enhance the availability of acute psychiatric adolescent services in the area and accommodate patient demand at Diamond Grove through the expansion of acute adolescent psychiatric beds.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Sections 41-7-173, 41-7-191(1)(c), and 41-7-193 of the Mississippi Code of 1972 Annotated, as amended, and the duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, November 11, 2023, Revision*; all adopted rules, procedures, plans, criteria, and standards of MSDH; and the specific criteria and standards listed below. The Department reviews projects for the offering of acute adolescent psychiatric services when such services have not been offered at the facility within the past twelve (12) months and for the addition of acute adolescent psychiatric beds, regardless of the capital expenditure.

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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on August 15, 2024.

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

A. State Health Plan (SHP)

The *FY 2022 Mississippi State Health Plan, Third Edition ("MSHP")* contains policy statements, criteria, and standards that the Applicant is required to meet before receiving CON authority for the addition of acute child/adolescent psychiatric beds and the offering of acute child/adolescent psychiatric services. This application substantially complies with the applicable policy, criteria, and standards stated in the *Plan* as follows

Policy Statements Regarding Certificate of Need Applications for Acute Psychiatric, Chemical Dependency, and Psychiatric Residential Treatment Facility Beds/Services

1. **Indigent/charity care:** The Applicant states two percent (2%) of the care currently provided by the Facility is charity care. The Applicant asserts if a patient does not have a payment source, they will be treated as indigent/charity care. The applicant further states if an adolescent psychiatric patient or their caregiver does not have commercial insurance, the patient is covered by Medicaid due to their age. The Applicant affirms that approval of the proposed project will not diminish the percentage of charity care provided through its existing services, including acute psychiatric services, and that it will provide a reasonable amount of indigent/charity care as described in Chapter 1 of the Plan.
2. **Mental Health Planning Areas:** The Applicant acknowledges that the entire State (*as a whole*) is used as a planning area for psychiatric service.
3. **Public Sector Beds:** The Applicant acknowledges that the number of licensed beds operated by the Department of Mental Health ("DMH") shall not be counted in the State's bed inventory for determining need.
4. **Comments from DMH:** On July 12, 2024, the Mississippi Department of Mental Health (DMH) stated that DMH is in support of additional treatment options for individuals in need of acute psychiatric services throughout the state.
5. **Separation of Adult and Children/Adolescents:** The Applicant affirms the acute psychiatric location is a separate area at Diamond Grove, and that it is programmatically and physically distinct from other areas of Diamond Grove's psychiatric services. The Applicant affirms that staffing ratios will also be sufficient to provide separation from the rest of the Facility's services.
6. **Separation of Males and Females:** The Applicant affirms Diamond Grove separates males and females aged thirteen (13) and over and will continue to do so.
7. **Patients with Co-Occurring Disorders:** The Applicant states that this policy statement is not applicable to the proposed project. However, if, in the future, Diamond Grove needs to provide "swing" bed type services, it will ensure that the deviation does not exceed twenty-five percent (25%) and will work with Licensure and Certification to ensure the program meets all applicable Licensure and Certification regulations.
8. **Comprehensive Program of Treatment:** The Applicant further states Diamond Grove currently provides a comprehensive program of treatment for its acute adolescent psychiatric patients, including an educational component, and will continue to do so with the approval of the proposed project.
9. **Medicaid Participation:**
 - a. **Medicaid Certification:** The Applicant states Diamond Grove is currently certified to accept Medicaid patients and receive Medicaid reimbursements and Diamond Grove will maintain such certification.

- b. Medicaid Service Information:** The Applicant certifies Diamond Grove serves and will continue to serve a reasonable number of Medicaid patients. The Applicant states per its financial projections included with this Application, Diamond Grove projects its Medicaid utilization for the proposed additional services will be 90% during the first three (3) years. The Applicant affirms that it will provide MSDH with information regarding services to Medicaid patients when requested.
10. **Licensing and Certification:** The Applicant certifies Diamond Grove is currently licensed by MSDH, and it will continue to meet all applicable licensing and certification regulations of the Division of Health Facilities Licensure and Certification for its services.
11. **Psychiatric Residential Treatment Facility:** The Applicant states that this policy statement is not applicable to the proposed project.
12. **Certified Education Programs:** The Applicant certifies Diamond Grove's acute psychiatric unit includes: an educational program accredited by the Department of Education; a gymnasium and specious play area accessible to all patients; and a variety of services to meet the physical, social, cultural, and recreational health; maintenance and rehabilitation needs of each patient. The Applicant states that these services are designed to assist in the formation and development of new behavior patterns, problem-solving abilities, and the internalization of healthy adaptive responses to internal and environmental stressors.
13. **Preference in CON Decisions:** The Applicant states this policy is not applicable to their proposed project as it does not involve the conversion of beds.
14. **Dedicated Beds for Children's Services:** The Applicant acknowledges this policy statement.
15. **CON Statutory Requirement:** The Applicant acknowledges this statutory requirement of Section 41-7-191(1)(c).
16. **Voluntarily Delicensed Beds:** The Applicant acknowledges this statement and affirms it is not applicable to the proposed project.
17. **CON Requirement for Reopening:** The Applicant acknowledges this statement and affirms it is not applicable to the proposed project.

General Certificate of Need Criteria and Standards for Acute Psychiatric, Chemical Dependency, and/or Psychiatric Residential Treatment Facility Beds/Services

SHP Need Criterion 1 – Bed Need Requirements

- a. **New/Existing Acute Psychiatric, Chemical Dependency, and/or Psychiatric Residential Treatment Beds/Services:** The Applicant submits that Diamond Grove's acute child/adolescent psychiatric unit meets the exception to the service specific statistical bed need required by this criterion.
- b. **Projects that do not involve additional beds:** The Applicant submits this criterion is not applicable to the proposed project as Diamond Grove proposes the addition of twenty-four (24) acute child/adolescent psychiatric beds.

- c. **Projects which involve the addition of beds:** The Applicant states for the two (2) most recent years licensure reporting periods, Diamond Grove's average daily census for acute adolescent patients in Calendar Year (CY) 2022 was 21.48 patients, a utilization rate of eighty-five and nine tenths' percent (85.90%), and in CY 2023 its average daily census was 22.36, a utilization rate of eighty-eight and five tenths (88.5%). In addition, the Applicant states that for the most recent twelve (12) month licensure period (October 2022 through September 2023), Diamond Grove has maintained an average daily census of 22.02 acute adolescent psychiatric patients, and a utilization rate was eighty-eight and seven hundredths (88.07%).
- d. **Child Psychiatry Fellowship Program:** The Applicant acknowledges this statement and submits the statement is not applicable to the proposed project.
- e. **Exclusive Treatment of Adults:** The Applicant acknowledges this statement and submits the statement is not applicable to the proposed project.

SHP Need Criterion 2 – Data Requirements

The Applicant affirms Diamond Grove will record and maintain, at a minimum, information regarding charity care and care to the medically indigent, required by this criterion, and make it available to MSDH within fifteen (15) business days of the request.

SHP Need Criterion 3 – Referral/Admission of Charity/Indigent Patients

The Applicant states Diamond Grove admits referrals from all the mental health regions in the State, and also has an existing relationship with Region 7 Mental Health Services. The Applicant has included in their application a copy of Diamond Grove's referral locations across the thirteen (13) mental health regions.

SHP Need Criterion 4 – Letters of Commitment

The application contains four (4) letters of support from: Family Nurse Practitioner (FNP) Valerie Sullivan of Louisville Medical Clinic; The CEO of Taylor Machine Works, Inc. William A. Taylor III; the City of Louisville Mayor William A. Hill; and Ethel Harwell.

SHP Need Criterion 5 – Non-Discrimination Provision

The Applicant states neither Diamond Grove nor its staff have policies or procedures that would exclude patients because of race, color, age, sex, ethnicity, or ability to pay. The Applicant affirms Diamond Grove does and will continue to provide a reasonable amount of charity/indigent care to those unable to pay.

SHP Need Criterion 6 – Charity/Indigent Care

The Applicant states, if a patient does not have a payment source, the Applicant treats the patient as indigent/charity care. The Applicant also states if an adolescent psychiatric patient, or their caregiver does not have insurance, the patient is most likely eligible for Medicaid due to their age. The Applicant affirms that approval of the proposed project will not diminish the percentage of charity care provided through its existing services, including acute adolescent psychiatric Services, and that Diamond Grove will provide a reasonable amount of indigent/charity care as described in Chapter 1 of the Plan.

Service Specific (“SS”) Certificate of Need Criteria and Standards for Acute

Psychiatric Beds for Children and Adolescents

SS Need Criterion 1 – Statistical Need for Child/Adolescent Psychiatric Beds

The Applicant acknowledges this statistical need. However, the Applicant states it is not applicable based on its utilization as set forth above in response to the Plan's Need Criterion 1(c) in Section 306.02.

SS Need Criterion 2 – Proposed Size of Facility/Unit

The Applicant submits that the additional twenty-four (24) acute adolescent psychiatric beds will be located in a new addition connected to the current facility by a corridor. The applicant asserts if the proposed beds are added, the service will consist of fifty-three (53) total beds. The applicant submits a schematic drawing showing the new addition has twelve (12) beds in each unit, separated by common areas and the nurse's station.

SS Need Criterion 3 – Staffing

The Applicant affirms that Diamond Grove's acute adolescent psychiatric unit is composed of a multi-discipline staff of professionals with specialized training for the age of the patient treated. The Applicant states the staff include psychiatrists, pediatricians, social workers, registered nurses, recreational therapists, and teachers. In addition, the Applicant states that Diamond Grove recognizes that family participation in the treatment of adolescents is an important component of care and increases the likelihood of a successful outcome. Diamond Grove states it currently provides aftercare/follow-up services for its acute psychiatric patients and will continue to provide these services should the proposed project be approved.

The Applicant further affirms that no new staff are needed for the proposed project.

SS Need Criterion 4 – Structural Design of Facility – Separation of Children and Adolescents

The Applicant states Diamond Grove's primary focus is on those patients between the ages of twelve (12) and seventeen (17). The Applicant states that Diamond Grove provides programmatically distinct services for the younger patients, and the room doors can be physically separated by a lock. The Applicant further confirms the unit's placement and staffing ratios are at the level, and will remain at the level, necessary to ensure the required separation. The application includes a schematic diagram showing separation of units.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised November 11, 2023*, addresses the general criteria by which all CON applications are reviewed. This application substantially complies with the general review criteria contained in the Manual.

GR Criterion 1- State Health that Plan

The proposed project was found to be consistent with the *FY 2022 MSHP (Third Edition)* and MSDH's rules and regulations. The Applicant asserts the project meets the applicable priority health needs identified by MSDH in the *FY 2022 MSHP (Third Edition)*.

The proposed project substantially complies with the policy statements and the

general and service-specific criteria and standards for the addition of child/adolescent acute psychiatric beds stated in the *Plan*.

GR Criterion 2 – Long Range Plan

The Applicant states Diamond Grove seeks to provide a full range of psychiatric services to its current patients as well as those who may be turned away due to capacity concerns and the high utilization rate of Diamond Grove's acute adolescent psychiatric services. The Applicant further states the addition of twenty-four (24) acute adolescent psychiatric beds at Diamond Grove will improve the availability of child/adolescent acute psychiatric services.

The Applicant has been contemplating an addition the Diamond Grove Facility for over a year now. Diamond Grove added as many beds as its current footprint would allow (CON # R-1003 in October for two (2) additional PRTF beds, and CON #R-1010 in February 2024 (revised to CON # R- 1004) for four (4) additional child/adolescent psychiatric beds.) The Applicant affirms while these small expansions will help Diamond Grove provide care to patients and their families, Diamond Grove continues to be unable to provide services to all those needing admission. The Applicant further affirms the new addition will enable Diamond Grove to better address the needs of this population as it continues to have a turn away patients and their families.

GR Criterion 3 – Availability of Alternatives

- a. **Advantages and Disadvantages:** The Applicant states Diamond Grove contemplated not expanding acute adolescent psychiatric services, but the Applicant suggests this would leave Diamond Grove unable to provide sufficient acute psychiatric services given its over 90% utilization rate for the past twelve (12) months. The Applicant affirms Diamond Grove turns away approximately 400-500 patients each year or an average of forty-eight (48) patients a month over the past two years and five months. The Applicant states by undertaking this project, Diamond Grove can improve the availability of services for Mississippians.
- b. **New Construction Projects:** The Applicant recognizes this statement and confirms Diamond Grove considered all possible alternatives, including modernizing existing facilities, but the current physical footprint cannot accommodate additional beds.
- c. **Beneficial Effects to the Health Care System:** The Applicant states the proposed project helps improve the availability of psychiatric services for adolescents in the Winston County area as well as those patients currently seeking services at Diamond Grove.
- d. **Effective and Less Costly Alternatives:**
 - i. **Unnecessary Duplication of Services:** The Applicant states the utilization rate of Diamond Grove acute psychiatric beds is over 90% percent for the past twelve (12) months. The Applicant states increasing the capacity of Diamond Grove with additional beds will improve access to the population in need of those services. The applicant submitted a deflation chart with application showing Diamond Grove has been unable to serve approximately 400 -500 patients each year, approximately forty-eight (48) patients a month. The applicant states the additional beds will enable Diamond Grove to provide treatment to more patients and their families and caregivers.
 - ii. **Efficient Solution:** The Applicant asserts the proposed project will

enable Diamond Grove, an already existing and experienced provider of adolescent psychiatric services, to increase the availability of services to those in need of such services.

- e. **Improvements and Innovations:** The Applicant asserts health care quality and cost-effectiveness are improved by ensuring that an adequate number of program-specific beds are available in the region, thereby reducing delays in the commencement of treatment. The Applicant further states timely treatment of emotional, behavioral, and other mental health conditions may ensure more favorable outcomes.
- f. **Relevancy.** The Applicant states the accessibility and availability of both acute psychiatric care and residential care at Diamond Grove is important to ensure that meaningful and appropriate inpatient treatment is provided in a timely fashion.

GR Criterion 4 - Economic Viability

- a. **Proposed Charge:** The Applicant states that Diamond Grove determined its charges for the services based on its current operations.
- b. **Projected Levels of Utilization:** The Applicant states the projected levels of utilization following the addition of twenty-four (24) proposed child/adolescent acute psychiatric beds are consistent with other acute psychiatric facilities in the State and consistent with Diamond Grove's actual historical experience.
- c. **Financial Feasibility Study:** The Application contains a letter from the Chief Financial Officer of Diamond Grove Center, attesting to the financial feasibility of the project.
- d. **Financial Forecasts:** The Applicant affirms this statement is not applicable for the proposed project.
- e. **Means of Covering Expenses in the Event of Failure to Meet Projections:** The Applicant states the services and supplies expense correlates to the number of patients being treated so that if less patients are treated, less expenses will be incurred. The applicant states the staffing expenses are also flexible if there is not a demand for services, less staff will be hired. The Applicant asserts the depreciation on the building is a fixed expense which Diamond Grove's parent company would cover if Diamond Grove could not generate sufficient revenue.
- f. **Impact of Proposed Project on Health Care Cost:** The Applicant states Diamond Grove does not believe there will be a substantial impact on gross revenues or expenses. The Applicant further states there could be a minimal impact on Medicaid reimbursement as more patients are able to access needed services.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The Applicant asserts Diamond Grove's twelve (12) month utilization rate for adolescent psychiatric services is over 90% percent with the majority being Medicaid beneficiaries. The Applicant affirms that low-income persons, racial and ethnic minorities, females, disabled persons, other underserved children, and adolescents will have access to the beds.
- b. **Relocation of Services:** The Applicant affirms the proposed project does

not require the relocation of the facility or services.

- i. Proposed Disposition:** The Applicant affirms the facility will not be replaced; therefore, this item is not applicable.
 - ii. Existing Space:** The Applicant affirms the facility will not be replaced; therefore, this item is not applicable.
- c. Current and Projected Utilization of Comparable Facilities:** The Applicant asserts Diamond Grove has maintained utilization rates near 88-90% percent and continues to experience an increased demand by patients for acute psychiatric services. The Applicant also states Diamond Grove anticipates the demand for services will remain given its historical experience.
- d. Probable Effect on Existing Facilities in the Area:** The Applicant states there should be no negative effect on existing facilities providing similar services. The Applicant asserts due to Diamond Grove's high utilization rate, the addition of twenty-four (24) proposed beds to Diamond Grove's existing facility is unlikely to have any negative effect on existing facilities and will instead provide improved access to acute adolescent psychiatric services.
- e. Community Reaction:** The application contains four (4) letters of support from county, city, government, and state officials.

GR Criterion 6 - Access to the Facility or Service

- a. Access to Services.** The Applicant states currently, approximately ninety percent (90%) of Diamond Grove's adolescent acute psychiatric patients are Medicaid beneficiaries, and this is a trend that Diamond Grove anticipates will continue. The Applicant submits approximately one percent (1%) of the care currently provided by Diamond Grove is charity care. The Applicant affirms that approval of the proposed project will not diminish the percentage of charity care it provides.
 1. The Applicant affirms all residents of the health planning service area, hospital service area, or patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, females, disabled persons, and other underserved children and adolescents, have access to the services of the existing facility.
 2. The Applicant certifies all residents of the health planning service area, hospital service area, or patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, females, disabled persons, and other underserved children and adolescents will have access to the proposed services and/or facility.
 3. The Applicant states most adolescent psychiatric patients that would otherwise be classified as indigent, or charity care are Medicaid eligible. The Applicant further states Diamond Grove Center treats those patients pursuant to its charity policy if a patient does not have a payment source.

Gross Patient Revenue

	Medically Indigent (%)	Charity Care (%)	Medically Indigent (\$)	Charity Care (\$)
Historical Year 2022	--	3.1%	--	\$585,000.00
Historical Year 2023	--	2%	--	\$466,200.00
Projected Year 1	--	2%	--	\$48,972.00
Projected Year 2	--	2%	--	\$96,568.00

b. Existing Obligations: The Applicant states Diamond Grove has no existing obligations under any federal regulation requiring the provision of uncompensated care, community service, or access by minority/disabled persons.

i. Remaining Obligations: The Applicant states this criterion is not applicable to the proposed project.

c. Unmet Needs of Medicare/Medicaid and Medically Indigent Patients: The Applicant states Diamond Grove treats all patients regardless of payor source.

d. Access to Proposed Facility: The Applicant asserts as an existing provider of mental health services; Diamond Grove currently has relationships with other mental health service providers throughout the State. The Applicant submits that the increased availability of services at Diamond Grove will improve those providers' access to care or their patient populations as well as improve access to those mental health patients seeking services at Diamond Grove.

e. Access Issues:

i. Transportation and Travel: The Applicant states the proposed beds will be located at the Applicant's existing facility, conveniently located off Highway 15 in Louisville.

ii. Restrictive Admissions Policy: The application contains a copy of Diamond Grove's admissions policy.

iii. Access to Care by Medically Indigent Patients: The Applicant states Diamond Grove has and will continue to provide care for medically indigent patients.

iv. Operational Hours of Service:

1. Regular Operation. Diamond Grove Center states the regular hours of operation of the facility are twenty-four (24) hours per day, seven (7) days a week, 365 days a year.

2. Emergency Only Operation. The Applicant states this item is not applicable to the facility.

GR Criterion 7 - Information Requirement

The Applicant affirms it will record and maintain the information required under General Review Criterion 7 regarding charity care and care to the medically indigent and Medicaid populations and will make it available to MSDH within fifteen

(15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

- a. **Comparable Services.** The Applicant acknowledges the service area for acute adolescent psychiatric beds is the State as a whole, and states that Diamond Grove receives patients from across the state. However, the Applicant states that there are no comparable services in Diamond Grove's geographic service area.
- b. **Effect on Existing Health Services.** The Applicant states the proposed addition of twenty-four (24) child/adolescent beds should have no effect on other existing health services in the State as Diamond Grove is operating near ninety percent (90%) utilization. The Applicant believes that most of its admissions for the additional twenty-four (24) adolescent psychiatric beds will originate from existing referral sources across the State and from those that already seek services at Diamond Grove.
 - i. **Complement Existing Services:** The Applicant states the proposed addition of twenty-four (24) adolescent psychiatric beds will complement the existing services provided at Diamond Grove and increase the accessibility and availability of child/adolescent psychiatric services in the area and for the State. The Applicant asserts acute adolescent psychiatric services is an important component of providing comprehensive care, and because family participation in the treatment of adolescents is recognized as an important component of care, it increases the likelihood of a successful outcome.
 - ii. **Provide Alternative or Unique Service:** The Applicant submits treatment of emotionally disturbed adolescents in an acute setting requires specialized staffing and space for residential care. The Applicant further submits that the Plan's latest utilization data shows an expansion of capacity will allow Diamond Grove to provide this unique service to more Mississippi families in need.
 - iii. **Provide a service for a specified target population:** The Applicant states the addition of twenty-four (24) proposed adolescent psychiatric beds will help improve continued access to these services in the northeast area of the state as well as the entire State.
 - iv. **Provide services for which there is an unmet need:** The Applicant states the utilization rates at Diamond Grove and the number of patients it has been unable to serve over the past year demonstrates an unmet need.
- c. **Adverse Impact.** The Applicant states the adverse impact would be the continuous inability of patients and their families to access needed psychiatric services. The Applicant further states failure to grant the proposed project could result in an inadequate number of child/adolescent psychiatric beds to meet the current and future needs of those with mental health issues in the area, forcing families to travel to other regions or out-of-state to receive necessary care, thus increasing health care costs for Mississippians.
- d. **Transfer/Referral/Affiliation Agreements.** The application contains a transfer agreement between Diamond Grove and the University of Mississippi Medical Center and a copy of Referral Sources from which

Diamond Grove has admitted patients in the past two (2) years. The Applicant further states this referral network demonstrates Diamond Grove's relationship with other providers of healthcare to help patients receive needed acute psychiatric services.

GR Criterion 9 - Availability of Resources

- a. **New Personnel.** The Applicant further states Diamond Grove is currently sufficiently staffed with behavioral health staff qualified to provide services for the additional acute psychiatric beds. The Applicant affirms that approximately twenty (20) additional FTE's will be hired for the twenty-four (24) bed expansion. The applicant asserts that Diamond Grove will recruit these staff members through UHS's recruitment process and also through local advertising, job fairs, university and training programs relationships, and word of mouth.
- b. **Contractual Services.** The Applicant states Diamond Grove provides its own clinically related services. The Applicant further states to supplement its services, it has relationships with the following for specific services:
 - Louisville Medical Associates (Illness Management)
 - Mark Donald, DMD (Dental)
- c. **Existing Facilities or Services.** The Applicant states Diamond Grove satisfactorily staffs its existing acute psychiatric facility.
- d. **Alternative Uses of Resources.** The Applicant states Diamond Grove considered maintaining its 29-bed unit and trying to place potential patients in other facilities. The Applicant affirms Diamond Grove ultimately decided that construction of an addition to its existing facility was the most effective use of resources to meet the need of children and adolescents in need of acute psychiatric services.

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. **Support and Ancillary Services.** The Applicant asserts Diamond Grove currently operates a twenty-nine (29) bed acute psychiatric facility that serves children and adolescents. The Applicant also states it has the necessary support and ancillary services to provide acute psychiatric services for an additional twenty-four (24) beds.
- b. **Changes in Costs or Charges.** The Applicant states Diamond Grove does not anticipate any significant changes in costs or charges with this proposed project.
- c. **Accommodation of Changes in Cost or Charges.** The Applicant states Diamond Grove does not anticipate any significant changes in costs or charges with this proposed project.

GR Criterion 11 – Health Professional Training Programs

The Applicant affirms Diamond Grove currently partners with Mississippi State University, Mississippi College, Walden University, Mississippi Valley State University, Tennessee College of Applied Technology, Mississippi University for Women, and University of Seminary Denver Colorado.

GR Criterion 12 – Access by Health Professional Schools

The Applicant states Diamond Grove will continue to participate to the extent the opportunity is available in providing clinical training for health professionals. The

Applicant further states, currently, Diamond Grove partners with the universities stated above to provide training opportunities in nursing, counseling, social work, and dieticians.

GR Criterion 13 – Access by Individuals Outside Service Area

The Applicant affirms that this criterion is not applicable to the proposed project.

GR Criterion 14 - Construction Projects

The proposed project involves constructing a new addition to Diamond Grove's existing facility to accommodate twenty-four (24) new beds, with a capital expenditure of \$13,400,482. The cost is \$904.20 per square foot for new construction and \$95.90 per square foot for renovations. The project will cover a total of 14,963 square feet, including 14,188 square feet of new construction and 775 square feet of renovations.

GR Criterion 15 – Competing Applications

There are no competing applications on file with the Mississippi State Department of Health for the addition of adolescent psychiatric beds.

GR Criterion 16 - Quality of Care

- a. **Past Quality of Care.** The Applicant affirms Diamond Grove currently provides behavioral health services and is accredited by the Joint Commission. The Applicant further states Diamond Grove has focused on adolescent care for patients and their families for over twenty (20) years.
- b. **Improvement of Quality of Care.** The Applicant asserts the proposed addition of twenty-four (24) acute child/ adolescent psychiatric beds will improve patient care in Northeast Mississippi and throughout the State.
- c. **Accreditations and/or Certifications.** The Applicant affirms Diamond Grove is accredited by the Joint Commission.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage of Cost (%)
Construction – New	\$10,382,566.00	77.48%
Construction (Renovation)	0.00	0.00%
Capital Improvement	0.00	0.00%
Fees (architectural, consultant, etc.)	\$935,006.00	6.98%
Contingency Reserve	\$500,000.00	3.73%
Capitalized Interest	0.00	0.00%
Other (painting, patching, cosmetic expense)	0.00	0.00%
Fixed Equipment	\$710,537.00	5.30%
Non-Fixed Equipment	\$497,373.00	3.71%
Legal and Accounting Fees	0.00	0.00%
Other Building Costs	\$375,000.00	2.80%
Total Capital Expenditure	\$13,400,482.00	100.00%

B. Method of Financing

The Applicant states the proposed project will be financed by related company financing.

C. Effect on Operating Cost

The Hospital's three (3) year projected operating statement is presented in Attachment 1.

D. Cost to Medicaid/Medicare

The Applicant projects gross patient revenue cost to third-party payors as follows (Project Only).

Payor Mix	Utilization Percentage (%)	First-Year Revenue (\$)
Medicare	0.00%	\$0.00
Medicaid	91.00%	\$4,995,773.00
Commercial	4.00%	\$194,121.00
Self-Pay	0.00%	\$0.00
Charity Care	0.00%	\$0.00
Other	5.00%	\$298,213.00
Total	100.00%	\$5,488,107.00

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Mississippi Division of Medicaid (DOM) was provided a copy of this application for review and comment. As of August 5, 2024, DOM has not commented on this project.

The Mississippi Department of Mental Health (DMH) was also provided a copy of this application for review and comment. The Mississippi Department of Mental Health (DMH) stated in an email received in the Department, dated 7/12/24, that DMH is in support of additional treatment options for adolescents and youth in need of acute psychiatric services throughout the State.

VI. CONCLUSION AND RECOMMENDATION

This project substantially complies with the policy statements, criteria, and standards for acute child/adolescent psychiatric beds/services as contained in the *FY 2022 Mississippi State Health Plan, Third Edition*, the *Mississippi Certificate of Need Review Manual, November 11, 2023, Revision*, and the 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 Diamond Grove Center, LLC d/b/a Diamond Grove Center for the Expansion of Twenty-Four (24) Acute Child/Adolescent Psychiatric Beds.

Attachment 1

Diamond Grove Center, LLC d/b/a Diamond Grove Center Expansion of Acute Child/ Adolescent Psychiatric Beds by Twenty-Four (24) Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$4,897,213.00	\$9,656,821.00	\$10,922,278.00
Outpatient	\$590,895.00	\$771,576.00	\$873,881.00
Gross Patient Revenue	\$5,488,108.00	\$10,428,397.00	\$11,796,159.00
Charity Care	\$48,972.00	\$96,568.00	\$109,223.00
Deductions from Revenue	3,016,509.00	\$5,522,544.00	\$6,120,973.00
Net Patient Care Revenue	\$ 2,422,627.00	\$4,809,285.00	\$5,565,963.00
Other Operating Revenue	(\$15,076.00)	(\$30,464.00)	(\$35,298.00)
Total Operating Revenue	\$ 2,407,551.00	\$4,778,821.00	\$5,530,665.00
Expenses			
Operating Expenses:			
Salaries	\$870,897.00	\$1,214,987.00	\$1,424,918.00
Benefits	\$155,768.00	\$217,490.00	\$254,859.00
Supplies	\$90,881.00	\$184,541.00	\$660,812.00
Services	\$462,724.00	\$590,505.00	\$832,460.00
Lease	-	-	-
Depreciation	\$832,460.00	\$832,460.00	\$340,558.00
Interest	-	-	-
Other	\$263,616.00	\$319,275.00	\$340,558.00
Total Operating Expense	\$2,676,346.00	\$3,360,258.00	\$ 3,728,478.00
Net Income (Loss)	\$ (268,795.00)	\$1,418,563.00	\$1,802,187.00
Assumptions			
Inpatient days	2,555	5,037	5,694
Outpatient days	913	1,134	1,193
Procedures	0	0	0
Charge/inpatient day	\$ 1,917.00	\$ 1,917.00	\$ 1,918.00
Charge per outpatient	\$ 648.00	\$ 680.00	\$ 733.00
Charge per procedure	N/A	N/A	N/A
Cost per inpatient day	\$ 1,047.00	\$ 667.00	\$ 655.00
Cost per outpatient day	\$ 2,933.00	\$ 2,963.00	\$ 3,126.00
Cost per procedure	N/A	N/A	N/A