

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
AUGUST 2013**

**CON REVIEW HG-RLS-0613-009  
JACKSON HMA, LLC, D/B/A CENTRAL MISSISSIPPI MEDICAL CENTER  
RELOCATION OF BURN CENTER FROM CROSSGATES RIVER OAKS  
HOSPITAL TO CENTRAL MISSISSIPPI MEDICAL CENTER  
CAPITAL EXPENDITURE: \$1,469,399  
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

Jackson HMA, LLC is a for-profit Mississippi Limited Liability Company that was formed on September 25, 2008 and is owned by Mississippi HMA Holdings, II, LLC, an affiliate of Health Management Associates, Inc, ("HMA") Naples, Florida. The registered office of said Limited Liability Company is located at 645 Lakeland East Drive, Suite 101, Flowood, Mississippi.

Central Mississippi Medical Center (CMMC) is a short term acute care hospital located in Jackson, Mississippi. The hospital, owned by Hinds County, Mississippi, is operated by Jackson HMA, LLC through a long-term lease agreement with the County. The bed complement of CMMC consists of 400 medical surgical beds (18 of which are geriatric psychiatric beds) and 29 adult psychiatric beds. The hospital also has an outstanding Certificate of Need to add 18 adult psychiatric beds. The facility is accredited by the Joint Commission and is certified for participation in the Medicaid and Medicare programs. CMMC is governed by a 10-member Board of Trustees.

The Burn Center (the "Burn Center") is a 15-bed facility located at CMMC's sister facility, Crossgates River Oaks Hospital ("Crossgates"), Brandon, Mississippi, and is co-managed by Crossgates and the Joseph M. Still Burn Center ("JMS") in Augusta, Georgia.

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

Central Mississippi Medical Center  
 Utilization Data

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2010	34.57	5.02	25.72
2011	28.78	4.89	28.76
2012	20.54	4.90	23.73

Source: Division of Health Facilities Licensure and Certification

**B. PROJECT DESCRIPTION**

Jackson HMA, LLC, d/b/a Central Mississippi Medical Center (“CMMC” or “Hospital”), requests Certificate of Need (CON) authority to relocate the Burn Center from its current location at Crossgates River Oaks Hospital. Pursuant to House Bill #55, Section 19 (2009, Second Extraordinary Session), The Burn Center was approved by the Department of Health on April 8, 2010, CON No. R-0809. The Burn Center at Crossgates currently operates a 6-bed ICU and a 9-bed step down unit for a total of 15 beds. The applicant proposes to increase to a 13-bed ICU and a 20-bed step down unit for a total of 33 beds. Pursuant to the limitations in House Bill #55, CMMC states that the 33 beds will be classified and limited to use for the treatment of burn victims and will not be converted to any other use. The beds will also participate in the trauma care system.

While Crossgates provides a valuable service to Mississippians, CMMC states that it is not able to treat a high acuity of burn victims due to the limited amount of surgeons and specialists on-site. By relocating the Burn Center to CMMC, the Burn Center will be able to treat more severe burns as well as allow more patients to be treated in Mississippi without the need to travel outside the State for services.

The applicant states that only minor improvements are needed to the areas of the Hospital which will make up the Burn Center. The Center will require 17,053 square feet of existing space within the Hospital to provide a 13-bed critical care unit and a 20-bed step down patient care unit, both dedicated to the treatment of burn victims. As this space was previously used for a medical/surgical unit and ICU, no renovation is required but only minor improvements such as painting. Once the Center is set up, the Hospital proposes to seek designation as a “burn center” from the Department’s Trauma Care System.

CMMC projects that the project will require 34 additional FTE personnel at an annual cost of \$1,353,327 the first year. Additional personnel include 23 Registered Nurses, 5 Aides, and 6 Administrative personnel.

The total proposed project cost is \$1,469,399, funded from cash reserves of the Hospital. A complete breakdown of capital expenditure is presented in the Capital Expenditure section of this staff analysis. The

applicant expects to obligate the capital expenditure within 30 days of final CON approval and anticipates that the project will be complete within 90 days from the date the capital expenditure is obligated.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the relocation of health care facilities or portion thereof, major medical equipment, and services under the applicable statutory requirements of Section 41-7-191, subparagraph (1)(b), (c), and (e) 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 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 September 4, 2013.

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

### A. State Health Plan (SHP)

The *FY 2013 Mississippi State Health Plan (MSHP)* does not contain criteria and standards for the establishment of a burn center, or relocation of burn care services. However, the *Plan* does contain criteria and standards for the addition of beds. In addition, the *Plan* gives guidelines for all health planning in Mississippi. The *Plan* states that Mississippi's planning and health regulatory activities have the following purposes:

- To improve the health of Mississippi residents;
- To increase the accessibility, acceptability, continuity, and quality of health services;
- To prevent unnecessary duplication of health resources; and
- To provide some cost containment.

This project is consistent with the above stated goals of health planning.

The applicant submits that the proposed project will improve the health of burn victims in the State as they will be able to access a higher acuity level of burn care services closer to home, and it will improve the level of trauma care available in the State. There will be no duplication of health resources in the State as a result of this project since the project proposes to relocate the State's only Burn Center from its current location at Crossgates to CMMC. Finally, the applicant believes that the project will not increase current costs associated with burn care and may provide cost containment if Medicaid is able to reduce travel costs as patients are treated in State.

In addition to compliance with State Health Plan's general policies, CMMC submits that the project complies with House Bill #55\* that contemplates the establishment of a burn center with beds dedicated to the treatment of burn victims. This project seeks to continue to meet that goal in the State. CMMC proposes to seek designation as a "burn center" from the Department's Trauma Care System upon setting up the Center.

**Note: The applicant proposes to increase the number of burn care beds from 15 to 33, an increase of 18 beds, pursuant to House Bill #55 (2009, Second Extraordinary Session). The authorization under this Session is no longer an appropriation bill and the Department is not mandated to issue beds. The applicant does not meet the criteria in the Plan for the addition of beds.**

**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.

**GR Criterion 1 - State Health Plan (SHP)**

The FY 2013 *State Health Plan* does not contain criteria and standards for the relocation of a burn center as proposed in this application; The project is in substantial compliance with the overall goals of the State Health Plan; however, it does not meet the need criterion in the Plan for addition of beds.

**GR Criterion 2 - Long Range Plan**

The applicant submits that CMMC's long term goal is to provide more complex burn care services than are currently available. CMMC states that Joseph M. Still's ("JMS") physicians believe with the increased availability of surgeons and specialists at CMMC, as well as CMMC's participation as a Level III Trauma Center, it will be able to treat a higher acuity of victims.

**GR Criterion 3- Availability of Alternatives**

The applicant states that without seeking approval for the relocation of the Burn Center, Crossgates will continue to treat lower level burn victims and more critical patients would continue to be transferred out-of-state. The applicant contends that the relocation of the Burn Center to CMMC will provide treatment for more critical burn patients and enhance and compliment Mississippi's trauma system.

The applicant considers the proposed project to be the most effective and less costly alternative. The project will not result in the duplication of services since there is only one burn center in the State. The relocation will increase the level of burn care available in the State.

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

Attachment 1 of this document displays the total operating revenue and expenses over a projected three year period.

CMMC submits that the proposed charges and profitability of the service were calculated based on Crossgates' historical averages, current utilization of burn services at Crossgates, discussions with JMS, anticipated utilization based on CMMC's Level III trauma designation, and anticipated utilization based on a greater availability of surgeons and specialists. There are no similar facilities in the state other than that proposed to be relocated by the applicant.

The applicant believes its projected utilization is reasonable given the actual utilization at Crossgates and because of the guidance and expertise of JMS's physicians. CMMC states that the revenue generated by the Center should cover the expenses incurred by the project; however, in the event the Center fails to meet projected revenues, CMMC's parent company HMA, Inc., will support the Center and cover expenses.

The applicant states that patients in need of burn care services must seek these specialized services; therefore, the relocation of the Center will not inflate the cost of health care. The applicant expects that the Center will potentially save Mississippi residents and Medicaid money as higher acuity burn care services will be available locally, saving not only on healthcare costs but on transportation costs.

#### **GR Criterion 5 - Need for the Project**

CMMC avers that dedicated burn care services were not available in the State from the time the Greenville burn center closed in 2005 until Crossgates opened its burn center in June 2011. The relocation of the Center will allow a higher acuity burn patient to be treated in the State at a Level III trauma center. CMMC further avows that burn care services will be available to any resident regardless of their economic status, race, gender, disability or age.

The Burn Center is currently located at the applicant's sister facility, Crossgates River Oaks Hospital in Rankin County, and in General Hospital Service Area V ("GHSA V"). The applicant contends that the State will continue to be served by a metro-area burn center after the relocation. The applicant believes that relocation of the Center, closer to the intersection of I-55 and I-20, will make accessing the Center easier for patients statewide. The Hospital is proposing to increase the number of dedicated burn care beds in the State from 15 to 33. This increase, according to the applicant, will ensure availability of services at the Hospital. CMMC states that the need for additional beds was determined based on the utilization of services at Crossgates, CMMC's level of specialty coverage, CMMC's Level III trauma designation, and on conversations with the JMS physicians who have experience managing

burn centers and are familiar with the State's use of burn care service. In addition, the physical layout of both of these units, the area to be used for critical care and the step down unit, dictate the number of beds available for burn care.

According to CMMC, Crossgates will use the area that house the Burn Center for patient care or administrative services.

The applicant received overwhelming support for the project from city and county officials, health care professionals, and the community.

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

The applicant certifies that to the extent medically underserved patients become burn victims, the Center will treat them, as well as any burn victims regardless of their status.

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

The applicant affirms that CMMC 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**

The applicant submits that currently burn victims are either treated at Crossgates or sent to JMS. After relocation, patients may still be transferred to JMS, but given the additional surgeons, specialists, and Level III trauma designation at CMMC, the Hospital anticipates more patients will be able to remain in the State for their burn care.

Crossgates is currently the only Burn Center located in the State. Upon relocation, the Center will continue to be the only Burn Center in the State.

#### **GR Criterion 9 - Availability of Resources**

The applicant states that some staff from Crossgates will relocate to CMMC to aide in beginning to provide burn services. Additional staff may be hired or recruited from Crossgates in the future. Physicians specialized in the care of burn victims already aide CMMC in providing services and will continue to do so. Additionally, CMMC states that the relationship with JMS provides access to physicians and management with expertise in providing burn care services.

#### **GR Criterion 10 - Relationship to Ancillary or Support Services**

The applicant affirms that CMMC is a full service, general acute care hospital which participates in the Trauma System as a Level III trauma hospital. All support and ancillary services which may be needed by the Center will be available at CMMC.

The only change in cost or charges will be the cost or charges associated with the treatment of burn victims. The applicant does not anticipate the proposed project to impact other hospital costs or charges.

#### **GR Criterion 11- Health Professional Training Programs**

The applicant states that CMMC currently has an educational relationship with numerous training programs in the area and will maintain these relationships.

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

Central Mississippi Medical Center states that as a general acute care hospital, it provides a full range of services. Its hospital and psychiatric services are Joint Commission accredited; its laboratory is accredited by the College of American pathologists; and its radiology department is accredited by the American College of Radiology; complies with the Mammography Quality Standards Acts, and complies with the regulations of the Nuclear Regulatory Commission.

The applicant believes that the addition of burn care services at CMMC will improve the quality of care offered by the Hospital to those patients in need of such services.

#### 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.	Construction Cost -- Renovation	0	0
c.	Capital Improvements	203,752	13.87
d.	Total Fixed Equipment Cost	0	0
e.	Total Non-Fixed Equipment Cost	1,265,638	86.13
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	0	0
i.	Contingency Reserve	0	0
j.	Legal and accounting fees	0	0
k.	Other	<u>0</u>	<u>0</u>
	<b>Total Proposed Capital Expenditure</b>	<b><u>\$1,469,390</u></b>	<b><u>100.00</u></b>

##### B. Method of Financing

Central Mississippi Medical Center will use cash reserves to fund the project. The audited financial statements contained in the application indicate sufficient funds are available for the project.

##### C. Effects on Operating Costs

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses, and net income are shown in Attachment 1.

##### D. Cost to Medicaid/Medicare

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

<b>Jackson HMA, LLC</b>		
<b>d/b/a Central Mississippi Medical Center</b>		
<b>Payor</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
<b>Medicaid</b>	29.05%	\$ 19,463,452
<b>Medicare</b>	20.78%	\$ 13,925,301
<b>Self Pay</b>	6.94%	\$ 4,652,001
<b>Commercial</b>	20.41%	\$ 13,676,894
<b>Charity Care</b>	12.34%	\$ 8,270,223
<b>Other</b>	10.48%	<u>\$ 7,019,367</u>
<b>Total</b>	<b>100.00%</b>	<b><u>\$ 67,007,238</u></b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. Effective September 1, 2012, the Division of Medicaid changed the methodology by which outpatient services are reimbursed so that the cost incurred subsequent to that date will no longer affect outpatient payments. Also, effective October 1, 2012, the Division changed the methodology by which it reimburses inpatient services so that the cost incurred subsequent to that date will only affect cost outlier payments. The Division states that the estimated increase in cost outlier payments resulting from this CON cannot be determined at this time. The Division of Medicaid opposes the project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the overall objectives of the *2013 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

However, the applicant proposes to relocate the 15-bed Burn Center from Crossgates River Oaks Hospital and to increase the number of burn care beds from 15 to 33, an increase of 18 beds. The authorization under House Bill #55 (2009, Second Extraordinary Session) is no longer an appropriation bill and the Department is not mandated to issue beds. The applicant does not meet the criteria in the Plan for the addition of beds. Written Findings contained in the Mississippi Certificate of Need Review Manual, 2011 Revision, state in part: "The Department may approve ... a proposal for CON as originally presented in final form, or it may approve a CON by modification, by reduction only, of such proposal provided the proponent agrees in writing to such modification." Central Mississippi Medical Center has agreed in writing to a reduction of the proposal, to relocate 15 burn center beds from Crossgates River Oaks Hospital.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by Jackson HMA, LLC, d/b/a Central Mississippi Medical Center, by reduction, for the relocation of the 15-bed Burn Center from Crossgates River Oaks Hospital in Brandon to Central Mississippi Medical Center in Jackson.

## Attachment 1

**Jackson HMA, LLC, d/b/a Central Mississippi Medical Center  
 Relocation of the Burn Center from Crossgate River Oaks Hospital**

**Three-Year Projected Operating Statement (Project Only)**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Inpatient Care	\$58,334,912	\$61,251,658	\$64,314,240
Outpatient Care	8,672,326	9,105,942	9,561,239
<b>Gross Patient Care Rev.</b>	<b>\$67,007,238</b>	<b>\$70,357,600</b>	<b>\$73,875,480</b>
Charity Care	8,194,846	8,604,588	9,034,818
Deductions for Revenue	50,081,253	52,585,316	55,214,581
Net Patient Care Revenue	\$ 8,731,139	\$ 9,167,696	\$ 9,626,081
<b>Total Operating Revenue</b>	<b>\$8,731</b>	<b>\$ 9,167,696</b>	<b>\$ 9,626,081</b>
<b>Operating Expenses</b>			
Salaries	\$ 1,353,327	\$ 1,420,993	\$ 1,492,043
Benefits	296,379	311,197	326,757
Supplies	1,641,454	1,723,527	1,809,703
Services	847,500	847,500	847,500
Lease	122,236	128,348	134,765
Depreciation			
Interest			
Other	119,617	125,597	131,877
<b>Total Operating Expenses</b>	<b>\$ 4,380,512</b>	<b>\$ 4,557,162</b>	<b>\$ 4,742,645</b>
<b>Net Operating Income (Loss)</b>	<b>\$ 4,350,627</b>	<b>\$ 4,610,534</b>	<b>\$ 4,883,435</b>
Inpatient Days	2,752	2,890	3,034
Outpatient Days	3,238	3,400	3,570
Procedures	1,418	1,489	1,563
Charge per outpatient day	\$ 2,678	\$ 2,678	\$ 2,678
Charge per inpatient day	\$ 21,197	\$ 21,197	\$ 21,197
Charge per procedure	\$ 47,255	\$ 47,255	\$ 47,255
Cost per inpatient day	\$ 1,592	\$ 1,577	\$ 1,563
Cost per outpatient day	\$ 1,353	\$ 1,340	\$ 1,329
Cost per procedure	\$ 3,089	\$ 3,061	\$ 3,034