

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
NOVEMBER 2005**

**CON REVIEW: HG-R-0905-030
MISSISSIPPI BAPTIST MEDICAL CENTER, INC. D/B/A MISSISSIPPI BAPTIST
MEDICAL CENTER (BAPTIST)
EMERGENCY SUITE RENOVATION AND CONFIGURATION PROJECT
CAPITAL EXPENDITURE: \$3,614,632
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Mississippi Baptist Medical Center, Inc. d/b/a Mississippi Baptist Medical Center (Baptist) is a Mississippi non-profit corporation composed of four (4) corporate officers and a 14-member Board of Directors. Mississippi Baptist Medical Center is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

The 639-bed short term general acute care hospital consists of 517 medical/surgical beds, 24 geriatric psychiatric beds, 78 adult chemical dependency beds, and 20 adolescent chemical dependency beds.

The occupancy rates, average lengths of stay (ALOS) and the Medicaid utilization rates for the medical surgical beds at Baptist are as follows for the three most recent fiscal years:

**Mississippi Baptist Medical Center
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2002	51.12	5.28	9.08
2003	54.86	5.50	10.25
2004	52.83	5.46	9.56

Source: Division of Health Facilities Licensure and Certification, Mississippi Department of Health, (MDH).

B. Project Description

Mississippi Baptist Medical Center is requesting Certificate of Need (CON) authority to renovate and reconfigure the emergency suite and express care suite within the hospital. The current hospital emergency room (ER) and express care clinical, administrative, mechanical and waiting spaces will be involved in the renovation and reconfiguration. The proposed project is expected to result in 19 more ER patient stations, four (4) more express care patient stations and seven (7) observation stations than are presently available. The project will be performed by facilities services personnel of Baptist and/or Mississippi Baptist Health Systems, Inc. No major medical equipment and no new health care services or facilities are required as result of the proposed project.

The proposed project involves 25,708 square feet of renovation within the existing hospital.

According to Mississippi Baptist Medical Center, no increase or decrease in staffing is anticipated, as result the proposed project. The hospital states that the project entails no licensed bed increases or decreases and no change in the range or types of services offered at the hospital.

Total proposed capital expenditure of \$3,614,632 composed of renovation (70.30 percent), non-fixed equipment (26.94 percent), fees (0.28 percent), and contingency reserve (2.48 percent). See capital expenditure summary, page 7. The applicant proposes to fund the project from accumulated cash reserves.

According to the applicant, the capital expenditure for this project was tentatively obligated upon approval of the project by the Baptist Board of Directors on March 9, 2004. Baptist expects to complete the project within 24-months after commencement.

The application includes a letter addressed to the Mississippi Department of Health Division of Health Facilities Licensure and Certification, concerning the review and evaluation of a set of construction documents for the proposed project.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Sections, 41-7-191, subparagraph (1)(j), Mississippi Code of 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 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 December 5, 2005.

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

A. State Health Plan (SHP)

The **FY 2006 State Health Plan** contains criteria and standards which an applicant is required to meet prior to undertaking major construction, renovation, expansion, capital improvements, replacement of health care facilities, and addition of hospital beds. This application is in substantial compliance with applicable criteria and standards.

SHP Criterion 1 – Need

According to Baptist, the emergency department at the hospital was designed for a maximum of 35,000 patient visits/encounters per year. In recent years, the number of patient encounters experienced in the emergency department has consistently exceeded 50,000 per year. This significant growth has resulted in congestion, service delays and physical inconvenience for both patient and staff. The applicant asserts that the hospital conducted studies of its emergency department to utilize as benchmarks for comparison to the emergency department experiences of other hospitals of comparable size and service.

As a result, the applicant decided that the emergency department had to be redesigned, reorganized and expanded. The applicant asserts that the hospital's plans for the proposed project will provide growth capacity to serve upward of 70,000 patient encounters per year.

The following table shows the utilization of outpatient services for the past two years.

Baptist's Outpatient Utilization (FY 2003 – FY 2004)

Outpatient Services	FY 2003	FY 2004
Emergency	39,352	39,949
Clinic/Other	84,225	83,715
Total	<u>123,577</u>	<u>123,664</u>

Source: Application for Renewal of Hospital Licenses, MDH

SHP Criterion 3 – Charity/Indigent Care

Baptist states that it will continue to hold to its mission of providing compassionate Christian healthcare and provide a reasonable amount of indigent/charity care, as it has throughout its nearly 95 year history.

SHP Criterion 4 – Cost of Project

According to Baptist, the project compares favorably to state and national norms for similar projects and will be consistent with state and national standards of design.

The applicant proposes to renovate 25,708 square feet of existing space at an estimated cost of \$102.73 per square foot. See Attachment I.

Mississippi Baptist Medical Center asserts that the equipment costs as proposed in the application are based upon price estimates provided by mainstream, reputable vendors of such equipment and do not exceed the median costs for such equipment.

SHP Criterion 5 – Floor Areas and Space Requirements

The applicant submits that the proposed project compares favorably to state and national norms for similar projects and will be consistent with state and national standards of design.

SHP Criterion 6 – Renovation versus Replacement

Baptist indicates that this criterion does not apply to the proposed renovation project.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 Revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 – Consistency with the State Health Plan

According to Mississippi Baptist Medical Center, the proposed project is in full compliance with all criteria, standards and policies of the **FY 2006 State Health Plan**.

GR Criterion 2 - Long Range Plan

According to the applicant, the proposed project is consistent with Baptist's long range strategic plans developed by its management staff, and approved by the hospital's Board of Trustees and Baptist's Board of Directors for the provision of state-of-the-art, accessible, cost effective, healthcare services to the community and areas served by Mississippi Baptist Medical Center

GR Criterion 3 – Availability of Alternatives

The applicant considered the following alternatives before proceeding with the proposed project:

- No action whatsoever, which was deemed to be unsatisfactory since technological changes in the practice of emergency medicine and the growth of the volume serviced by the emergency department at the hospital is forcing changes in work flow patterns within those suites. Baptist contends that those factors mandate a physical change in the department to meet current and projected needs of the community.
- Relocation and reconstruction of the emergency department suites at another location on the Baptist campus, which was considered to be both too expensive and disruptive to the flow of work and the relationships between those services and other interrelated departments (such as pathology, cardiology, surgery, etc.) at Mississippi Baptist Medical Center.

Mississippi Baptist Medical Center believes that the proposed project was clearly the most cost-effective and most feasible alternative to enable the enhancement of existing work and work flow relationships.

GR Criterion 4 - Economic Viability

The application contains a letter signed by the vice president – corporate controller of Mississippi Baptist Health Systems, attesting to the financial feasibility of this project.

Mississippi Baptist Medical Center projects losses to be \$2,399,237 the first year, \$2,241,419 the second year, and \$2,090,167 the third year after completion of this project. See effect on operating cost, page 8.

Baptist's financial statements for years 2003 and 2004 show that the hospital has the ability to realize a loss for the project.

GR Criterion 5 - Need for the Project

The applicant asserts that the population of GHSA 3 and the state has a growing need for quality, cost effective and technologically advanced emergency departments services. The project's redesign of facilities for delivery of acute services will most efficiently, effectively and conveniently satisfy those needs. The emergency suite renovation and reconfiguration project is a tool in the accomplishment of those patient service and quality of care goals. Baptist's healthcare services have historically been provided to Medicare and Medicaid patients, patients insured by commercial insurance, and patients with no insurance or for charity, regardless of the patient's income, race, sex, religion, handicap or age. The proposed project will have no effect on those access policies and practices other than to facilitate access to healthcare through more efficient provision of emergency department services.

The applicant asserts that since Baptist is a tertiary referral center, it is an entity which provides a substantial portion of its services to individuals not residing in GHSA 3. The applicant believes that the emergency suite renovation and reconfiguration project at Baptist will enhance the tertiary referral center status and function. Additionally, the other entities which this tertiary referral hospital serves will also have their services and abilities enhanced by the efficient renovation and reconfiguration of the hospital emergency department.

The applicant asserts that failure to implement this project will not allow Baptist to meet the community's current and future needs and result in inefficient use of existing facilities in the delivery of emergency department services which are central elements of community access to health care. Failure to implement this project will leave the emergency department to the hospital without large enough facilities to meet the growing need for emergency care to accommodate the growing number of emergency department patient encounters.

GR Criterion 6 - Access to the Facility or Service

According to Baptist, the hospital serves all of the population, including low income, racial and ethnic minorities, women, handicapped and elderly persons. Baptist affirms that it provides health care services to any individual who comes to it in need of such services, regardless of age, creed, sex, race religion or ability to pay.

The following table shows the percentage of estimated gross patient revenue and actual dollar amount of health care provided to Medicaid and medically indigent patients for the past three fiscal years at Mississippi Baptist Medical Center:

Fiscal Year	Percent of Gross Patient Revenue	Dollar Amount
2002	10.80	\$10,829,000
2003	21.80	\$13,085,000
2004	10.02	\$18,782,000

GR Criterion 7 - Information Requirement

Baptist affirms that it will record and maintain the information required by this criterion and make it available to the Mississippi 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 involves only the renovation and reconfiguration of existing emergency department facilities at Baptist. The proposed project does not involve the offering of new health care services and therefore, the project is expected to have no adverse impact on existing facilities or services in GHSA 3.

GR Criterion 9 - Availability of Resources

The applicant states that no increase or decrease in staffing is anticipated, as a result of the proposed project. Emergency department staffing is currently at a level sufficient to handle the patient load the hospital has been experiencing and expects to experience upon completion of this project.

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant asserts that the proposed project involves the reconfiguration of existing services to meet current and projected community needs to more efficiently and effectively provide those services to the patient population. Therefore, there will be no change in ancillary or support services at Baptist.

GR Criterion 14 - Construction Projects

According to the applicant, no new construction is involved in the proposed project.

The applicant proposes renovation of 25,708 square feet of existing space in the emergency department facilities of Baptist at \$102.73 per square foot, calculated using the formula set forth in the **FY 2006 State Health Plan**, (see Attachment I.)

GR Criterion 16 - Quality of Care

Mississippi Baptist Medical Center is in compliance with **the Minimum Standards for the Operation of Mississippi Hospitals**, according to the Division of Health Facilities Licensure and Certification, MDH. Baptist is accredited by the Joint Commission on Accreditation of Health Care Organizations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percent
Renovation	\$ 2,541,110	70.30%
Non-Fixed Equipment	\$ 973,776	26.94%
Fees (Architectural, Consultant, etc.)	\$ 10,000	0.28%
Contingency Reserve	\$ 89,746	2.48%
Total Capital Expenditure	\$ 3,614,632	100.00%

The applicant proposes to renovate 25,708 square feet of existing space in the emergency department facilities of Baptist at \$102.73 per square foot. The **Means Construction Cost Data, 2005** does not compare renovation projects. No new construction is proposed in this project. The proposed project also involves the purchase of non-fixed equipment.

B. Method of Financing

The applicant proposes to finance the proposed project from accumulated cash reserves.

The application contains a letter signed by the vice president – corporate controller of Mississippi Baptist Medical Center, attesting to the financial feasibility for this proposed project.

C. Effect on Operating Cost

Baptist projects the following expenses, revenues, and utilization for the first three years of operation for the proposed project:

Expenses	Year 1	Year 2	Year 3
Salaries & Benefit	\$ 5,900,543	\$ 6,284,078	\$ 55,456,266
Supplies & Other Expense	\$ 315,887	\$ 336,420	\$ 358,287
Depreciation & Interest	\$ 502,686	\$ 507,713	\$ 512,790
Indirect Expense & Overhead costs	\$ 4,995,676	\$ 5,320,395	\$ 5,666,221
Total Expenses	\$ 11,714,792	\$ 12,448,606	\$ 13,229,841
Gross Patient Revenue	\$ 26,615,871	\$ 27,680,506	\$ 28,787,726
Deductions	\$ (17,300,316)	\$(17,473,319)	\$(17,648,053)
Net Patient Revenue	\$ 9,315,555	\$ 10,207,187	\$ 11,139,674
Net Operating Income (loss)	\$ (2,399,237)	\$ (2,241,419)	\$ (2,090,167)
ED Encounters	56,100	58,344	60,678
Cost Per Encounter	\$209	\$213	\$218
Charge Per Encounter	\$474	\$474	\$474

C. Cost to Medicaid/Medicare

Patient Mix by Type Payer	Utilization Percentage	First Year Expenses
Medicaid	16	\$1,874,367
Medicare	33	\$3,865,881
Other	<u>51</u>	<u>\$5,974,544</u>
TOTAL	<u>100</u>	<u>\$11,714,792</u>

Baptist projects approximately 3.1 percent of gross revenue for medically indigent patients and 2.0 percent for bad debt patients.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. According to the Division of Medicaid, outpatient services are paid as outlined in the **State Plan**. The Division of Medicaid takes no position on the application.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the construction, renovation, expansion, capital improvements, replacement, and addition of hospital beds as contained in the **FY 2006 State Health Plan**; the **Mississippi Certificate of Need Review Manual, Revised 2000**; and duly adopted rules, procedures and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Mississippi Baptist Medical Center, Inc. dba Mississippi Baptist Medical Center for its emergency suite renovation and reconfiguration project.

**Mississippi Baptist Medical Center
HG-R-0905-030**

Attachment 1

Computation of Renovation Cost

Renovation: 25,708 Square feet

*Renovation Cost Formula

A.	Renovation	\$2,541,110
E.	Fees	10,000
F.	Contingency Reserve	<u>89,746</u>
	Total	\$2,640,856 ÷ 25,708 = \$102.73/sq. ft.

*Source: FY 2006 State Health Plan