

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
FEBRUARY 2010**

**CON REVIEW HG-R-1109-031  
UNIVERSITY OF MISSISSIPPI MEDICAL CENTER  
UMMC CAFETERIA RENOVATION  
CAPITAL EXPENDITURE: \$4,577,081  
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

A. Applicant Information

The University of Mississippi Medical Center (UMMC) is a state owned not-for-profit acute care teaching inpatient hospital with full emergency and outpatient services. The facility has a management service agreement with Quorum Health Resources of Nashville, Tennessee. The full authority and ultimate control of the hospital remains with the Board of Trustees of State Institutions of Higher Learning, with administrative authority delegated to the Chancellor and Vice Chancellor for Health Affairs of the University of Mississippi Medical Center. The facility is accredited through the Joint Commission on Accreditation of Healthcare Organizations.

The hospital is currently licensed to operate 664 medical/surgical beds, 21 adult psychiatric beds, 12 pediatric psychiatric beds and 25 rehabilitation beds. The total licensed bed capacity is 722.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for UMMC are as follows for the years 2006 through 2008:

**University of Mississippi Medical Center  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2006	60.81	6.42	51.72
2007	56.57	6.33	51.62
2008	61.38	6.57	50.97

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

**B. Project Description**

The University of Mississippi Medical Center requests Certificate of Need (CON) authority for renovation of the cafeteria on the campus of the existing hospital. The applicant states that the proposed project consists of the complete renovation of the existing cafeteria and dining areas on the first floor of the main hospital, and the cooking line of the kitchen which is directly below the cafeteria on the basement level will be renovated. The project involves renovation total of 13,866 square feet, including displacement and relocation of an occupational therapy suite and a non-invasive cardiology suite to other areas of the hospital. The applicant asserts that all new equipment and utilities as well as architectural finishes will be provided within the scope of the cafeteria/dining renovation project. The renovation breakdown of square footage for the proposed project is as follows:

<u>Area</u>	<u>Square Foot</u>
Dinning	5,457
Server	3,861
Office/Support/Ancillary	4,548
<b>Total</b>	<b><u>13,866</u></b>

UMC asserts that the project involves only fixed equipment purchase and no additional inpatient rooms for this proposed project.

The total proposed capital expenditure is \$4,577,081 and of that amount, approximately 65.49 percent is for renovation; 5.23 percent for fees (architectural, consultant, etc.); 6.54 percent for contingency reserve; 3.3 percent for other cost and 19.44 percent for fixed equipment. The applicant proposes to finance this project from patient revenues.

The applicant indicates that the anticipated date for obligation of the proposed capital expenditure is January 2010, and the proposed project will be complete April 2011.

Mississippi State Department of Health's Division of Health Facilities Licensure and Certification asserts that the site is approved for the proposed project.

**II. TYPE OF REVIEW REQUIRED**

The Mississippi State Department of Health reviews applications for construction, renovation, expansion, or capital improvement involving a capital expenditure in excess of \$2,000,000, under the applicable statutory requirements of Section 41-7-191, subparagraph (1) (j) of the Mississippi Code of 1972, Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health.

In accordance with Section 41-7-197(2) of the Mississippi Code 1972, Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on March 10, 2010.

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

#### A. State Health Plan (SHP)

The *FY 2010 State Health Plan* does not contain criteria and standards for renovation of a cafeteria as proposed by this project. However, the project is in substantial compliance with the overall objectives of the *Plan*.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised December 1, 2009*; 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**

The project is consistent with the goals contained in the *FY 2010 State Health Plan*.

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

The application contains a statement signed by the Chief Accounting Officer of the University Hospitals and Health Systems and CPA of the University of Mississippi Medical Center attesting to the viability of this project. The project is being funded by the hospital's patient revenues.

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

- a. **Access by Population Served:** The applicant asserts that the proposed renovated cafeteria and food service area will allow UMMC the opportunity to better meet the nutritional needs of all its employees and patients, as well as the surrounding community.
- b. **Relocation of Services:** This application does not propose the relocation of services. According to UMMC, the proposed project involves renovation of the existing cafeteria/dining and food service area. The project involves renovation of 13,866 square feet of existing space.
- c. **Current and Projected Utilization of Like Facilities in the Area:** No additional services are being proposed.
- e. **Community Reaction:** The application contains four (4) letters of support for the proposed project.

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

#### **GR Criterion 6 - Access to the Facility or Service**

- a. **Medically Underserved Population:** The University of Mississippi Medical Center asserts that it serves all residents of the health planning service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons and the elderly. The applicant asserts that it serves a significant portion of the underserved citizens in the community. The renovated cafeteria and food preparation area will allow UMMC the opportunity to offer these individuals higher quality and nutritious dietary options in a comfortable environment.
- b. **Performance in Meeting Federal Obligations:** The applicant states that the hospital has no existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority/handicapped persons.

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

The applicant asserts that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of request.

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

University of Mississippi Medical Center, states that it is the only Level 1 Trauma hospital in the state of Mississippi.

The applicant believes that the proposed project will better serve its patients, guests and employees. The project will modernize UMMC's current cooking and food preparation areas resulting in a more ascetically pleasing and safer work environment. The redesign will also allow the hospital to offer more nutritious food options in a comfortable dining and meeting area.

Because no new services will be offered as a result of this project, staff concludes that this project would have no adverse affect on other providers in the referenced service area.

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

According to the applicant, Sodexo will provide management of clinical nutritional services for the proposed project.

**GR Criterion 14 - Construction Projects**

- a. **Cost Estimate:** The application contains a cost estimate prepared by The McCarty Company Design Group, P.A. Architect.
- b. **Schematic Drawing:** The application contains a schematic drawing of the proposed project.
- c. **Space Allocations:** The applicant submits that space will conform to applicable local and state licensing standards.
- d. The project does not involve new construction.
- e. **Cost per Square Foot:** The proposed project involves approximately 13,866 square feet of renovated space at an estimated cost of \$319.15 per square foot (See Attachment 1). The *Means Construction Cost Data, 2009* does not compare costs for renovation.

**GR Criterion 16 - Quality of Care**

The University of Mississippi 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, MSDH. The facility is accredited by the Joint Commission on Accreditation of Health Care Organizations and quality is monitored and reviewed by the hospital's Performance Improvement and Risk Management departments.

**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	\$2,997,691	65.49%
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	888,000	19.44%
e.	Total Non-Fixed Equipment Cost	0	0
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	239,815	5.23%
i.	Contingency Reserve	299,769	6.54%
j.	Capitalized Interest	0	0
k.	Other	151,806	3.31%
	<b>Total Proposed Capital Expenditure</b>	<b>\$5,348,093</b>	<b>100%</b>

The above capital expenditure is proposed for renovation of UMMC cafeteria/dining area. The proposed project involves approximately 13,866 square feet of renovated space at an estimated cost of \$319.15 per square foot (See Attachment 1). The *Means Construction Cost Data, 2009*, does not compare costs of renovation projects.

**B. Method of Financing**

The applicant proposes to finance this project from University of Mississippi Medical Center's patient revenues.

**C. Effect on Operating Cost**

The University of Mississippi Medical Center states that the only effect on operating cost will be \$228,854 depreciation cost per year for the proposed project.

**D. Cost to Medicaid/Medicare**

According to the applicant, the proposed project will not result in significant changes in revenues or expenses. It is merely a renovation project of existing space to the cafeteria/dining area on UMMC campus. The project is being financed from University of Mississippi Medical Center's patient revenues.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided an opportunity to review and comment on this project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the overall objectives as contained in the *FY2010 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised December 1,2009*; and duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by University of Mississippi Medical Center for renovation of the existing cafeteria area.

**University of Mississippi Medical Center  
 HG-R-1109-031  
 Attachment 1  
 Computation of Renovation Cost\***

<u>Cost Component</u>	<u>Total</u>	<u>Renovation</u>
New Construction Cost	0	0
Renovation Cost	\$2,997,691	\$2,997,691
Total Fixed Equipment Cost	888,000	888,000
Total Non-Fixed Equipment Cost	0	0
Land Cost	0	0
Site Preparation Cost	0	0
Fees (Architectural, Consultant, etc.)	\$239,815	\$239,815
Contingency Reserve	\$299,769	\$299,769
Capitalized Interest	0	0
Other	151,806	0
<b>Total Proposed Capital Expenditure</b>	<b>\$4,577,081</b>	<b>\$4,425,275</b>

Square Footage	13,866	13,866
Allocation Percent		100%

<b>Costs Less Land, Non-Fixed Eqt. &amp; Other</b>	<b>\$4,425,275</b>	<b>\$4,425,275</b>
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<b>\$319.15</b>	<b>\$319.15</b>
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\*Source: Mississippi Certificate of Need Review Manual, Revised December 1, 2009