

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2004**

**CON REVIEW: HG-NIS-1103-028
NESHOPA COUNTY GENERAL HOSPITAL
ESTABLISHMENT OF A NINE-BED ADULT CHEMICAL DEPENDENCY PROGRAM
CAPITAL EXPENDITURE: \$0
LOCATION: PHILADELPHIA, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Neshoba County General Hospital (NCGH) is a short-term acute care, 82-bed medical/surgical hospital, including 10 inpatient geriatric psychiatry beds, located in Philadelphia, Mississippi. The hospital is operated as a public hospital and is owned by the citizens of Neshoba County. NCGH offers a wide range of general acute care services accompanied by a full medical staff to operate each department in the hospital. NCGH is presently governed by a five-member Board of Trustees. These five board members are appointed by the Neshoba County Board of Supervisors. The facility will be certified to participate in the Medicare and Medicaid programs. The facility has been approved by the Mississippi State Department of Health, Division of Licensure and Certification.

The facility is licensed for 82 beds, including 10 inpatient geriatric psychiatry beds, of which 49 are set up and staffed. The occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate
2001	26.70	4.14	80.52
2002	33.62	3.68	78.69
2003	31.70	4.20	78.44

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

B. PROJECT DESCRIPTION

Neshoba County General Hospital (NCGH) is requesting CON authority to add a nine-bed adult chemical dependency program to its medical services by decreasing nine acute care beds and adding nine chemical dependency beds. The applicant states NCGH has noticed an increase in alcohol and substance abuse among its Neshoba County residents. Since there are a limited number of alcohol and substance abuse facilities or programs available in the city of Philadelphia, Mississippi, residents must drive excessive distances to neighboring cities to be admitted in a treatment program. Because potential patients will need mental and medical services, long distance drives are preventing patients from receiving the health care they need to succeed in the area treatment programs.

The NCGH treatment program will help patients overcome their addiction by offering counseling, medical, and psychiatric services provided by physicians and qualified staff. A 12-step model closely related to the AA principles will be used as the foundation for the treatment program, and it will be implemented by a multi-disciplinary staff.

Briefly, NCGH will make minor modifications to a fourth floor hospital wing, formerly designated as acute care medical services, and place the treatment program on the wing. There will be no new construction or major renovations needed for the installation of the treatment program, thus costs involved in the project will be charged as operating expenses. The applicant includes a capital expenditure summary, a Three Year Projected Operating Statement and an audited Financial Statement. The applicant states that the project will involve a 10.61 FTE change in staff and the annual cost to utilize these employees will be \$394,250. NCGH will use current operating funds to complete the project. Upon the approval of the project, completion will take place April 1, 2004.

The application includes a letter from the MSDH Division of Licensure and Certification, approving the site for chemical dependency services.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for establishment of chemical dependency services in accordance with Section 41-7-191, subparagraph (1)(c) and (d) (v) Mississippi Code 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 March 4, 2004.

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

A. State Health Plan (SHP)

The *FY 2004 State Health Plan* contains both general and service specific criteria and standards which the applicant is required to meet before receiving CON authority for construction, renovation, and the acquisition of major medical equipment. This application is in substantial compliance with applicable criteria and standards.

SHP Criterion 1- Need

The Certificate of Need criteria and standards for acute psychiatric, chemical dependency, and/or psychiatric residential treatment facility beds/services outlined in the *FY 2004 Mississippi State Health Plan* state that an entity must document the need for the proposed project. Briefly, the applicant states that Neshoba County is located in central Mississippi in General Hospital Service Area 4. Due to an increase in alcohol and substance abuse among Neshoba County residents, there is a need for a chemical dependency program in Philadelphia, Mississippi. Presently, the closest alcohol and substance abuse programs are stationed in general acute care hospitals located in Hinds and Lauderdale counties. In this case, potential patients must travel approximately 80 to 100 miles to be admitted in one of the programs located in the counties listed above. Thus, there is a need for a local-based alcohol and substance abuse program in Neshoba County.

SHP Criterion 2 -Information Recording/Maintenance

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

SHP Criterion 3 - Charity/Indigent Care

The applicant will serve patients who cannot financially meet their obligation to pay for services rendered; thus, the hospital does not limit access to services based on the ability to pay.

SHP Criterion 4 - Letters of Support

The applicant provided a letter of support from Weems Community Mental Health Center stating the center is in support of NGCH adding a nine-bed, adult chemical dependency program to its medical services. Also, the applicant provided an affiliation agreement between Weems Community Mental Health Center and NGCH.

SHP Criterion 5 - Scope of Services

Within Neshoba County General Hospital's scope of available services the applicant affirms that neither the facility nor its participating staff will have policies that will exclude patients based on race, color, age, sex, ethnicity, or ability to pay.

SHP Criterion 6 - Charity/Indigent Care

The applicant will serve patients who cannot financially meet their obligation to pay for services rendered.

Service Specific (SS) Criteria and Standards for Acute Psychiatric, Chemical Dependency, and/or Psychiatric Residential Treatment Facility Beds/Services

SHP SS Criterion 1- Statistical Need

The applicant based their statistical need for adult acute chemical dependency beds on the ratio stated in the *FY 2004 Mississippi State Health Plan*. Table IX-6 of the of the *Plan* states there is a statewide chemical dependency bed need of 343. There are 334 licensed/CON approved beds, thus indicating a difference of nine adult chemical dependency beds.

SHP SS Criterion 2- Size of Facility/Unit

NCGH is requesting to add a nine-bed, adult chemical dependency program to its medical services by changing the status of nine acute care beds to nine chemical dependency beds. In addition, the applicant will adhere to the criterion by providing a specialized staff of physicians, nurses, psychologists, and various treatment counselors to implement the adult chemical dependency program. In addition, NCGH will offer an on-site detoxification service for persons who need the medical service, and a multi-disciplinary psycho-social medical treatment model which involves the family and significant others.

SHP Criterion 3- Chemical Dependency Aftercare and Follow-up Services

Upon discharge of persons from NCGH's adult chemical dependency program, the applicant affirms that each individual will undergo a one-year monitoring system by NCGH's required staff to report the progress of each patient. After review, NCGH's chemical dependency staff will determine if patients will need additional treatment.

SHP Criterion 4- Clients and Provision of Services

NCGH will provide treatment services to persons who suffer from substance and/or alcohol abuse. The applicant affirms that the chemical dependency program will adhere to all standards set forth by the Mississippi State Department of Health.

B. General Review (GR) Criteria

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

GR Criterion 2 - Long Range Plan

The long range development plan of Neshoba County General Hospital (NCGH) is to provide access to medical services for north central Mississippi residents by adding a nine-bed, adult chemical dependency program to the hospital's range of services.

GR Criterion 3- Availability of Alternatives

The applicant states there are no inpatient alcohol and substance abuse programs for Neshoba County residents at this time. The closest alcohol and substance abuse programs are located approximately 80 to 100 miles in Hinds and Lauderdale counties. Presently, NCGH's primary and secondary programs cannot accommodate the needs of persons who suffer from alcohol and substance abuse. In this case, the applicant states there is no other alternative method of providing treatment for persons in Neshoba County who suffer from alcohol and substance abuse.

GR Criterion 4 - Economic Viability

Three year operating projections reflect a first year net profit of \$5,000, a second year profit of \$65,000, and a third year profit of \$82,000. The estimated cost for this project is \$75,000, which the applicant states will be financed from current operating funds.

GR Criterion 5 - Need for the Project

The applicant states that Neshoba County is located in central Mississippi in General Hospital Service Area 4. Due to an increase in alcohol and substance abuse among Neshoba County residents, there is a need for a chemical dependency program in Philadelphia, Mississippi. Presently, the closest alcohol and substance abuse programs are stationed in general acute care hospitals located in Hinds and Lauderdale counties. In this case, potential patients must travel approximately 80 to 100 miles to be admitted in one of the programs located in the counties listed above. Thus, there is a need for a local-based alcohol and substance abuse program in Neshoba County.

Two endorsement letters from Weems Community Mental Health Center were submitted on December 29, 2003, to be included in the CON application dated November 26, 2003. The center's officials recognize that NCGH complies with all federal regulations regarding community service and support NCGH efforts to service all patients in Service Area 4.

GR Criterion 6- Accessibility

NCGH affirms the hospital will service all patients in General Hospital Service Area 4 regardless of race, creed, sex, or ability to pay. The Adult Chemical Dependency program will be operated by required staff 24 hours per day. Emergency services will be available from other areas of the hospital as needed.

GR Criterion 7- Information Requirement

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

GR Criterion 8 - Relationship to Existing Health Care System

The Adult Chemical Dependency program should not have a significant impact on the health care systems in General Hospital Service Area 4. The Adult Chemical Dependency program will be located within the Neshoba County General Hospital to deliver treatment services to an increasing portion of the Neshoba County population who suffer from alcohol and drug addiction.

GR Criterion 9 - Availability of Resources

The applicant states that the project will involve a 10.61 FTE change in staff and the annual cost to utilize these employees will be \$394,250. Applicant foresees no problems in recruiting additional personnel, and to a limited extent, staff will be shared between the facility's 10-bed inpatient geriatric psychiatric program and the proposed program. In addition, NCGH will hire two additional physicians and provide consultants to operate the Adult Chemical Dependency program.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant states the Adult Chemical Dependency program will be a part of the hospital's range of services. As a result of this project, there will be no increase in the utilization of ancillary services.

GR Criterion 14-Construction Projects

The applicant states the facility will utilize existing space in the facility by converting nine acute care beds to nine Adult Chemical Dependency beds. Thus, no new construction is projected.

GR Criterion 16 - Quality of Care

The applicant states NCGH has been providing care to residents of Neshoba

County and will continue to provide quality care.

IV. FINANCIAL FEASIBILITY

Although the applicant claims no capital expenditure, NCGH will make minor modifications to a fourth floor hospital wing that was formerly designated as acute care medical services and place the treatment program on the wing. The estimated cost for this project is \$75,000, which the applicant states will be charged as operating expenses.

A. Capital Expenditure Summary

Estimated Project Costs	
Construction Cost-Renovation	\$32,500.00
Capital Improvements, i.e. (minor painting and repairs, refurbishing)	\$10,500.00
Total Non-Fixed Equipment Cost	\$20,000.00
Fees (Architectural, Consultant, etc.)	\$6,000.00
Contingency Reserve	\$6,000.00
Capitalized Interest	
Other Cost (Specify)	
TOTAL PROPOSED PROJECT COST	\$75,000.00

B. Method of Financing

NCGH will use current operating funds to fund the project.

C. Effects on Operating Costs

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

	First Year	Second Year	Third Year
Gross Patient Revenue	\$909,000.00	\$1,017,000.00	\$1,134,000.00
Deduction From Patient Revenue:	\$336,000.00	\$358,000.00	\$401,000.00

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	First Year	Second Year	Third Year
Net Patient Service Revenue	\$573,000.00	\$659,000.00	\$733,000.00
Expenses:			
Salaries:			
Unit Director/Counselor	\$62,000.00	\$64,000.00	\$66,000.00
Counselors	\$60,000.00	\$62,000.00	\$64,000.00
Registered Nurses	\$183,000.00	\$188,000.00	\$193,000.00
Technicians	\$33,000.00	\$34,000.00	\$58,000.00
Benefits	\$74,000.00	\$76,000.00	\$84,000.00
Medical Director Fees	\$24,000.00	\$24,000.00	\$24,000.00
Supplies/Laundry	\$4,000.00	\$5,000.00	\$6,000.00
Food	\$7,000.00	\$8,000.00	\$9,000.00
Housekeeping	\$7,000.00	\$7,000.00	\$8,000.00
Drugs	\$16,000.00	\$18,000.00	\$20,000.00
Utilities, Insurance, Travel	\$26,000.00	\$27,000.00	\$28,000.00
Bad Debt-8%	\$72,000.00	\$81,000.00	\$91,000.00
Total Expenses:	\$568,000.00	\$594,000.00	\$651,000.00
Net Income (Loss)	\$5,000.00	\$65,000.00	\$82,000.00
General Assumptions:			
Patient Days	1,212.00	1,356.00	1,512.00
Charge/Patient	\$750.00	\$750.00	\$750.00
Cost/Patient	\$469.00	\$438.00	\$431.00

D. Cost to Medicaid/Medicare

Payor	Utilization Percentage	First Year Expense
Medicaid	71%	\$ 403,000.00
Medicare	7%	\$ 40,000.00
Other	22%	\$ 125,000.00
Total	100%	\$ 568,000.00

NCGH projects 8% bad debt. Medically indigent and charity care are approximately 0% and 15% of gross patient revenues.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application; however, no written comments were received from the Division.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for adding acute chemical dependency beds/services as contained in the *FY 2004 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by the Neshoba County General Hospital (NCGH).