

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

**CON REVIEW: HG-CB-0605-022
JACKSON HMA, INC, D/B/A CENTRAL MISSISSIPPI MEDICAL CENTER
ADDITION OF 13 ADOLESCENT PSYCHIATRIC AND
17 ADOLESCENT CHEMICAL DEPENDENCY BEDS
CAPITAL EXPENDITURE: \$3,448,975
LOCATION: JACKSON, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Central Mississippi Medical Center (CMMC) is a 429-bed tertiary care center, owned and operated by Jackson HMA, Inc. Jackson HMA, Inc. is a wholly owned subsidiary of Health Management Associates, Inc., Naples, Florida. Health Management Associates, Inc. owns and operates eight other Mississippi acute care hospitals for which CMMC serves as a referral center. The facility is governed by a 13-member Board of Trustees comprised of the Chief Executive Officer, the Vice President of Operations for Health Management Associates, Inc., the Medical Staff's Chief of Staff, seven residents of the community served by the hospital, and three members at large from the medical staff, having an active interest in the hospital and able to participate in fulfilling the responsibilities of a Trustee.

The bed complement of CMMC consists of 400 medical surgical beds and 29 adult psychiatric beds. The occupancy rates, average lengths of stay (ALOS), and Medicaid utilization rates for the three most recent years are as follows (medical/surgical beds only):

**Central Mississippi Medical Center
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate
2002	33.68	5.46	25.22
2003	33.44	5.18	21.57
2004	34.89	5.39	26.58

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

B. Project Description

CMMC is requesting Certificate of Need (CON) authority to expand and enhance its behavioral health services program by offering adolescent psychiatric and adolescent chemical dependency treatment services. It will require renovation of 12,000 square feet of space on the fifth floor of the hospital to accommodate a 13-bed adolescent psychiatric unit and a 17-bed adolescent chemical dependency unit. Additionally, the applicant proposes the construction of an Activity Courtyard composed of 6,250 square feet of space. The MDH Division of Health Facilities Licensure and Certification has approved the site for adolescent psychiatric and chemical dependency services.

The project will require 21.0 FTE personnel at an estimated cost of \$1,157,187 the first year.

The proposed capital expenditure of \$3,448,975 consists of new construction - 3 percent, renovation - 57 percent, fixed and non-fixed equipment - 32 percent, fees - 5 percent, and contingency reserves - 3 percent (see Capital Expenditure Summary on Page 10). The applicant proposes to obligate the capital expenditure immediately upon CON approval and anticipates that the adolescent psychiatric and chemical dependency services will commence within 18 months thereafter.

II. TYPE OF REVIEW REQUIRED

The Mississippi Department of Health reviews applications for establishment of psychiatric and chemical dependency services in accordance with Section 41-7-191, subparagraphs (1)(c), (d)(iv) and (v), and (4)(a)(i) of the Mississippi Code 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 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 on September 7, 2005.

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

A. State Health Plan (SHP)

The *FY 2005 State Health Plan* contains policy statements and both general and service specific criteria and standards which the applicant is required to meet before

receiving CON authority for the establishment of adolescent psychiatric and chemical dependency services. This application is in substantial compliance with applicable criteria and standards.

Section 41-7-191 (4)(a)(i) of the Mississippi Code 1972 Annotated, as amended provides that the Department may issue certificates of need to any person for any purpose described in this subsection, provided that the hospital, psychiatric hospital or chemical dependency hospital does not participate in the Medicaid program at the time of the application for the certificate of need and the owner of the hospital, psychiatric hospital or chemical dependency hospital agrees in writing that the hospital, psychiatric hospital or chemical dependency hospital will not at any time participate in the Medicaid program or admit or keep any patients who are participating in the Medicaid program in the hospital, psychiatric hospital or chemical dependency hospital. However, in compliance with Policy Statement 9 of the *State Health Plan*, the applicant affirmed that it will seek Medicaid certification at such time as the program becomes eligible for the program and will provide the MDH with information regarding these services. The applicant also confirmed that it will meet all applicable licensing and certification regulations as promulgated by the MDH Licensure and Certification Division.

General CON Criteria and Standards

SHP General Criterion 1- Need

The *FY 2005 Mississippi State Health Plan* states that an entity must document a need for acute psychiatric and chemical dependency beds using the appropriate bed need methodology as presented in the *Plan*.

Based on the methodologies presented in the *Plan* for child/adolescent psychiatric services (.55 beds per 1,000 population aged 7 to 17 for 2005) and child/adolescent chemical dependency services (.44 beds per 1,000 population aged 12 to 17 for 2005), the state as a whole has a need for 13 child/adolescent psychiatric beds and 68 child/adolescent chemical dependency beds. The applicant relies on these statistics, presented in Tables IX-5 and IX-6 of the *FY 2005 State Health Plan*, in demonstrating need for this project.

SHP General Criterion 2 -Information Recording/Maintenance

CMMC affirmed that they 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.

SHP General Criterion 3 - Memoranda of Understanding

The application contained a signed Memorandum of Understanding between the applicant and the Community Mental Health Center regarding the referral and admission of charity and medically indigent patients.

SHP General Criterion 4 - Letters of Support

The application contains letters from Region 8 Mental Health - Mental Retardation Commission, Hinds Behavioral Health Services, physicians, and political leaders, endorsing the project.

SHP General Criterion 5 - Scope of Services

The applicant affirms that it provides and will continue to provide care to the poor, handicapped, women, elderly, and members of racial and ethnic minorities in the provision of services and in the promulgation of policies and procedures.

SHP General Criterion 6 - Charity/Indigent Care

The applicant submits that it provides and will continue to provide a reasonable amount of indigent/charity care.

Service Specific (SS) Criteria And Standards

SHP SS Criterion 1- Statistical Need for Adolescent Psychiatric and Chemical Dependency (CDU)

Tables IX-5 and IX-6 document a statewide need for 13 additional adolescent psychiatric beds and 68 additional adolescent chemical dependency beds, respectively. The applicant relies on this documentation to project the need for 13 adolescent psychiatric and 17 adolescent chemical dependency beds.

SHP SS Criterion 2- Size of Facility/Unit (Psychiatric and CDU)

The applicant proposes to renovate 12,000 square feet on the 5th floor of CMMC's main campus. For the past several years, this space has been occupied by Select Specialty Hospital. Select Specialty Hospital recently obtained a certificate of need to relocate its long-term acute care hospital to north Jackson, vacating the space proposed in this application for the adolescent psychiatric and chemical dependency services. The unit will consist of 13 adolescent psychiatric and 17 adolescent chemical dependency beds.

SHP SS Criterion 3- Staffing (Psychiatric and CDU)

The applicant affirmed that the proposed unit will meet the requirements of this criterion. Approximately 21 FTE personnel are projected for the project at an estimated annual cost of \$1,157,187.

The application included the applicant's treatment plan which includes aftercare services for the chemical dependency unit.

SHP SS Criterion 4- Structural Design (Psychiatric and CDU)

The applicant states that it does not anticipate offering psychiatric or chemical dependency services to children (age 7 to 13).

SHP SS Criterion 5 - Aftercare or Follow-up Services (CDU)

The application contains the applicant's plan for aftercare and follow-up services. Some examples of aftercare/follow-up services proposed by the applicant include: (1) residential facilities, (2) counseling services, (3) long-term care Behavioral Health facilities, (4) Alateen meetings, and (5) private facilities.

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 1 – State Health Plan

The *FY 2005 State Health Plan* indicates that the MDH intends to approve an application for CON if it substantially complies with the projection of need and with the applicable criteria and standards presented in the Plan. This application is in substantial compliance with the projection of need as stated in the *FY 2005 State Health Plan*.

GR Criterion 2 - Long Range Plan

The applicant submits that the addition of adolescent psychiatric and chemical dependency services at CMMC is a significant part of the hospital's long-range plan to become a full service tertiary care center. The applicant further submits that it is the stated mission of CMMC to provide state-of-the-art services, facilities, and treatment modalities to the citizens of its service area.

GR Criterion 3- Availability of Alternatives

The applicant believes that the project as proposed is the most cost-effective method of meeting the behavioral health needs of the health care community served by CMMC. The only other alternative considered by the applicant was to maintain the status quo.

GR Criterion 4 - Economic Viability

The applicant's three year operating projections reflect a net income of \$449,071 the first year, \$827,067 the second year, and \$1,223,731 the third year. Therefore, this project appears to be economically viable.

The applicant's costs and charges are slightly higher than the costs and charges projected by applicants within the past 12 months for similar services.

The applicant estimates utilization of the 30-bed facility (13 adolescent psychiatric and 17 adolescent chemical dependency beds combined) at 43.1 percent in Year 1 to 59.4 percent in Year 3. Staff applied FY 2004 occupancy rates for each type of facility (75.84 percent for adolescent psychiatric and 17.98 for adolescent chemical dependency) to verify the applicant's projected occupancy rate of 43.1 percent in Year 1, when both types are combined. Therefore, the applicant's projected level of utilization for Year 1 is comparable to like facilities.

GR Criterion 5 - Need for the Project

The applicant states that CMMC does not discriminate against low income persons, racial and ethnic minorities, elderly, women, handicapped persons or any other underserved groups in the provision of its services.

Applicant submits that the projected level of utilization for adolescent psychiatric and chemical dependency is in line with the level of services experienced by similar facilities currently providing these services.

For FY 2003, Mississippi had a total of eight operational adolescent psychiatric programs, utilizing 180 licensed beds, and two operational adolescent chemical dependency programs, utilizing 32 licensed beds. These facilities had an average occupancy rate of 97.13 percent for psychiatric and 21.96 percent for chemical dependency services in FY 2003. Updated projections reveal that for FY 2004 these facilities had an average occupancy rate of 75.84 percent for adolescent psychiatric, utilizing 241 beds, and 17.98 percent for adolescent chemical dependency programs, utilizing 52 chemical dependency beds. A list of facilities providing

adolescent psychiatric and chemical dependency services is provided below, along with utilization data for FY 2002, FY 2003, and FY 2004.

**Adolescent Psychiatric Facilities
 Utilization Data**

Facility/Location	Beds	FY 2002	FY 2003	FY 2004
Alliance Health Center, Meridian	22	129.38	137.88	156.54
Brentwood, Jackson	59/21*	†105.30	†121.27	69.43
Children-s Hospital Vicksburg	20*	NA	NA	
Diamond Grove, Louisville	20	75.21	73.30	68.22
Forrest General, Hattiesburg	16	135.99	133.36	106.47
Gulf Coast Medical, Biloxi	11	40.72	45.59	38.55
Memorial Hospital, Gulfport	30	26.92	74.35	28.78
North Mississippi, Tupelo	15*	NA	NA	
Parkwood Behavioral, Southaven	36		98.53	89.66
UMC, Jackson	12	5.45	47.54	42.55
Totals	**241	81.40	97.13	75.84

* CON Issued

**Excludes CON Authorized Beds

† In FY 2002 and FY2003, Brentwood had a total of 33 licensed adolescent psychiatric beds.

Source: Report on Hospitals 2002, 2003, and 2004, and FY 2005 State Health Plan

**Adolescent Chemical Dependency Facilities
 Utilization Data**

Facility/Location	Beds	FY 2002	FY 2003	FY 2004
Memorial Hospital, Gulfport	20	NA	15.28	17.39
MS Baptist, Jackson*	(-10)20	17.71	8.36	.93
River Region, Vicksburg	12	55.57	53.20	47.38
Totals	52	31.91	21.96	17.98

Source: Report on Hospitals 2002, 2003, and 2004, and FY 2005 State Health Plan

*CON was issued to Tri-Lakes Medical Center, Batesville to transfer 10 Adolescent CDU beds from Baptist.

The application contained 11 letters from physicians and community leaders endorsing the project.

Given the need for additional adolescent psychiatric and chemical dependency beds stated in the *2005 State Health Plan*, the applicant does not expect this project to have an adverse impact on existing facilities.

However, letters of opposition were received from Brentwood Behavioral Healthcare; Pine Grove, an extension of Forrest General Hospital; and Mississippi Children's Home Services, asserting that the project will have adverse impact on the existing adolescent psychiatric and chemical dependency programs in the state.

GR Criterion 6- Accessibility

The applicant affirmed that CMMC serves Medicare, Medicaid, and medically indigent patients and will continue to provide health care services to these groups.

GR Criterion 7- Information Requirement

CMMC affirmed that it 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

Comments received from various providers of adolescent psychiatric and chemical dependency services indicate that the project will have an adverse impact on existing services.

GR Criterion 9 - Availability of Resources

The applicant affirmed the availability of resources (including medical staff, health personnel, management personnel, and funds for capital and operating needs) to pursue this project.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant expects no adverse impact on any ancillary or support services offered.

GR Criterion 16 - Quality of Care

CMMC is in compliance with the *Minimum Standards of Operation for Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification. The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations.

IV. FINANCIAL FEASIBILITY

A. Expenditure Summary

Cost Item	Projected Cost	% of Total
Construction Cost - New	\$ 100,000.00	2.90%
Renovation	1,972,500.00	57.19%
	-	
Capital Improvements		0.00%
Total Fixed Equip Cost	55,000.00	1.59%
Total Non-Fixed Equip Cost	1,060,000.00	30.73%
	-	
Land Cost		0.00%
	-	
Site Prep Cost		0.00%
Fees	177,000.00	5.13%
Contingency Reserve	84,475.00	2.45%
	-	
Capitalized Interest		0.00%
Other	-	0.00%
Total Proposed Expenditures	\$ 3,448,975.00	100%

The proposed capital expenditure includes construction of an activity courtyard composed of 6,250 square feet at an estimated cost of \$39.13 per square foot and the renovation of 12,000 square feet at \$178.70 per square foot, on the fifth floor of CMMC's-Main Campus. The applicant's projected construction cost per square foot of new construction is below the lowest percentile for hospital construction costs as published in the *2005 Means Construction Cost Data*. The Means Construction Cost Data does not compare costs for renovation projects.

B. Method of Financing

CMMC proposes to finance the project with accumulated cash reserves. Audited financial statements contained in the application suggest that the applicant has sufficient funds to finance the project.

C. Effects on Operating Costs

The applicant's three-year projected operating statement is presented at Attachment 1.

D. Cost to Medicaid/Medicare

The cost of the project to third party payors is as follows: (The beds are prohibited from participation in the Medicaid program, by statute).

Payor	Utilization Percentage	First Year Cost
Medicaid	-0-	-0-
Medicare	2.0	\$ 44,974
Other	98.0	\$ 2,203,741
Total	100.0	\$ 2,248,715
CMMC projects 3% bad debt and 4 % charity care.		

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The CON statute currently prohibits the applicant from participating in the Medicaid program; therefore, the applicant did not attribute any revenue to be derived from serving Medicaid patients. However, the applicant proposes to seek Medicaid certification in the event the Legislature removes the restriction against participation in the Medicaid program.

The Division of Medicaid points out that "...there will be costs to the Medicaid program from the addition of these beds. However, the application as filed does not provide sufficient information for the Division to be able to determine what that cost may be." The Division of Medicaid took no position on the project.

The Department of Mental Health was also provided an opportunity to comment. No written comments were received from the Department of Mental Health.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for adolescent psychiatric and chemical dependency beds/services as outlined in the *FY 2005 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revision*; and all adopted rules, procedures and plans of the Mississippi Department of Health.

Consequently, the Division of Health Planning and Resource Development recommends approval of this application submitted by Central Mississippi Medical Center for the addition of 13 adolescent psychiatric and 17 chemical dependency beds/services.

Attachment 1

CENTRAL MISSISSIPPI MEDICAL CENTER			
Three Year Operating Statement (project only)			
	Year 1	Year 2	Year 3
Key Statistics:			
Patient Days	4,718	5,660	6,509
Occupancy Rate	43.10	51.70	59.40
Charge per patient day	\$ 1,400	\$ 1,400	\$ 1,400
Net patient revenue per patient day	\$ 624	\$ 624	\$ 624
Operating cost per patient day	\$ 477	\$ 434	\$ 398
Total cost per patient day	\$ 529	\$ 478	\$ 436
Operating profit margin per patient day	\$ 147	\$ 190	\$ 226
Total Patient Revenue	\$ 6,604,777	\$ 7,923,770	\$ 9,112,336
Deductions from Revenue			
Contractual Adjustments	3,660,698	4,391,750	5,050,513
Total Revenue Deductions	\$ 3,660,698	\$ 4,391,750	\$ 5,050,513
Net Patient Revenue	\$ 2,944,079	\$ 3,532,020	\$ 4,061,823
Other Operating Revenue	-	-	-
Net Revenue	\$ 2,944,079	\$ 3,532,020	\$ 4,061,823
Operating Expenses			
Salaries	972,426	1,071,227	1,110,621
Benefits	184,761	203,533	211,018
Supplies	104,482	107,616	110,845
Ancillaries Supplies	140,378	168,442	193,708
Provision for Bad Debt	203,436	244,063	280,672
Dietary	78,019	80,360	82,771
Housekeeping	25,320	26,080	26,862
Laundry	15,240	15,697	16,168
Accounting	252,973	260,562	268,379
HR	11,760	12,113	12,476
Administrative Overhead	259,920	267,718	275,749
Total Operating Expenses	\$ 2,248,715	\$ 2,457,409	\$ 2,589,268
Income (Loss) from Operations	\$ 695,365	\$ 1,074,611	\$ 1,472,555
Old Building Depreciation	39,000	39,000	39,000
New Renovation Depreciation	59,724	59,724	59,724
Leasehold Improvements Depreciation	106,000	106,000	106,000
Total Fixed Expenses	\$ 204,724	\$ 204,724	\$ 204,724
Property Taxes	41,570	42,820	44,100
Total Expenses	2,495,009	2,704,953	2,838,092
Net Income (Loss)	\$ 449,071	\$ 827,067	\$ 1,223,731