

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
JULY 16, 2018**

**CON REVIEW HG-COB-0518-005
SINGING RIVER HEALTH SYSTEM
D/B/A SINGING RIVER HOSPITAL
CONVERSION OF EIGHT (8) LEVEL II CMR BEDS TO LEVEL I CMR BEDS
LOCATION: PASCAGOULA, JACKSON COUNTY, MISSISSIPPI
CAPITAL EXPENDITURE: \$-0-**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Singing River Health System (“SRHS”) is a community-based, not-for-profit health system owned by the citizens of Jackson County and includes two hospitals: Singing River Hospital (435 licensed beds) located in Pascagoula, Mississippi (MS) and Ocean Springs Hospital (136 licensed beds) located in Ocean Springs, MS. SRHS is governed by a nine-member Board of Trustees appointed by the Jackson County Board of Supervisors. Members are appointed as representatives from each district, with two members being appointed from the county at-large. SRHS is accredited by the Joint Commission, and certified for participation in the Medicare and Medicaid programs.

Singing River Hospital (Singing River) is composed of 385 acute care beds, which include 36 distinct part skilled nursing beds; 20 Level II comprehensive medical rehabilitation (CMR) beds; and 30 adult psychiatric beds. The occupancy rates, average lengths of stay (ALOS), and Medicaid Utilization for the three most recent years available are as follows for the Level II CMR beds (ONLY):

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate%
2013	84.07	11.89	NA
2014	84.32	11.50	NA
2015	87.04	11.68	NA

Source: Annual Hospital Reports for 2013, 2014 and 2015, Division of Health Facilities, Licensure and Certification, MSDH

B. Project Description

Singing River Health System, d/b/a Singing River Hospital requests Certificate of Need (CON) authority to convert eight (8) Level II CMR beds to Level I CMR status. The facility currently operates 20 Level II CMR beds and holds a CON for an additional eight (8) Level II CMR beds. The applicant submits that in 2014, the Mississippi State Board of Health approved an amendment to the *Mississippi State Health Plan* in order to authorize existing Level II CMR units to convert beds to Level I status, upon compliance with specific criteria and standards. The applicant asserts that this proposal fully complies with these criteria and standards, as set forth in the *Fiscal Year 2015 Mississippi State Health Plan*.

The applicant states that no construction, renovation work, or other capital expenditure will be necessary for this project. Singing River Hospital will convert eight (8) existing Level II CMR beds to Level I status. The applicant states that the project will not require any additional staff.

Singing River Hospital states that the primary object of this proposal is to respond to the community health needs by converting eight (8) Level II CMR beds to Level I status. The applicant affirms that this will enable residents of Singing River Hospital's service area to receive local treatment services for the additional rehabilitation diagnostic categories of spinal cord injury, congenital deformity and brain injury.

The applicant expects the proposed project will be initiated within 30 – 60 days following CON approval and anticipates that the project will be complete within 60 – 90 days following CON approval. The applicant has requested site approval from the Bureau of Health Facilities Licensure and Certification.

II. TYPE OF REVIEW REQUESTED

The Mississippi State Department of Health reviews Certificate of Need (CON) applications for the conversion of Level II CMR beds to Level I status under the requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code of 1972 Annotated, as amended. MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revision*; all adopted rules, procedures, and plans of the MSDH; and the specific criteria and standards listed below.

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 10 days of publication of the staff analysis. The opportunity to request a hearing expires July 26, 2018.

III. CERTIFICATE OF NEED CRITERIA AND STANDARDS

A. State Health Plan (SHP)

The *FY 2015 Mississippi State Health Plan (MSHP)* contains policy statements, and criteria and standards which the applicant is required to meet before receiving CON authority for both Level I and Level II comprehensive medical rehabilitation beds and services. This application, for the conversion of eight (8) Level II CMR beds to Level I status, is in compliance with applicable policy statements and criteria and standards.

SHP Criterion 1- Need

Singing River Health System asserts that the need for this project is demonstrated by the community's response to Singing River Hospital's Level II CMR Center, which has experienced an occupancy rate in excess of 80%. According to the applicant, Singing River Hospital determined that the residents of its service area will greatly benefit from the availability of Level I CMR services based on its operational experience and an assessment of community health needs.

Need Criterion 1 (e) provides that an existing Level II CMR unit may convert no more than eight (8) beds to Level I CMR status if the Level II facility meets the following requirements.

- **Requirement 1 - The Level II CMR unit must demonstrate that it has maintained an occupancy rate of at least 80 percent for the most recent 12-month licensure reporting period, as reported in the Mississippi State Health Plan.** Singing River Hospital submits that its Level II CMR unit maintained an occupancy rate of 84.07% as reported in the *FY 2015 State Health Plan*. In addition, the 2015 Annual Hospital Report reveals that Singing River's Level II CMR unit maintained an occupancy rate of 87.04 for that reporting period.

- **Requirement 2 - The Level II CMR unit must document that the facility expects to have a minimum of sixty (60) patient admissions annually with the three (3) Level I rehabilitation categories: (1) spinal cord injuries, (2) congenital deformity, and (3) brain injury.** Based on MEDPAR data from 2016, SRHS estimates that it encountered 349 patients exhibiting conditions which made them eligible for admission to a Level I CMR program. SRHS further estimates that at least 21% to 30% of these patients would be admitted for Level I CMR services. Based on this data, SRHS projects Level I admissions will be six (6) to eight (8) per month or 72 to 96 per year.
- **Requirement 3 - The Level II CMR unit shall document ability to treat the additional three (3) Level I rehabilitation categories, including but not limited to, documenting compliance with the standards for Level I CMR units, Criterion 2 (Treatment and Programs) and Criterion 3 (Staffing and Services).** See discussion below in SHP Criterion 3 – Staffing and Services.
- **Requirement 4 - The Level II facility shall obtain the written support for the project from any Level I CMR facility within a 45-mile radius of the facility.** HealthSouth Rehabilitation Hospital of Gulfport (“HealthSouth”), the only Level I facility within a 45-mile radius of Singing River Hospital, has submitted a letter in support of the project. However, HealthSouth states that it reserves the right to provide written notice and evidence of adverse impact to MSDH should it determine such adverse impact.

SHP Criterion 2 – Treatment and Programs

Singing River Hospital requests authority to offer Level I CMR services in order to treat spinal cord injury, congenital deformity, and brain injury. The applicant states that the program would not accommodate ventilator-dependent patients, complete spinal cord injury patients, patients with injuries C6 or higher, or patients below Ranchos Los Amigos Level VI. The applicant further states that it will continue to include on its Annual Report of Hospitals the information on CMR patients as required by this criterion.

SHP Criterion 3 – Staffing and Services

Both Level I and Level II hospital-based CMR units shall have a Director of Rehabilitation who (1) is a licensed Doctor of Medicine or Osteopathy; (2)

has at least two (2) years of training or experience in the medical management of inpatients requiring rehabilitation services; and provides services to the unit and its inpatients for at least 20 hours per week.

The applicant submits that Dr. Thomas E. Stevens, Jr. currently serves as Medical Director of the Hospital's CMR unit, and will continue to do so following the approval of the proposed project. Singing River asserts that Dr. Stevens has more than five (5) years of experience in the medical management of inpatients requiring rehabilitation services, and provides services to the unit and its inpatients more than twenty (20) hours per week.

Singing River asserts that the CMR unit is staffed by a variety of qualified clinical personnel, including physical therapists, occupational therapists, speech and language therapies, rehabilitation nurses and social workers.

The applicant further states that in order to enhance the quality and clinical efficiency of its CMR services, Singing River Hospital entered into an Acute Rehabilitation Agreement, as amended, with RehabCare Group Management Services, Inc., d/b/a Kindred Hospital Rehabilitation Services ("KHRS"). According to the applicant, KHRS provides or arranges for such services in support of the CMR Center as: Inpatient Rehab Program Director; Therapy personnel; Community Relations Coordinator; and overall management of CMR services.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revision*, 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 application is in compliance with the criteria and standards contained in the *FY 2015 State Health Plan*, applicable to the conversion of Level II CMR beds to Level I CMR status.

GR Criterion 2 - Long Range Plan

The applicant submits that SRHS is committed to offering a comprehensive range of health services to the residents of its service area. The applicant further states that SRHS' senior management team, in consultation with its

Board of Trustees, determined that the implementation of Level I CMR services through the conversion of existing Level II beds would be extremely beneficial to the residents of the service area in need of comprehensive medical rehabilitation treatment.

GR Criterion 3- Availability of Alternatives

Singing River states that the project, as proposed, is the most efficient and cost effective method to meet the needs of patients seeking comprehensive medical rehabilitation services at Singing River Hospital. The applicant believes that the only alternative to the project is for Singing River Hospital to continue to refer patients in need of Level I CMR services to facilities located a great distance from the patient's home.

The applicant submits that the project is not a duplication of services, but an initiation of Level I CMR services that are not currently available in the community. The applicant states that the project is specifically designed to address current and projected community health needs.

GR Criterion 4 - Economic Viability

The applicant states that the proposed charges for CMR services are based on its existing charge structure for these services, with appropriate adjustments for the addition of Level I beds.

Singing River asserts that it has consistently maintained the highest occupancy rate of all Level II CMR units in the state, which is further evidence of the need for the proposed project. The applicant further states that Singing River does not anticipate any shortfall in projected revenues, but will rely on financial resources to cover expenses, if needed.

GR Criterion 5 - Need for the Project

The applicant submits that SRHS' hospitals provide services to all residents of the service area, regardless of ability to pay. Further, the applicant states that the services offered at Singing River, including CMR services, are available to all residents of the service area, including low income persons, racial and ethnic minorities, women, handicapped persons, the elderly and other underserved groups.

Singing River states that the proposed project is designed to serve the needs of Singing River Hospital's service area, and will not have an adverse impact

on existing CMR facilities. HealthSouth Rehabilitation Hospital of Gulfport, which is the closest CMR provider to the applicant has submitted a letter of support for the project.

The applicant received seven (7) letters of support for the proposed project.

GR Criterion 6 -Accessibility

The applicant submits that Singing River Health System is accessible to all residents of the service area, regardless of financial status, payor, or ability to pay; therefore, the percentage of the medically underserved population currently utilizing Singing River Hospital correspond to the percentage of medically underserved population in the service area as a whole.

The percentage of gross patient revenue and actual dollar amount of healthcare provided to medically indigent and charity care patients for the last two years are presented below:

	Historical Year 2016	Historical Year 2017
Medically Indigent/Charity	\$50,100,000	\$29,200,000
Charity Care %	<u>14%</u>	<u>8%</u>

Note: The applicant states that indigent/charity care will continue at approximately 8 to 10% of total revenue for the projected years.

GR Criterion 7- Information Requirement

Singing River affirms 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.

GR Criterion 8 - Relationship to Existing Health Care System

The applicant submits that the only two facilities providing CMR services on the Mississippi Gulf Coast, Singing River Hospital and HealthSouth Rehabilitation Hospital of Gulfport, serve, for the most part, distinct patient populations. HealthSouth of Gulfport, which operates as a freestanding CMR facility, has submitted a letter in support of the proposed project.

Singing River Health System states that it has an Acute Rehabilitation Agreement, as amended, with RehabCare Group Management Services, Inc., d/b/a Kindred Hospital Rehabilitation Services.

GR Criterion 9 - Availability of Resources

The applicant asserts that Singing River's CMR unit is medically directed by a physician with extensive experience in the medical management of inpatients requiring rehabilitation services. Additionally, the applicant states that the unit is fully staffed with qualified clinical personnel and if needed, Singing River will recruit additional personnel from its current recruitment system.

According to the applicant, Singing River Health System has an Acute Rehabilitation Agreement, as amended, with RehabCare Group Management Services, Inc., d/b/a Kindred Hospital Rehabilitation Services ("KHRS"). Pursuant to this agreement, KHRS provides management, staff and other services with respect to Singing River's CMR unit. The applicant states that the current term of the agreement extends through September 1, 2018.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts that any additional support or ancillary services needed as a result of the project are available at the hospital through existing staff and resources.

Additionally, Singing River does not anticipate any changes in cost or charges as a direct result of the proposed project.

GR Criterion 11- Health Professional Training Programs

The applicant states that Singing River participates in health professional training programs and will continue to do so following the implementation of this project.

GR Criterion 12 – Access by Health Professional Schools

The applicant states that the Level I CMR beds will be staffed by qualified and trained personnel in order to meet the clinical needs of the patients.

GR Criterion 13 – Access to Individuals Outside Service Area

The applicant states that Criterion 13 is not applicable to the proposed project.

GR Criterion 14 – Construction Projects

The proposed project is not for construction.

GR Criterion 15 – Competing Applications

There are no competing applications on file with the Department for the conversion of Level II CMR beds to Level I status.

GR Criterion 16 - Quality of Care

Singing River asserts that it has a track record of providing quality health care services to the patients it serves. The applicant believes that the initiation of Level I CMR services at Singing River will significantly improve the quality of care delivered to the residents of the service area by providing a full continuum of comprehensive medical rehabilitation treatment and care.

Singing River Health System is accredited by the Joint Commission, and certified for participation in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The proposed project does not require a capital expenditure.

B. Cost to Medicaid/Medicare

The applicant’s projections of gross patient revenue percentages and actual dollar amount to Medicaid and Medicare payor sources for the first year of operation is presented below (Project ONLY).

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	72	\$1,434,308
Medicaid	12	243,386
Commercial	13	250,282
Self Pay	3	54,639
Charity Care	0	0
Other	1	14,754
Total	100	\$1,997,368

C. Effect on Operating Cost

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. Utilization, cost, and charges are also included in the applicant’s Three-Year Projected Operating Statement (see Attachment 1).

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. The Division of Medicaid had not responded on this proposal as of this staff analysis.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the conversion of Level II CMR beds to Level I status as contained in the *FY 2015 Mississippi State Health Plan; Chapter 8 of the Mississippi Certificate of Need Review Manual, April 9, 2017, Revised;* and all 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 Singing River Health System, d/b/a Singing River Hospital for conversion of eight (8) existing Level II CMR beds to Level I status.

ATTACHMENT 1
Singing River Hospital
Conversion of Eight (8) Level II CMR Beds to Level I Status
Three-Year Projected Operating Statement
(Project Only)

	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$ 1,997,368	\$ 2,396,841	\$ 2,396,841
Outpatient	0.00	0.00	0.00
Gross Patient Revenue	<u>1,997,368</u>	<u>2,396,841</u>	<u>2,396,841</u>
Charity Care	14,477	17,373	17,373
Deductions from Revenue	<u>1,462,263</u>	<u>1,754,715</u>	<u>1,754,715</u>
Net Patient Revenue	\$ 520,628	\$ 624,753	\$ 624,753
Expenses			
Operating Expenses:			
Salaries	\$ 0	\$ 0	\$ 0
Benefits	0	0	0
Supplies	33,139	39,767	39,767
Services	178,092	213,710	213,710
Lease	0	0	0
Depreciation	0	0	0
Interest	0	0	0
Other	245	294	294
Total Expenses	\$ 211,476	\$ 253,771	\$ 253,771
Net Income (Loss)	\$ 309,152	\$ 370,982	\$ 370,982
Assumptions			
Inpatient days	600	720	720
Outpatient days	0	0	0
Procedures	0	0	0
Charge per outpatient day	0	0	0
Charge per inpatient day	\$ 3,329	\$ 3,329	\$ 3,329
Charge per procedure	N/A	N/A	N/A
Cost per inpatient day	\$ 352	\$ 352	\$ 352
Cost per outpatient day	N/A	N/A	N/A
Cost per procedure	N/A	N/A	N/A