

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

CON REVIEW: HG-NIS-0304-009
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 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 Central Mississippi Medical Center 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 Central Mississippi Medical 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):

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate
2001	28.77	5.35	21.35
2002	33.68	5.46	25.22
2003	33.44	5.18	21.57

Source : Division of Health Facilities Licensure and Certification, MSDH

B. PROJECT DESCRIPTION

Central Mississippi Medical Center is requesting CON authority to expand and enhance its behavioral health services program by offering adolescent psychiatric and adolescent chemical dependency treatment and care at its North Campus facility. The project entails the establishment of a 13-bed adolescent psychiatric unit and a 17-bed adolescent chemical dependency unit. It will require renovation of 18,700 square feet of space on the first floor of the North Campus. Additionally, the applicant proposes the construction of an Activity Courtyard composed of 6,250 square feet of space. The MSDH Division of Health Facilities Licensure and Certification has approved the site for adolescent psychiatric and chemical dependency services.

The project will require 32.4 FTE personnel at an estimated cost of \$1,362,526 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. 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 State Department of Health reviews applications for establishment of psychiatric and chemical dependency services in accordance with Section 41-7-191, subparagraphs (1)(c) and (d) (iv) and (v) of the 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 on June 27, 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 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.

New adolescent psychiatric and chemical dependency beds are currently prohibited from participating in the Medicaid program. However, the applicant affirmed that it will seek Medicaid certification at such time as the program becomes eligible for certification, and that it will meet all applicable licensing and certification regulations as promulgated by the MSDH Licensure and Certification Division.

General CON Criteria and Standards

SHP General Criterion 1- Need

The *FY 2004 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 (.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 80 child/adolescent chemical dependency beds. The applicant relies on these statistics, presented in Tables IX-5 and IX-6 of the FY 2004 State Health Plan, in demonstrating need for this project.

SHP General Criterion 2 -Information Recording/Maintenance

Central Mississippi Medical Center affirmed 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 General Criterion 3 - Memoranda of Understanding

The applicant submitted letters from Region 8 Mental Health-Mental Retardation Commission and Hinds Behavioral Health Services regarding the referral and admission of charity and medically indigent patients. Central Mississippi certified that it will accept the referral and admission of medically indigent patients, and will provide a reasonable amount of charity services in its child and adolescent psychiatric program, consistent with its admission policies.

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 affirmed 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 of the FY 2004 State Health Plan document a statewide need for 13 additional adolescent psychiatric beds and 80 additional adolescent chemical dependency beds, respectively. 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)

Applicant proposes to place the 13 adolescent psychiatric and 17 adolescent chemical dependency beds at Central Mississippi Medical Center's North Campus location. This location complies with this criterion in that it is not physically attached to a general hospital.

SHP SS Criterion 3- Staffing

The applicant affirmed that the proposed unit will meet the requirements of this criterion. Applicant submits that Central Mississippi Medical Center currently has three psychiatrists on its medical staff, all are capable of working with adolescent patients. The applicant proposes to recruit an additional psychiatrist with a focus or specialty in child/adolescent psychiatry. Approximately 32.4 FTE personnel are projected for the project at an estimated annual cost of \$1,362,526. The application included the applicant's treatment plan which includes aftercare services.

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.

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

The application contains the applicant's plan for aftercare and follow-up services.

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

Applicant submits that the addition of adolescent psychiatric and chemical dependency services at Central Mississippi Medical Center is a significant part of the hospital's long-range plan to become a full service tertiary care center.

GR Criterion 3- Availability of Alternatives

The applicant further submits that it is the stated mission of Central Mississippi Medical Center to provide state-of-the-art services, facilities, and treatment modalities to the citizens of its service area. 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 Central Mississippi Medical Center.

GR Criterion 4 - Economic Viability

The three year operating projections reflect an excess of revenue over expenses of \$29,650 the first year, \$116,431 the second year, and \$281,066 the third year. Therefore, the project appears to be economically viable. The application contains a letter from the Chief Financial Officer of the facility which asserts that the applicant has the ability to undertake the project. Staff is concerned, however, that given the low occupancy rates for chemical dependency programs in the state, the applicant may have difficulty meeting its utilization goals for the chemical dependency program.

GR Criterion 5 - Need for the Project

The applicant states that Central Mississippi Medical Center 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 very high utilization of existing adolescent psychiatric service providers evidences a clear and obvious need for additional resources in the area. Applicant further submits that this high utilization, as well as the strong support received from Community Mental Health Centers, further substantiate the need for the proposed project.

In view of this documented need, applicant believes that it is reasonable and appropriate to locate these beds and services in Jackson.

For FY 2002, Mississippi had a total of eight operational adolescent psychiatric programs, utilizing 180 licensed beds, and two operational adolescent CDU programs, utilizing 32 licensed beds. These facilities had an average occupancy rate of 81.4 percent for psychiatric and 31.91 percent for chemical dependency services. Updated information reveals that for FY 2003 these facilities had an average occupancy rate of 97.12 percent for adolescent psychiatric and 21.36 percent for adolescent CDU programs, utilizing 52 CDU beds. A list of facilities providing adolescent psychiatric and chemical dependency services is provided below (FY 2002 and FY 2003).

**Adolescent Psychiatric/Chemical Dependency Facilities
 Utilization Data**

Facility/Location	Psychiatric			Chemical Dependency		
	Beds	FY 2002	FY 2003	Beds	FY 2002	FY 2003
Alliance Health Ctr Meridian	22	129.38	137.87			
Brentwood Jackson	33/38*	105.30	121.26			
Children's Hospital Vicksburg	20*	NA	NA			
Diamond Grove Louisville	20	75.21	73.04			
Forrest General Hattiesburg	16**	135.99	133.36			
Gulf Coast Medical Biloxi	11	40.72	45.93			
Memorial Hospital Gulfport	30	26.92	74.35	20*	NA	15.27

MS Baptist Jackson		20		20	17.71	8.36
North Mississippi Tupelo	15*	NA	NA			
Parkwood Behavioral Olive Branch	36	105.29	98.52			
River Region Vicksburg				12	55.57	53.20
UMC Jackson	12	5.45	47.53			
Totals	180	81.40	97.12	52	31.91**	21.36

* CON Issued

**Calculated on 32 beds

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

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

Given the need for additional adolescent psychiatric and chemical dependency beds stated in the *2004 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; Parkwood Behavioral Health System; and St. Dominic, 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 affirms that Central Mississippi Medical Center serves Medicare, Medicaid, and medically indigent patients and will continue to provide health care services to these groups.

GR Criterion 7- Information Requirement

Central Mississippi Medical Center affirmed that it 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

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

However, given the high utilization level for adolescent psychiatric services and the need in the Plan for adolescent psychiatric and chemical dependency services the project should not have a significant adverse impact on existing providers.

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

Central Mississippi Medical Center 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

Construction Cost - New	\$ 100,000
Construction - Renovation	1,972,500
Fixed Equipment Cost	55,000
Non-Fixed Equipment Cost	1,060,000
Fees	177,000
Contingency Reserve	84,475
Total Proposed Capital Expenditure	\$3,448,975

The proposed capital expenditure includes construction of an Activity Courtyard composed of 6,250 square feet at an estimated cost of \$26.46 per square foot and

the renovation of 18,700 square feet at \$118.91 per square foot, on the first floor of Central Mississippi Medical Center-North 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 *2004 Means Construction Cost Data*. The Means Construction Cost Data does not compare costs for renovation projects.

B. Method of Financing

Central Mississippi Medical Center proposes to finance the project with an equity contribution from Health Management Associates, Inc., the parent company of Jackson HMA, Inc., d/b/a Central Mississippi Medical Center. The 2003 Annual Report for Health Management Associates, Inc., which is contained in the application, indicates that the applicant has the financial backing and resources for the proposed project.

C. Effects on Operating Costs

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

Expenses	First Year	Second Year	Third Year
Salaries	\$1,144,980	\$1,249,060	\$1,359,100
Benefits	217,546	262,303	285,411
Supplies	19,874	31,608	35,842
Dietary	127,860	149,432	185,004
Laundry	41,975	50,370	58,765
Maintenance	14,250	14,963	15,711
Medical Ancillaries	68,091	87,709	102,327
Housekeeping	4,750	4,750	4,750
Other Expenses	18,250	21,900	25,550
Depreciation	106,000	106,000	106,000
Leasehold Improve.	<u>59,724</u>	<u>59,724</u>	<u>59,724</u>
Total Expenses	\$1,823,300	\$2,037,819	\$2,238,184
Gross Revenue	\$5,072,170	\$6,086,605	\$7,101,039
Deductions	<u>3,219,220</u>	<u>3,932,355</u>	<u>4,581,789</u>
Net Revenue	\$1,852,950	\$2,154,250	\$2,519,250
Net Income (Loss)	\$ 29,650	\$ 116,431	\$ 281,066
Patient Days	4,016	4,746	5,476
Cost per Day	\$ 454	\$ 429	\$ 409
Charge per Day	\$ 1,263	\$ 1,282	\$ 1,297

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	4.5	\$ 82,048.64
Other	95.5	\$ 1,741,252.46
Total	100.0	\$ 1,823,301.00
Central Mississippi projects 2% bad debt and 4 % charity care.		

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.

The Department of Mental Health was also provide 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 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.

Therefore, 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 beds and 17 adolescent chemical dependency beds.