

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
AUGUST 2009**

**CON REVIEW HG-R-0509-011  
UNIVERSITY OF MISSISSIPPI MEDICAL CENTER  
BLAIR E. BATSON HOSPITAL FOR CHILDREN  
PEDIATRIC INTENSIVE CARE UNIT RENOVATION  
CAPITAL EXPENDITURE: \$3,122,989  
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 Blair E. Batson Hospital for Children pediatric intensive care unit on the campus of the existing hospital. The applicant states that the proposed project involves renovating the existing 28-bed pediatric intensive care unit (PICU) on the first floor of the Blair E. Batson Children's Hospital. According to the applicant, major components of the proposed project involve the 11,832 square feet of renovation which includes the creation of 14 private patient rooms (including two isolation rooms), redefined support spaces and better family waiting space. The 14 new patient rooms will be sized to accommodate all the equipment needs and allow for family sleeping. There will be 16 curtained-bays that will provide for "transitional care" on the east side of the unit. No major equipment purchases are planned for this proposed project.

The applicant asserts that the proposed project entails the following:

- Area 1 Family waiting and support area (1,781 square feet)
- Area 2 Patient rooms (3,455 square feet)
- Area 3 Nurse Management and support staff office area (2,038 square feet)
- Area 4 Ancillary support area (3,878 square feet)
- Area 5 Patient room and ECMO area (680 square feet)

The total proposed capital expenditure is \$3,122,978 and of that amount, approximately 71 percent is for renovation; 9 percent for fees (architectural, consultant, etc.); 10 percent for contingency reserve and 10 percent for other (furnishings). The applicant proposes to finance this project through private donations.

The applicant indicates that the anticipated date for obligation of the proposed capital expenditure is September 22, 2009, and the proposed project will be complete June 1, 2010.

MSDH Division of Health Facilities Licensure and Certification asserts that the site meets all applicable requirements. Therefore, since Blair E. Batson Children's Hospital is an existing hospital already providing patient care, the Department finds the planned site to be acceptable for the stated use.

**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 September 8, 2009.

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

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

The *FY 2009 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving CON authority for construction, renovation, expansion, or capital improvement involving a capital expenditure in excess of \$2,000,000. The application is in substantial compliance with these criteria.

##### **SHP Criterion 1 – Need**

**Projects which do not involve the addition of any acute care beds:** The applicant shall document the need for the proposed project. Documentation may consist of, but is not limited to, citing of licensure or regulatory code deficiencies, institutional long-term plans (duly adopted by the governing board), recommendations made by consultant firms, and deficiencies cited by accreditation agencies (JCAHO, CAP, etc.). In addition, for projects which involve construction, renovation, or expansion of emergency department facilities, the applicant shall include a statement indicating whether the hospital will participate in the statewide trauma system and describe the level of participation, if any.

According to the applicant, renovation of the existing pediatric intensive care unit will allow Blair E. Batson Hospital for Children to offer a higher quality of family centered care. This will be accomplished by offering sleep spaces for parents by the patient's bedside. Additionally, a larger and more accommodating waiting area will be created for use by all family members. Isolation spaces will be increased, which will improve patient care.

According to the applicant, it was determined through in-house strategic planning that the proposed course of action was the most appropriate in light of recent facility addition and current space utilization. The current PICU does not allow for patient/family centered care.

This project will not involve additional beds or the offering of a new institutional health service.

University of Mississippi Medical Center participates in the statewide trauma system as the State's only in state Level 1 Trauma Center.

##### **SHP Criterion 2 – Bed Service Transfer/Reallocation/Relocation**

This project does not involve the transfer/reallocation or relocation of beds.

##### **SHP Criterion 3 – Uncompensated Care**

The applicant submits the following percentages of historical/projected gross patient revenue provided or to be provided to the medically indigent/charity care patients for the past two years and for the first two years of this project:

**Gross Patient Revenue  
Amount**

	<b>Medically Indigent (%)</b>	<b>Charity Care (%)</b>
Historical Year 2007	18	4
Historical Year 2008	17	3
Projected Year 1	15	4
Projected Year 2	15	4

**SHP Criterion 4- Cost of Project**

According to the applicant, the proposed project is the only PICU in Mississippi. Therefore, there is no data for comparison for this proposed project.

- a. Cost per square foot: This project involves renovation of the pediatric intensive care unit currently located on the first floor of the Blair E. Batson Children’s Hospital located on the University of Mississippi Medical Center campus.

The proposed renovation project shall cost approximately \$237.57 per square foot.

- b. The proposed project does not involve the purchase of fixed or non-fixed equipment.

**SHP Criterion 5 – Floor Area and Space Requirements**

The applicant indicates that the total project will be 11,832 square feet of renovated space. The applicant asserts that this is the only PICU in Mississippi. The program was developed by a cross section of clinical staff, administration and physicians.

**SHP Criterion 6 –Renovation versus Replacement**

According to the applicant, the physical location of the service and the relationships to the surrounding services dictated that UMMC renovate versus build a new structure. This was the justification for its decision.

**SHP Criterion 7 – Need for Service**

The applicant states that the pediatric intensive care unit at UMMC is the only one in the state of Mississippi and supports the Level 1 Trauma center at UMMC. The hospital specifically supports the *State Health Plan* by:

- Participating within the statewide trauma system
- Provides health care for specific populations, such as babies, adolescents, the indigent, the uninsured, and minorities
- Provides for the needs of persons with mental illness, mental retardation/developmental disabilities, and/or handicaps
- Increases the accessibility, acceptability, continuity, and quality of health services

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised February 23, 2008*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

**GR Criterion 3 – Availability of Alternatives**

According to the applicant, due to the location of service in relation to other services within Blair E. Batson Hospital for Children, it was determined that this project was the most feasible course of action. The applicant believes that this option will improve and change its focus to family-centered care, allowing the ability for the patient's family to stay/sleep with their child at the bedside 24/7. Currently, the patient's family stays in the waiting room which can be utilized by all family members because of space constraints.

**GR Criterion 4 - Economic Viability**

The application contains a statement signed by the Chief Accounting Officer of UHHA and CPA of UMMC attesting to the viability of this project. The project is being funded by private donations and will have little impact on projected future operating revenues and expenses.

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

- Access by Population Served:** The applicant asserts that the pediatric intensive care unit has approximately 1,000 admissions per year. Based on the Emergency Medical Treatment & Labor Act (EMTALA) regulations, UMMC admits patients based on their acuity rather than their ability to pay. The applicant believes that the proposed project places the nurse directly at the bedside, with supplies geographically closer to the patient, resulting in increased productivity and more efficient service.
- Relocation of Services:** This application does not propose the relocation of services. According to UMMC, the proposed project involves renovating the existing 28-bed pediatric intensive care unit (PICU) on the first floor of the Blair E. Batson Children's Hospital.
- Current and Projected Utilization of Like Facilities in the Area:** No additional services are being proposed.
- Probable Effect on Existing Facilities in the Area:** The project proposes renovation of Blair E. Batson Hospital for Children intensive care unit on the campus

of the existing hospital. The applicant states that the PICU service delivered to the public will not change. It will be enhanced to allow the facility to fulfill the hospital's mission of patient/family centered care. The proposed project involves renovating the existing 28-bed pediatric intensive care unit (PICU) on the first floor of the Blair E. Batson Children's Hospital. Therefore, no significant effect is anticipated on existing facilities in the area.

- e. **Community Reaction:** The application received six (6) 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 believes that the proposed project will allow the Blair E. Batson Hospital for Children to improve the quality of care given to the most critically ill of patients and their families at UMCC.
- 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.
- c. **Unmet Needs to be Served by Applicant:** The University of Mississippi Medical Center states that the hospital is a disproportionate share facility and qualifies for Medicaid UPL payments. The hospital does not restrict access by medically indigent patients.

#### **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**

According to the University of Mississippi Medical Center, the Blair E. Batson Hospital for Children is the only children's hospital in the state of Mississippi. The pediatric intensive care unit supports the hospital in its mission. The current patient population accesses the services via emergency room, referring physicians, and hospital to hospital transfers.

The applicant believes that failure to implement the proposed project will cause the waiting room to continue to be congested and patient flow will continue to be affected.

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, the current pediatric intensive care unit is staffed appropriately and sufficient coverage is available for any volume changes.

#### **GR Criterion 14 - Construction Projects**

- a. **Cost Estimate:** The application contains a cost estimate prepared by The McCarty Company/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 11,832 square feet of renovated space at an estimated cost of \$237.57 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	\$2,264,470	71%
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	0	0
e.	Total Non-Fixed Equipment Cost	0	0
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	277,230	9%
i.	Contingency Reserve	269,278	10%
j.	Capitalized Interest	0	0
k.	Other	312,000	10%
	<b>Total Proposed Capital Expenditure</b>	<b>\$3,122,978</b>	<b>100%</b>

The above capital expenditure is proposed for renovation of Blair E. Batson Hospital for Children’s intensive care unit. The proposed project involves approximately 11,832 square feet of renovated space at an estimated cost of \$237.57 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 through private donations.

**C. Effect on Operating Cost**

The University of Mississippi Medical Center states that there is no anticipated increase in pediatric intensive care services due to the project, thus, there would be no incremental increase in revenue and operation costs for the proposed project.

**D. Cost to Medicaid/Medicare**

As stated above, the applicant does not project an increase or decrease in operating cost as a result of this project. The project is being financed by donations and will not affect the overall operations of UMMC.

**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 criteria and standards for the construction, renovation, expansion, capital improvements, replacement of health care facilities, and addition of hospital beds as contained in the *FY 2009 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised February 23, 2008*; 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 Blair E. Batson Hospital for Children's pediatric intensive care unit.

**HG-R-0509-011**  
**Attachment 1**  
**Computation of Renovation Cost\***

<b>Cost Component</b>	<b>Total</b>	<b>Renovation</b>
New Construction Cost	0	0
Renovation Cost	\$2,264,470	\$2,264,470
Total Fixed Equipment Cost	0	0
Total Non-Fixed Equipment Cost	0	0
Land Cost	0	0
Site Preparation Cost	0	0
Fees (Architectural, Consultant, etc.)	\$277,230	\$277,230
Contingency Reserve	\$269,278	\$269,278
Capitalized Interest	0	0
Other	\$312,000	\$312,000
<b>Total Proposed Capital Expenditure</b>	<b>\$3,122,978</b>	<b>\$2,810,978</b>

Square Footage	11,832	11,832
Allocation Percent		100%

<b>Costs Less Land, Non-Fixed Eqt. &amp; Other</b>	<b>\$2,810,978</b>	<b>\$2,810,978</b>
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<b>\$237.57</b>	<b>\$237.57</b>
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\*Source: Mississippi Certificate of Need Review Manual, Revised February 23, 2008