

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
JULY 31, 2017**

**CON REVIEW NUMBER: HG-CO-0617-009
FORREST COUNTY GENERAL HOSPITAL
D/B/A ASBURY HOSPICE HOUSE
COST OVERRUN TO CON #R-0875 (HG-CFSF-0314-004)
CONSTRUCTION OF HOSPICE FACILITY
ORIGINAL CAPITAL EXPENDITURE: \$6,449,306.00
ADDITIONAL CAPITAL EXPENDITURE: \$451,414.58
REVISED CAPITAL EXPENDITURE: \$6,900,720.58
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Forrest County General Hospital d/b/a Asbury Hospice House (Forrest General) a 512-bed short term, public, not-for-profit hospital. Forrest General is a public hospital, currently licensed to operate 400 medical/surgical beds, 40 adult psychiatric beds, 24 adult chemical dependency beds, 16 adolescent psychiatric beds, 8 adolescent chemical dependency beds and 24 rehabilitative beds. Forrest General is governed by a seven (7) member Board of Trustees. Forrest General is licensed by the Mississippi State Department of Health (MSDH).

B. Project Background

Forrest County General Hospital d/b/a Asbury Hospice House was granted Certificate of Need (CON) Number R-0875, for the construction of a hospice facility. The effective date of the CON was June 26, 2014, with an expiration date of June 26, 2015.

The applicant states that the original project was anticipated to commence on August 24, 2014, and to be completed by July 28, 2015. Forrest General affirms that the original proposed project was funded with donor contributions.

Forrest County General Hospital d/b/a Asbury Hospice House applied for a Six Month Extension on May 24, 2017, and was approved for the Six Month Extension on July 5, 2017. The extension will expire on December 24, 2017.

B. Project Description

Forrest County General Hospital d/b/a Asbury Hospice House requests Certificate of Need (CON) authority for a Cost Overrun of \$451,414.58 to CON No. R-0875. Forrest General states that the original project consisted of 18,240 square feet of heated and cooled area with 2,364 square feet of porches and drop-offs at an estimated cost of \$6,449,306.00. The applicant states that the facility, as constructed, is 17,340 square feet of heated and cooled area with 2,567 square feet of porches and drop-offs and was completed for a total cost of \$6,900,720.58.

The applicant states the first advertisement for the site work bid package was published on April 24, 2014 followed by a second advertisement bid published on May 1, 2014. The applicant confirms that Forrest General received bids for site work on May 22, 2014. According to the applicant, Forrest General's Board of Trustees awarded the site work bid to R&J Construction Company (Laurel, MS) on May 27, 2014. The agreement between Forrest General and R&J Construction was executed on June 9, 2014, and site work began July 1, 2014. The applicant states the completion of the site work was on October 28, 2014.

Forrest General's first advertisement for the construction bid package was on July 15, 2014, a second advertisement was published on July 22, 2014. The applicant states that on August 12, 2014, a pre-bid meeting was held with prospective bidders. The applicant asserts Forrest General received proposals for the construction bid package on September 4, 2014. According to the applicant, Forrest General's Board of Trustees reviewed the proposals for the construction bid package. Forrest General states that all bids exceed the budget for the proposed project. Therefore, the applicant rejected all bids on October 16, 2014.

The applicant states that Forrest General worked with the local contracting community between October 16, 2014, and February 29, 2015, in an attempt to identify the areas where the bids differed from the estimates to address the subcontractor communities concerns with construction documents.

Forrest General states the plans and specifications were modified to address the concerns raised by the subcontractor and contractor communities. The applicant affirms that discussions were held with the Mississippi Department of Health, Division of Health Facilities, Fire Safety and Construction regarding code interpretations. Forrest General revised the construction documents based on the discussions and resubmitted the documents to the Mississippi Department of Health, Division of Health Facilities, Fire Safety and Construction for review. A plan review by MSDH, Division of Health Facilities was conducted on April 28, 2015, and an approval letter for the proposed project was received on May 22, 2015.

The applicant states the first advertisement of the revised construction package was published on April 7, 2015, and the second advertisement was published on April 14, 2015. The applicant confirmed that the pre-bid meeting was held with prospective bidders on April 29, 2015. The applicant asserts that Forrest General accepted general contractor's open bids on May 7, 2015. Forrest General's Board of Trustees recommended awarding the bid contract to Mac's Construction Company, Inc. on May 19, 2015.

The applicant states the project was completed and Forrest General began accepting patients on November 14, 2016.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health (MSDH) reviewed the original project for construction, renovation, expansion, or capital expenditure in excess of \$5,000,000 (for non-clinical health services) in accordance with Section 41-7-191, subparagraph(1)(j) Mississippi Code of 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. The State Health Officer reviews all projects for cost overruns in accordance with 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 10 days of publication of this staff analysis. The opportunity to request a hearing expires on August 10, 2017.

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

A. State Health Plan (SHP)

The *FY 2014 Mississippi State Health Plan (MSHP)* was in effect at the time the original application was submitted to the Department, and the original application was found to be in substantial compliance with the *FY 2014 MSHP*. The amendment and cost overrun project is found to be in substantial compliance with the *FY 2015 MSHP*.

B. General Review (GR) Criteria

The *Certificate of Need Review Manual, 2011 Revision (CON Review Manual, 2011)* was in effect at the time the original application was submitted to the Department. The original project was in substantial compliance with the *CON Review Manual, 2011* and the CON amendment and cost overrun application is in substantial compliance with applicable General Review Criteria and Standards contained in the *CON Review Manual, 2017 Revision*.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost	\$4,308,948.00	\$5,494,661.60	\$1,185,713.60
2. Construction/Renovation	0	0	0
3. Land	0	0	0
4. Site Work	0	0	0
5. Fixed Equipment	0	0	0
6. Non-Fixed Equipment	\$1,225,809.00	\$827,963.40	(\$397,845.60)
7. Contingency*	\$430,895.00	0	(\$430,895.00)
8. Fees (Architectural, Consultant, etc.)	\$483,654.00	\$578,095.58	\$94,441.58
9. Capitalized Interest	0	0	0
10. Capital Improvement	0	0	0
Total Capital Expenditure	\$6,449,306.00	\$6,900,720.58	\$451,414.58

The above table represents a 6.99% increase in the capital expenditure by Forrest County General Hospital d/b/a Asbury Hospice House. The applicant affirms that the proposed project is 100% complete.

B. Method of Financing

The applicant states the original project was funded by donor contributions. The proposed cost overrun project is funded through donations through the Forrest General Healthcare Foundation.

C. Effect on Operating Cost

The applicant's projections of gross revenues for the first and second year of operation, expenses, income, net position, charges depreciation schedule and Two-Year Projected Operating Statement are shown in Attachment 1.

D. Cost to Medicaid/Medicare

The applicant asserts that the cost overrun for this project will not have a negative impact on Medicare, Medicaid or other payers.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided an opportunity to review and comment on this project; however, the Division of Medicaid has not provided a comment on the proposed project as of the date of this staff analysis.

VI. CONCLUSION AND RECOMMENDATION

This project continues to be in substantial compliance with the overall objectives of the *FY 2015 Mississippi State Health Plan; Certificate of Need Review Manual, 2017 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of approval.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Forrest County General Hospital d/b/a Asbury Hospice House for an amendment and cost overrun to CON No. R-0875. The amendment and cost overrun project will allow Forrest County General Hospital d/b/a Asbury Hospice House to increase the authorized capital expenditure from \$6,449,306.00 to \$6,900,720.58 for Construction of a Hospice Facility.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2016 and 2015

	2016	2015
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts of \$107,692,000 in 2016 and \$118,187,000 in 2015	\$ 520,266,217	\$ 500,703,161
Other	16,870,671	15,096,280
Total operating revenues	537,136,888	515,799,441
Operating Expenses		
Salaries, wages and employee benefits	240,012,967	232,820,939
Supplies	106,159,453	95,789,165
Contractual services	74,390,092	72,001,395
Repairs, maintenance and other	31,587,203	31,310,531
Insurance	3,173,106	2,108,160
Lease and rentals	9,410,408	9,367,755
Depreciation and amortization	32,863,166	32,177,598
Total operating expenses	497,596,395	475,575,543
Operating Income	39,540,493	40,223,898
Nonoperating Revenues (Expenses)		
Net investment income	4,801,720	4,351,590
Interest expense	(7,545,612)	(8,676,035)
Noncapital grants and gifts received and other	682,879	889,378
Noncapital grants and gifts paid to others	(1,168,507)	(423,849)
Net gain on disposal of capital assets and other	434,745	1,213,941
Total nonoperating revenues (expenses)	(2,794,775)	(2,644,975)
Increase in Net Position	36,745,718	37,578,923
Net Position, Beginning of Year	390,354,146	352,775,223
Net Position, End of Year	\$ 427,099,864	\$ 390,354,146