

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
SEPTEMBER 23, 2021**

**CON REVIEW NUMBER: HG-COB-0821-005
NORTH MISSISSIPPI MEDICAL CENTER, INC, D/B/A NORTH MISSISSIPPI MEDICAL CENTER
CONVERSION OF SEVENTEEN (17) ADULT CHEMICAL DEPENDENCY BEDS
TO CHILD/ADOLESCENT PSYCHIATRIC BEDS
CAPITAL EXPENDITURE: \$1,088,690.80
LOCATION: TUPELO, LEE COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

North Mississippi Medical Center, Inc., a 501 (c)(3) tax-exempt, not-for-profit Delaware corporation, owns and operates North Mississippi Medical Center (“NMMC”), a 640-bed full service acute care hospital located in Tupelo, Mississippi. NMMC, a subsidiary of North Mississippi Health Services, Inc. (“NMHS”), is a Level II trauma center and serves a twenty-four (24) county service area across north Mississippi, northwest Alabama, and portions of Tennessee. NMMC’s current licensed bed complement consists of five hundred forty-four (544) acute care beds; thirty-three (33) adult psychiatric beds; thirty-three (33) adult chemical dependency unit beds; and thirty (30) rehabilitation beds. NMMC’s governing board consists of fourteen (14) directors and four (4) officers.

The application contains a Certificate of Good Standing from the Office of the Secretary of State, Jackson, Mississippi, indicating as of July 7, 2021, North Mississippi Medical Center, Inc. is in good standing with the State of Mississippi.

B. Project Description

NMMC requests certificate of need (“CON”) authority for the conversion of seventeen (17) adult chemical dependency beds to child/adolescent psychiatric beds. The applicant states NMMC will not operate the child psychiatric beds, instead, it will lease the beds to Oceans Behavioral Health of Tupelo, LLC (“Oceans”) which will operate them as part of a separately licensed facility. The applicant states Oceans is a subsidiary of Oceans Healthcare, a nationally recognized provider of behavioral health services. The application contains a Certificate of Good Standing from the Secretary of State of the State of Mississippi which indicates Oceans Behavioral Hospital of Tupelo, LLC is in good standing with the State of Mississippi as of March 12, 2021.

NMMC submits since the child/adolescent psychiatric beds will be leased to Oceans, a number of the CON Application questions related to the actual operation of the facility are not applicable to NMMC. The applicant affirms the operation of the facility applies to Oceans, who has submitted responses to the applicable questions. The applicant asserts the establishment of acute inpatient care child/adolescent psychiatric services is in accordance with the CON policies, criteria and standards set forth in the FY 2020 Mississippi State Health Plan (“MSHP”) and recently enacted legislation.

In addition to its main campus located at 830 South Gloster Street in Tupelo, the applicant states NMMC operates the NMMC-Behavioral Health Center (“NMMC-Behavioral Health”), a provider-based location of NMMC located at 4579 South Eason Boulevard, Tupelo, Mississippi, which offers mental health services. The applicant further states NMMC-Behavioral Health currently offers outpatient psychiatric, intensive outpatient care, adult inpatient care, transcranial magnetic stimulation, and counseling for children and adolescent. According to the applicant, its thirty-three (33) adult chemical dependency beds are currently unutilized.

The applicant indicates the proposed project encompasses the following: (1) renovation of 14,490 square feet of an existing wing of the first floor of NMMC-Behavioral Health to establish physical space for a seventeen (17) bed child/adolescent psychiatric unit and a seventeen (17) bed geriatric psychiatric unit (collectively, the “Renovated Wing”); (2) converting seventeen (17) of its existing chemical dependency unit beds to acute child/adolescent psychiatric beds; (3) converting the remaining sixteen (16) chemical dependency unit beds and one (1) adult psychiatric bed to geriatric psychiatric beds; and (4) leasing the Renovated Wing and thirty-four (34) beds contained therein to Oceans. The applicant indicates NMMC will file a determination of non-reviewability (“DR”) with the Mississippi State Department of Health (“MSDH”) for the geriatric-psychiatric beds.

Oceans projects forty-three (43) full-time equivalent (FTE) staff will be hired the first year of operation of the child/adolescent psychiatric beds. Oceans further estimates annual cost of additional personnel will be \$2,599,900.00 the first year.

The applicant projects a total capital expenditure of \$1,088,690.00, as itemized in Section IV of this Staff Analysis. NMMC expects to obligate the capital expenditure in October 2021 and anticipates the project will be complete in February 2022.

The application contains a letter dated March 25, 2021, documenting the MSDH Division of Health Facilities Licensure and Certification’s approval of the site for the child/adolescent psychiatric beds.

NMMC states the final objective of the proposed project is to provide acute child and adolescent psychiatric services in the Lee County area.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Sections 41-7-173, 41-7-191(1)(c) and (4)(a)*, and 41-7-193 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 (“MSDH”). MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision*; all adopted rules, procedures, plans, criteria and standards of MSDH; and the specific criteria and standards listed below. The Department reviews projects for the conversion of psychiatric beds from one category to another and for the offering of child/adolescent psychiatric services when such services have not been offered at the facility within the past twelve (12) months regardless of the capital expenditure.

*Note: H.B. 160, signed into law on March 25, 2021, amended Mississippi Code Section 41-7-191 (4)(a) to provide as follows: “The department may issue a certificate of need to any person for the new construction of any hospital, psychiatric hospital or chemical dependency hospital that will contain any child/adolescent psychiatric or child/adolescent chemical dependency beds, or for the conversion of any other health care facility to a hospital, psychiatric hospital or chemical dependency hospital that will contain any child/adolescent psychiatric or child/adolescent chemical dependency beds. There shall be no prohibition or restrictions on participation in the Medicaid program (Section 43-13-101 et seq.) for the person (s) receiving the certificate(s) of need authorized under this paragraph (a) or for the beds converted pursuant to the authority of that certificate of need. In issuing any new certificate of need for any child/adolescent psychiatric or child/adolescent chemical dependency beds, either by new construction or conversion of beds to another category, the department shall give preference to beds which will be located in an area of the state which does not have such beds located in it, and to a location more than sixty-five (65) miles from existing beds.”

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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on October 4, 2021.

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

A. State Health Plan (SHP)

The *FY 2020 Mississippi State Health Plan* (“MSHP”) contains policy statements, criteria, and standards which the applicant is required to meet before receiving CON authority for the conversion of adult chemical dependency (“CD”) beds to child/adolescent psychiatric beds. This application is in substantial compliance with the applicable policy, criteria, and standards stated in the *Plan*.

Policy Statements Regarding Certificate of Need Applications for Acute Psychiatric, Chemical Dependency, and Psychiatric Residential Treatment Facility Beds/Services

1. **A “reasonable amount” of indigent/charity care:** NMMC affirms it provides a reasonable amount of indigent/charity care. Oceans also affirms it will provide a reasonable amount of indigent/charity care.
2. **Mental Health Planning Areas:** The applicant and Oceans acknowledge the state as a whole is used as a planning area for child/adolescent psychiatric beds/services.
3. **Public Sector Beds:** The applicant and Oceans acknowledge the Department of Mental Health (DMH) beds are not counted in the State bed inventory for determining statistical need for additional beds.
4. **Comments from DMH:** NMMC and Oceans acknowledge this policy statement.
5. **Separation of Adult and Children/Adolescents:** Oceans states it will segregate child and adolescent patients in accordance with this standard.
6. **Separation of Males and Females:** Oceans affirms they will separate males and females in accordance with this standard.
7. **Patients with Co-Occurring Disorders:** The applicant and Oceans acknowledge this policy statement.
8. **Comprehensive Program of Treatment:** The applicant acknowledges this policy statement. Oceans affirms they will comply with this standard.
9. **Medicaid Participation:**
 - a. Medicaid Certification: The applicant and Oceans acknowledge this policy statement and affirm Oceans will be a Medicaid certified facility.
 - b. Medicaid Service Information: The applicant acknowledges this policy statement. Oceans affirms their facility shall serve a reasonable amount of Medicaid patients.
10. **Licensing and Certification:** The applicant acknowledges this policy statement. Oceans affirms they will comply with all applicable licensing and certification regarding regulations of the Division of Health Facilities Licensure and Certification.

11. **Psychiatric Residential Treatment Facility:** The applicant and Oceans affirm this policy statement is not applicable. Neither NMMC nor Oceans seek to establish a psychiatric residential treatment facility.
12. **Certified Education Programs:** NMMC acknowledges this policy statement. Oceans affirms it will provide educational programs to all school age patients and that the educational programs will be certified by the Department of Education.
13. **Preference in CON Decisions:** The applicant asserts because this project involves the conversion of chemical dependency unit beds to acute child/adolescent psychiatric beds, it should receive preferential CON review. NMMC further asserts it is entitled to preferential CON review under the recently enacted H.B. 160 because there are no other providers of acute child/adolescent psychiatric beds within sixty-five (65) miles of NMMC.
14. **Dedicated Beds for Children's Services:** The applicant and Oceans acknowledge this statement.
15. **CON Statutory Requirement:** The applicant acknowledges this statutory requirement and has filed for CON approval.
16. **Voluntarily Delicensed Beds:** The applicant acknowledges this statement and states.
17. **CON Requirement for Reopening:** The applicant acknowledges this statement.

General Certificate of Need Criteria and Standards for Acute Psychiatric, Chemical Dependency, and/or Psychiatric Residential Treatment Facility Beds/Services

SHP Need Criterion 1 – Bed Need Requirements

- a. **New/Existing Acute Psychiatric, Chemical Dependency, and/or Psychiatric Residential Treatment Beds/Services:** NMMC and Oceans assert there is a need for seventeen (17) additional child/adolescent psychiatric beds as set forth in Table 3-6 of the *FY 2020 State Health Plan*. The *FY 2020 State Health Plan* shows a need for nineteen (19) additional child/adolescent beds; therefore, the applicant's request for seventeen (17) beds does not exceed the need stated in the Plan.
- b. **Projects that do not involve additional beds:** The applicant affirms this criterion is not applicable to this project.

- c. **Projects which involve the addition of beds:** The *FY 2020 State Health Plan* allocates a need for nineteen child/adolescent psychiatric beds in the State. The applicant requests authority for the conversion of seventeen (17) adult chemical dependency beds to child/adolescent psychiatric beds. The applicant states NMMC will not operate the child psychiatric beds, instead, the beds will be leased to Oceans Behavioral Health of Tupelo, LLC (“Oceans”) which will operate them as part of a separately licensed facility.
- d. **Child Psychiatry Fellowship Program:** The applicant states this criterion is not applicable to this application.
- e. **Exclusive Treatment of Adults:** The applicant states this statement is not applicable.

SHP Need Criterion 2 – Data Requirements

The Applicant acknowledges this criterion and submits Oceans will be responsible for recording and maintaining the required information.

SHP Need Criterion 3 – Referral/Admission of Charity/Indigent Patients

The applicant provided a copy of a signed Memorandum of Understanding with Lifecore Health Group regarding the referral and admission of charity and medically indigent patients.

SHP Need Criterion 4 – Letters of Comment

The application contains letters of comment from the Community Mental Health Centers, physicians, community and political leaders, and other interested groups.

SHP Need Criterion 5 –Non-Discrimination Provision

NMMC acknowledges this criterion. Oceans submits they will ensure the Oceans Hospital does not have discriminatory policies or procedures.

SHP Need Criterion 6 – Charity/Indigent Care

NMMC asserts Oceans will be responsible for the provision of charity care at the Oceans Hospital.

Service Specific (SS) Certificate of Need Criteria and Standards for Acute Psychiatric Beds for Children and Adolescents

SS Need Criterion 1 – Statistical Need for Child/Adolescent Psychiatric Beds

The *FY 2020 State Health Plan* indicates MSDH shall base statistical need for child/adolescent psychiatric beds on a ratio of 0.55 beds per 1,000 population aged seven (7) to seventeen (17) for 2023 in the State as a whole as projected by the Division of Health Planning and Resource Development. The applicant and Oceans submit there is a need for seventeen (17) additional child/adolescent psychiatric beds as set forth in Table 3-6 of the State Health Plan (See Table 3-6 below).

**Table 3-6
 Statewide Acute Psychiatric Bed Need
 2025**

Bed Category/ Ratio	2025 Projected Population	Projected Bed Need	Licensed Beds	Difference
Adult Psychiatric: 0.21 beds/1,000 population aged 20+	2,282,191	479	636	-157
Child/Adolescent Psychiatric: 0.55 Beds/1,000 Population	633,751	349	330	19

Source(s) Application for Renewal of Hospital License for Calendar Year 2015; FY 2017 Annual Hospital Report and State Data Center of Mississippi, University of Mississippi Center for Population Studies, February 13, 2018

SS Need Criterion 2 – Proposed Size of Facility/Unit

The applicant submits NMMC proposes to establish a seventeen (17) bed hospital-based child/adolescent psychiatric unit. Oceans affirms they shall comply with this criterion.

SS Need Criterion 3 – Staffing

NMMC acknowledges this criterion. Oceans confirms they will ensure the facility’s staff is trained to meet the needs of adolescents and children, and that facility staff include both psychiatrists and psychologists and will provide a multi-discipline psychosocial medical approach to treatment. NMMC further submits Oceans will be responsible for ensuring that the Oceans Hospital treatment program will involve parents and/or significant others and that aftercare services will be provided.

SS Need Criterion 4 – Structural Design of Facility – Separation of Children and Adolescents

NMMC states Oceans will separate children and adolescents in accordance with MSDH requirements.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2019*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with the general review criteria contained in the manual.

GR Criterion 1- State Health Plan

The applicant asserts the application fully complies with the *FY 2020 Mississippi State Health Plan's* policies, criteria and standards governing the offering of child/adolescent psychiatric services.

GR Criterion 2 – Long Range Plan

The applicant submits the long-range plans of NMMC include a commitment to meet the mental healthcare needs of residents of North Mississippi through the effective utilization of existing healthcare resources and infrastructure. The applicant further submits NMMC's partnership with Oceans is to provide needed child/adolescent psychiatric services utilizing existing space at NMMC-Behavioral Health.

GR Criterion 3 – Availability of Alternatives

- a. Advantages and Disadvantages:** The applicant states because there are no other providers of acute child/adolescent psychiatric services in Northeast Mississippi, NMMC does not believe any alternative approaches to the project exist.
- b. New Construction Projects:** The applicant affirms the proposed project does not entail new construction.
- c. Beneficial Effects to the Health Care System:** The applicant states the proposed project will create the only access point in Northeast Mississippi for acute inpatient child/adolescent psychiatric services and will enable patients and their family members to obtain needed mental healthcare services in the community without having to travel long distances. NMMC states this project will also effectively allocate resources to provide mental healthcare services in the State.

d. Effective and Less Costly Alternatives:

- i. Unnecessary Duplication of Services:** The applicant states there is no less costly alternative for the proposed project available in the area.
 - ii. Efficient Solution:** The applicant affirms this criterion is not applicable.
- e. Improvements and Innovations:** The applicant asserts the project proposes to use existing but underutilized space in the NMMC-Behavioral Health facility to provide needed acute child/adolescent psychiatric services in a cost-effective manner.
- f. Relevancy.** The applicant reiterates there is currently no provider of acute child/adolescent psychiatric services in Northeast Mississippi and this project will provide a needed access point for these necessary mental health services.

GR Criterion 4 - Economic Viability

- a. Proposed Charge:** The applicant submits Oceans will calculate charges for the Oceans Hospital.
- b. Projected Levels of Utilization:** The utilization projections for Oceans are shown on Attachment 1-A of this Staff Analysis.
- c. Financial Feasibility Study:** The capital expenditure for this project is less than \$2,000,000.00; therefore, this criterion is not applicable.
- d. Financial Forecasts:** The applicant states this criterion is not applicable.
- e. Means of Covering Expenses in Event of Failure to Meet Projections:** The applicant states NMMC will cover expenses incurred by the proposed project through its existing reserves and other operating revenue in the event the project fails to meet projected revenues.
- f. Impact of Proposed Project on Health Care Cost:** The applicant states NMMC does not anticipate the proposed project will impact the cost of health care. Oceans asserts establishment of the Oceans Hospital in Tupelo should have a positive impact on the Medicaid budget.

GR Criterion 5 - Need for the Project

- a. Access by Population Served:** The applicant acknowledges this criterion. Oceans affirms they will ensure Oceans' services will be accessible to all

residents of the service area to the extent they qualify for such services, including the underserved groups identified.

b. Relocation of Services: This criterion is not applicable.

c. Current and Projected Utilization of Comparable Facilities: The applicant asserts additional beds are needed based on the projection of need contained in Table 3-6 of the *FY 2020 State Health Plan* and the lack of any other providers of acute child/adolescent psychiatric services in Northeast Mississippi. The following table shows current utilization of acute/adolescent psychiatric beds as reported in the *FY 2020 State Health Plan*.

**Table 3-1
 Acute Adolescent Psychiatric Bed Utilization
 FY 2016**

Facility	County	Licensed Beds	CON Beds	Abeyance Beds	Inpatient Days	Occupancy Rate(%)	ALOS
Alliance Health Center	Lauderdale	30			6,931	63.30	8.59
Brentwood Behavioral Healthcare of MS	Rankin	74	15		19,718	73.00	10.21
Diamond Grove Center	Winston	25	4		7,568	82.94	9.55
Forrest General Hospital	Forrest	16			6,461	110.63	6.43
Memorial Hospital at Gulfport **	Harrison	30			3,542	32.35	5.58
Merit Health Biloxi	Harrison	11			1,141	28.42	7.13
Merit Health River Region	Warren	20			581	7.96	8.10
Oak Circle Center	Rankin	60			9822	44.85	37.87
Parkwood Behavioral Health System	DeSoto	52			11794	62.14	8.35
University of Mississippi Medical Center	Hinds	12			2,693	61.48	11.16
Total/Average Adolescent Psychiatric Beds		330	19	0	70,251	56.71	11.30

**As of May 27, 2018, Memorial Hospital at Gulfport transferred 15 CON approved beds to Brentwood Behavioral Healthcare of MS and 4 CON approved beds to Diamond Grove Center.

d. Probable Effect on Existing Facilities in the Area: The applicant states NMMC does not anticipate that the project will have a material impact on other existing providers of child/adolescent psychiatric services throughout the State.

e. Community Reaction: The application contains seventeen (17) letters of support from community leaders, health care providers and social workers.

GR Criterion 6 - Access to the Facility or Service

a. Access to Services. The applicant submits Oceans will ensure that

residents of the service area will have access to the proposed service to the extent they are eligible. The following table indicates NMMC's historical and projected gross patient revenue:

	Medically* Indigent (%)	Medically Indigent (\$)	Charity Care (%)	Charity Care (\$)
Historical Year 2019	NA	NA	1.98%	\$57,704,621.00
Historical Year 2020	NA	NA	3.14%	\$89,563,974.00
Projected Year 1	NA	NA	3.14%	\$91,355,253.00
Projected Year 2	NA	NA	3.14%	\$93,182,359.00

*Note: NMMC states it does not separate medically indigent and charity care.

- b. Existing Obligations:** The applicant states this item is not applicable.
- c. Unmet Needs of Medicare/Medicaid and Medically Indigent Patients:** Ocean affirms the hospital shall serve Medicare, Medicaid, and medically indigent patients.
- d. Access to Proposed Facility:** The applicant submits consistent with its non-profit mission, NMMC ensures that its services are accessible to Medicaid, indigent, and charity patients. Oceans assures its services will also be accessible to Medicaid, indigent and charity care patients.
- e. Access Issues**
 - i. Transportation and Travel:** The applicant submits NMMC-Behavioral Health is located in a geographically accessible location in Tupelo, MS approximately .9 miles away from the main campus of NMMC.
 - ii. Restrictive Admissions Policy:** The application contains a copy of the Admissions Policy which does not restrict admissions. NMMC states its services are available to all people regardless of race, creed, sex, national origin, age, religion, gender identity, sexual orientation, disability, handicap, veteran status, or ability to pay for care or because of coverage by programs such as Medicare or Medicaid.
 - iii. Access to Care by Medically Indigent Patients:** The applicant assures this criterion is not applicable to NMMC because it does not intend to operate the Oceans Hospital. Oceans assures the beds will be accessible to medically indigent patients.

- iv. **Operational Hours of Service:** Oceans affirms the Oceans Hospital will be manned and operating twenty-four (24) hours, seven (7) days per week.

GR Criterion 7 - Information Requirement

The applicant affirms this criterion is not applicable to NMMC; however, Oceans affirms it will record and maintain the required data.

GR Criterion 8 - Relationship to Existing Health Care System

- a. **Comparable Services.** The applicant states there are no existing comparable services within NMMC's service area. It states currently, patients in need of acute child/adolescent psychiatric services must either travel long distances to other facilities, or they do not receive needed services.
- b. **Effect on Existing Health Services**
 - i. **Complement Existing Services:** The applicant states the proposed project will complement the existing mental health services currently offered by NMMC by providing an additional access point for child/adolescent psychiatric services in Northeast Mississippi.
 - ii. **Provide Alternative or Unique Service:** The applicant submits the proposed project will establish the only acute child/adolescent psychiatric facility in Northeast Mississippi.
 - iii. **Provide a service for a specified target population:** The applicant states the project will provide services for children and adolescents between the ages of seven (7) and eighteen (18) in need of acute psychiatric services.
 - iv. **Provide services for which there is an unmet need:** The applicant believes there is an unmet need for child/adolescent psychiatric services in Northeast Mississippi.
- c. **Adverse Impact.** The applicant submits if the proposed project is not implemented, minor patients and their families will be forced to continue traveling long distances to receive necessary psychiatric care and many individuals may not receive care at all.
- d. **Transfer/Referral/Affiliation Agreements.** NMMC anticipates entering into a formal transfer/referral agreement with the Oceans Hospital.

GR Criterion 9 - Availability of Resources

- a. **New Personnel.** Oceans affirms they shall provide the new personnel to staff the proposed facility.
- b. **Contractual Services.** The applicant submits NMMC is not aware of any clinically related contractual services associated with the proposed project.
- c. **Existing Facilities or Services.** The applicant asserts NMMC is a Joint Commission accredited institution with a long history of health service excellence through qualified health personnel.
- d. **Alternative Uses of Resources.** The applicant affirms this criterion is not applicable to NMMC.

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. **Support and Ancillary Services.** The applicant asserts the resources of NMMC will be used to ensure all necessary support and ancillary services for the proposed project are available.
- b. **Changes in Costs or Charges.** The applicant asserts this criterion is not applicable to NMMC.
- c. **Accommodation of Changes in Cost or Charges.** NMMC asserts this criterion is not applicable to NMMC because it does not intend to operate the Oceans Hospital. Oceans does not anticipate any changes in costs or charges related to this project.

GR Criterion 11 – Health Professional Training Programs

The applicant states this criterion is not applicable to NMMC. Oceans asserts the establishment of the hospital will not affect health professional training programs in the service area.

GR Criterion 12 – Access by Health Professional Schools

The applicant asserts this criterion is not applicable to NMMC.

GR Criterion 13 – Access by Individuals Outside Service Area

The applicant affirms this criterion is not applicable to this project.

GR Criterion 14 - Construction Projects

The applicant proposes to renovate an existing wing located in NMMC-Behavioral Health for the provision of child/adolescent psychiatric beds/services.

GR Criterion 15 – Competing Applications

There are no competing applications on file with the Mississippi State Department of Health for the transfer of adult CD beds to child/adolescent psychiatric beds.

GR Criterion 16 - Quality of Care

- a. **Past Quality of Care.** The applicant asserts NMMC has a long history of delivering high quality healthcare as: (1) in 2021, it was awarded an “A” rating by Leapfrog, a national distinction recognizing NMMC’s achievements in protecting patients from errors, injuries, accidents and infections; (2) NMMC is designated as a Level II trauma center by the MSDH; and (3) NMMC is affiliated with North Mississippi Health Services, a 2012 Malcolm Baldrige National Quality Award recipient. Oceans states it shall apply for Joint Commission (“JCAHO”) accreditation following receipt of its license.
- b. **Improvement of Quality of Care.** The applicant asserts there are currently no acute child/adolescent psychiatric facilities located in Northeast Mississippi. The applicant states by establishing a facility for these needed services, NMMC and Oceans will improve the quality of care being provided.
- c. **Accreditations and/or Certifications.** The applicant submits the Hospital is accredited by the Joint Commission.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage of Cost (%)
Construction – New	0.00	0.00%
Construction (Renovation)	\$ 898,380.00	82.52%
Fixed Equipment	0.00	0.00%
Non-fixed Equipment	0.00	0.00%
Fees (Architectural)	89,838.00	8.25%
Contingency Reserve	98,972.00	9.09%
Other (Travel Costs)	1,500.00	0.14%
Total Capital Expenditure	\$ 1,088,690.00	100.00%

The above capital expenditure is proposed for renovation of approximately 14,490 square feet of existing space at a cost of \$75.03 per square foot. The renovation cost is comparable with other projects approved by the Mississippi State Department of Health.

B. Method of Financing

The applicant proposes to finance the project with cash reserves.

C. Effect on Operating Cost

The three-year projected operating statements for NMMC and Oceans are presented at Attachments 1 and 1-A, respectively.

D. Cost to Medicaid/Medicare

Oceans projects gross patient revenue cost (Project Only) to third party payors as follows:

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	31.00%	\$1,573,000.00
Medicaid	17.00%	871,000.00
Commercial	7.00%	351,000.00
Self Pay	0.00%	0.00
Charity Care	2.00%	\$100,757.00
Other	43.00%	\$2,172,000.00
Total	*100.00%	\$5,067,757.00

*Note: Percentages and dollar amounts may not be exact due to rounding.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. As of September 23, 2021, the Department has not received comments from the Division of Medicaid.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the conversion of adult chemical dependency beds to child/adolescent psychiatric beds as contained in the *FY 2020 Mississippi State Health Plan; House Bill 160, 2021 Legislative Session; the Mississippi Certificate of Need Review Manual, September 1, 2019, Revision; 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 North Mississippi Medical Center, Inc. d/b/a North Mississippi Medical Center for the conversion of seventeen (17) adult chemical dependency beds to child/adolescent psychiatric beds.

Attachment 1

North Mississippi Medical Center, Inc. d/b/a North Mississippi Medical Center Conversion of Seventeen (17) Adult CD Beds to Child/Adolescent Psychiatric Beds Three-Year Operating Statement (With Project)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$1,230,957,950.00	\$1,255,577,109.00	\$1,280,688,651.00
Outpatient	1,679,593,132.00	1,713,184,995.00	1,747,448,695.00
Gross Patient Revenue	\$2,910,551,082.00	\$2,968,762,104.00	\$3,028,137,346.00
Charity Care	\$ 91,355,253.00	\$ 93,182,359.00	\$ 95,046,006.00
Deductions from Rev.	2,126,513,201.00	2,169,043,465.00	2,212,424,335.00
Net Patient Revenue	\$ 692,682,627.00	\$ 706,536,280.00	\$ 720,667,005.00
Other Operating Revenue	\$ 37,218,202.00	\$ 37,962,566.00	\$ 38,721,818.00
Total Operating Revenue	\$ 729,900,830.00	\$ 744,498,846.00	\$ 759,388,823.00
Expenses			
Operating Expenses:			
Salaries	\$ 271,997,523.00	\$ 277,437,474.00	\$ 282,986,223.00
Benefits	70,905,914.00	72,324,032.00	73,770,513.00
Supplies	176,847,675.00	180,584,629.00	183,992,321.00
Services	145,054,716.00	147,955,810.00	150,914,926.00
Lease	2,484,912.00	2,534,610.00	2,585,303.00
Depreciation	37,109,317.00	37,851,504.00	38,608,534.00
Interest	9,321,237.00	11,514,419.00	11,307,700.00
Other	0.00	0.00	0.00
Total Expenses	\$ 713,721,295.00	\$ 730,202,478.00	\$ 744,165,520.00
Net Income (Loss)	\$ 16,179,535.00	\$ 14,296,368.00	\$ 15,223,303.00
Assumptions			
Inpatient days	122,865	125,322	127,829
Outpatient days	1,018,095	1,038,457	1,059,226
Procedures	15,271	15,577	15,888
Charge/inpatient day	\$ 1,650.00	\$ 1,650.00	\$ 1,650.00
Charge per outpatient	\$ 10,019.00	\$ 10,019.00	\$ 10,019.00
Charge per procedure	\$ 190,588.00	\$ 190,588.00	\$ 190,588.00
Cost per inpatient day	\$ 5,809.00	\$ 5,825.00	\$ 5,822.00
Cost per outpatient day	\$ 701.00	\$ 703.00	\$ 703.00
Cost per procedure	\$ 46,736.00	\$ 46,865.00	\$ 46,837.00

Attachment 1-A

Oceans Behavioral Hospital of Tupelo, LLC			
CON: HG-COB-0821-005 NMMC Child/Adolescent Psychiatric Beds			
Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	*\$ 4,715,721.00	\$ 11,443,670.00	\$ 11,544,667.00
Outpatient	352,036.00	1,152,919.00	1,177,400.00
Gross Patient Revenue	\$ 5,067,757.00	\$ 12,596,589.00	\$ 12,722,067.00
Charity Care	\$ 100,757.00	\$ 251,589.00	\$ 254,067.00
Deductions from Rev.	204,470.00	593,096.00	572,295.00
Net Patient Revenue	\$ 4,762,53.00	\$ 11,751,903.00	\$ 11,895,705.00
Other Operating Revenue	\$ 0.00	\$ 0.00	\$ 0.00
Total Operating Revenue	\$ 4,762,530.00	\$ 11,751,903.00	\$ 11,895,705.00
Expenses			
Operating Expenses:			
Salaries	\$ 2,079,920.00	\$ 3,411,440.00	\$ 3,437,200.00
Benefits	519,980.00	852,860.00	859,300.00
Supplies	515,300.00	1,010,300.00	1,028,300.00
Services	213,100.00	388,400.00	395,200.00
Lease	707,000.00	791,000.00	802,800.00
Depreciation	154,000.00	223,000.00	251,000.00
Interest	0.00	0.00	0.00
Other	1,390,800.00	2,173,300.00	2,209,000.00
Total Expenses	\$ 5,580,100.00	\$ 8,850,300.00	\$ 8,982,800.00
Net Income (Loss)	*\$ (817,570.00)	\$ 2,901,603.00	\$ 2,912,905.00
Assumptions			
Inpatient days	5,500	9,913	9,936
Outpatient days	5,310	17,384	17,483
Procedures	0	0	0
Charge/inpatient day	\$ 0.00	\$ 1.154.00	\$ 1,162.00
Charge per outpatient	\$ 66.00	\$ 66.00	\$ 67.00
Charge per procedure	\$ 0.00	\$ 0.00	\$ 1,162.00
Cost per inpatient day	\$ 1,015.00	\$ 893.00	\$ 904.00
Cost per outpatient day	\$ 1,051.00	\$ 509.00	\$ 514.00
Cost per procedure	\$ 0.00	\$ 0.00	\$ 0.00

*First Year projections of revenue and expenses were taken from Oceans Table 4B.