

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
MARCH 28, 2022**

**CON REVIEW: HP-AB-0222-022  
OCEANS BEHAVIORAL HOSPITAL OF BILOXI, LLC  
PROVISION OF POST-TRAUMATIC STRESS DISORDER (PTSD) SERVICES AND  
ADDITION OF TEN (10) PTSD PSYCHIATRIC BEDS  
CAPITAL EXPENDITURE: \$1,525,250.00  
LOCATION: BILOXI, HARRISON COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

Oceans Behavioral Hospital of Biloxi, LLC (“Oceans” or the “Hospital”), a Delaware Corporation, is a Limited Liability Company located at 180 Debuys Road, Biloxi, Harrison County, Mississippi 39531. Oceans is a hospital-based facility consisting of thirty-five (35) adult psychiatric beds and ten (10) adolescent psychiatric beds. According to the applicant, Oceans’ Management/Operating Entity is Oceans Acquisition, Inc., located at 5360 Legacy Drive, Building 2, Suite 101, Plano, Collin County, Texas 75024. Oceans consists of six (6) officers, four (4) administrators, six (6) board of trustees, and nine (9) directors.

The licensed beds, occupancy rates, and average daily census (ADC) for the three most recent fiscal years for Oceans Behavioral Hospital of Biloxi, LLC (medical/surgical beds only) are shown below:

Oceans Behavioral of Biloxi, LLC  
Utilization Data

<b>Fiscal Year</b>	<b>Licensed Beds</b>	<b>Occupancy Rate (%)</b>	<b>ADC</b>
2019	45	34.85	15.68
2020	45	74.05	33.32
2021	55	59.80	32.89

Source: Division of Health Facilities Licensure and Certification - Annual Hospital Reports for FY 2020 - 2022

**B. PROJECT DESCRIPTION**

Oceans Behavioral Hospital of Biloxi, LLC requests Certificate of Need (CON) authority to establish an inpatient program for the treatment of persons suffering from post-traumatic stress disorder (“PTSD”) and to add to its bed complement ten (10) psychiatric beds to treat PTSD patients. The ten (10) new psychiatric beds will be housed in an existing wing of the Hospital located on the second floor and will consist of five (5) rooms,

a large activities room, a group therapy room, and a nurses' station (the "PTSD Unit").

The applicant states Oceans is an affiliate of Oceans Behavioral Healthcare ("OBH") whose corporate offices are located in Plano, Texas and is one (1) of twenty-six (26) hospitals that comprise a regional hospital system commonly referred to as OBH. The applicant asserts as a large hospital system, OBH is experienced in developing programs and providing services for PTSD. The PTSD STAR [Stress Trauma Addiction Recovery Wellness] Program ("PTSD STAR Program") proposed by Oceans has been modeled after other successful PTSD STAR programs at other OBH hospitals.

According to the applicant, the PTSD STAR Program will have staff specially trained to care for persons suffering from PTSD, including psychiatrists, social workers, and registered nurses. The applicant states, upon admission, each PTSD patient will be assigned an individual social services clinician. The applicant asserts the psychiatrist and social services clinician will work together to complete a thorough assessment to determine the patient's needs and will meet with them regularly. The applicant further states the PTSD STAR Program will include individual psychiatric therapy, group therapy, family therapy, 24-hour nursing care, medically assisted detoxification, if necessary, activities, and a physical fitness regimen.

According to the applicant, minor capital improvements will be made to the PTSD Unit in order to adapt the space for its new use. The improvements include, but are not limited to, replacing all mirrors with stainless steel safety mirrors, installing suicide-resistant and ligature-safe hardware accessories, securing the nurses' station with a door and Plexiglas window, installing cameras in each patient room and the hallways, securing the doors into the PTSD Unit, painting each patient room, installing hard ceilings in each patient room, and securing the roof access door. The applicant states such capital improvements are necessary to ensure the safety of PTSD patients and Hospital staff.

According to the applicant, the final objective of the proposed project is to meet the current and future needs of veterans, military personnel, and their families throughout the State and region who suffer from PTSD. The applicant states currently, many such persons must be referred to other facilities outside of the State that provide specialized inpatient PTSD services. The applicant asserts such practice requires patients and their families to travel to other hospitals many miles away from their homes to receive the necessary services.

The total proposed project cost is \$1,525,250.00 which consists of \$1,350,000.00 for renovation, \$142,000.00 for capital improvements, and \$33,250.00 for contingency reserve.

The applicant notes, the cost for non-fixed equipment includes nine (9) beds specified as psychiatric beds. The applicant also notes the tenth

(10th) bed in the PTSD Unit will be a regular medical bed, which is already in Oceans' possession and will be used to accommodate a patient suffering from PTSD and also has a medical issue that must be addressed in addition to the patient's PTSD treatment.

The Division of Health Facilities Licensure and Certification has approved Oceans' site for PTSD services. The applicant projects the proposed project is expected to be completed seven (7) months following the receipt of the CON and the capital expenditure will be obligated within thirty (30) days of receipt of the CON.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the establishment of licensed psychiatric services and addition of psychiatric beds under the applicable statutory requirements of Section 41-7-191, subparagraphs (1)(c) and (1)(d)(iv), 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 of 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 April 7, 2022.

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

### A. State Health Plan (SHP)

The *FY 2022 Mississippi State Health Plan* (the "MSHP" or the "Plan") contains policy statements, criteria, and standards which an applicant is required to meet before receiving CON authority for the establishment of acute psychiatric beds/services. This application is in substantial compliance with applicable policy, criteria, and standards stated in the *Plan*.

### **Policy Statements Regarding Certificate of Need Applications for Acute Psychiatric Beds/Services**

**Policy Statement 1 - Indigent/Charity Care:** The applicant states Oceans estimates that approximately two percent (2%) of its gross patient revenue will be attributable to charity care. The applicant further states, because the PTSD STAR Program is designed for veterans and military personnel and their families, Oceans anticipates that most of the patients will be beneficiaries of TRICARE, the healthcare plan for veterans and military personnel, active and retired, and their families.

**Policy Statement 2 - Mental Health Planning Areas:** Oceans requests a CON to add ten (10) psychiatric beds in accordance with Chapter 3, Section 306.02(1)(e) of the *FY 2022 MSHP* regarding the establishment of a PTSD program for the treatment of adults eighteen (18) years of age or older with a psychiatric diagnosis of PTSD.

**Policy Statement 3 - Public Sector Beds:** The applicant submits that Oceans is not a public hospital and is not operated by the Mississippi Department of Mental Health. However, the applicant states the Department of Mental Health strongly supports Oceans' application.

**Policy Statement 4 - Comments from Department of Mental Health:** The application contained a letter of support from the Department of Mental Health for the establishment of PTSD beds/services at Oceans.

**Policy Statement 5 - Separation of Adults and Children/Adolescents:** The applicant affirms the proposed project involves the provision of PTSD services for patients eighteen (18) years and older.

**Policy Statement 6 - Separation of Males and Females:** The applicant states Oceans will separate males and females as required by the regulations.

**Policy Statement 7 - Patients with Co-Occurring Disorders:** Oceans certifies that its PTSD STAR Program will meet all applicable licensure and certification regulations for each service offered before providing such service.

**Policy Statement 8 – Comprehensive Program of Treatment:** Oceans certifies that its PTSD STAR Program will provide inpatient services directly to its PTSD patients. The applicant further states that because of the nature of the patients expected to receive treatment in Oceans' PTSD STAR Program (i.e., veterans and military personnel) outpatient and follow-up services will be provided by the medical director of Oceans' PTSD STAR Program.

**Policy Statement 9 – Medicaid Participation:** Oceans submits that because of the nature of the PTSD STAR Program, essentially all patients admitted to the program will be veterans, military personnel and their families who are TRICARE beneficiaries. However, the applicant affirms the Hospital will seek Medicaid Certification for its PTSD STAR Program at such time as the Program becomes licensed and is eligible for such certification. Oceans further affirmed that, in such event, it will provide the Department of Health with information regarding such services to Medicaid patients.

**Policy Statement 10 – Licensing and Certification:** Oceans certified that its PTSD STAR Program will substantially comply with all applicable licensing and certification regulations of the Division of Health Facilities Licensure and Certification.

**Policy Statement 11 - Psychiatric Residential Treatment Facility:** The applicant states the proposed project does not involve a psychiatric residential treatment facility.

**Policy Statement 12 – Certified Educational Programs:** The applicant asserts Oceans Behavioral Hospital of Biloxi operates a school, Oceans Therapeutic Day School, certified by the Department of Education which shall be available to all school age patients.

**Policy Statement 13 – Preference in CON Decisions:** The applicant affirms the proposed project does not involve a change in bed complement through the conversion of beds; however, it does involve a change in bed complement through the addition of ten (10) psychiatric beds.

**Policy Statement 14 – Dedicated Beds for Children’s Services:** The applicant states this proposed project does not involve any beds dedicated for children’s services.

**Policy Statement 15 – CON Authority:** This application requests a CON to add ten (10) psychiatric beds in accordance with Chapter 3, Section 306.02(1)(e) of the *FY 2022 MSHP* regarding the establishment of a PTSD Program for the treatment of adults eighteen (18) years of age or older with a psychiatric diagnosis of PTSD.

**Policy Statement 16 – Voluntarily De-licensed/Re-licensed Beds:** Oceans states this policy statement is not applicable to the proposed project.

**Policy Statement 17 – Reopening a Facility:** The applicant affirms Oceans has not ceased operating for a period of sixty (60) months.

### **SHP General Certificate of Need Criteria and Standards for Acute Psychiatric Beds/Services**

#### **SHP Need Criterion 1 – Bed Need Requirements**

- a. **New/Existing Acute Psychiatric, Chemical Dependency, and/or Psychiatric Residential Treatment Beds/Services:** The applicant states Oceans’ application requests a CON to add ten (10) psychiatric beds in accordance with Chapter 3, Section 306.02(1)(e) of the *FY 2022 MSHP* regarding the establishment of a PTSD Program for the treatment of adults eighteen (18) years of age and older with a psychiatric diagnosis of PTSD.
- b. **Projects that do not involve additional beds:** This criterion is not applicable to the proposed project.

- c. **Projects which involve the addition of beds:** The applicant affirms Oceans' occupancy rate has exceeded seventy percent (70%) for the past two (2) years.
- d. **Child Psychiatry Fellowship Program:** This criterion is not applicable to the proposed project.
- e. **Establishment or Addition of Programs for the Exclusive Treatment of Adults for Primary Psychiatric Diagnosis of Post-Traumatic Stress Disorder (PTSD):** Notwithstanding the service specific statistical bed need requirements as stated in "a" above, MSDH may approve service and/or beds for the exclusive treatment of adults eighteen years of age and older with a primary psychiatric diagnosis of PTSD. The applicant shall document the need for the proposed project and justify the number of inpatient beds to be dedicated for such purpose.

The applicant states PTSD is an anxiety disorder that can develop after exposure to a terrifying event or ordeal in which there had been the potential for or actual occurrence of grave physical harm. The applicant further states the disorder is characterized by three main types of symptoms:

- Re-experiencing the trauma through intrusive distressing recollections of the event, flashbacks, and nightmares.
- Emotional numbness and avoidance of places, people, and activities that are reminders of the trauma; and
- Increased arousal such as difficulties sleeping and concentrating, feeling jumpy, and being easily irritated and angered.

The applicant submits that according to the National Center for PTSD, U.S. Department of Veterans Affairs, about 11% - 20% of Vietnam veterans and around 12% of Gulf War veterans experience PTSD. In addition, the applicant states, a study by the Center for Innovative Media at The George Washington University, released June 5, 2013, found that military personnel returning from wars in Afghanistan and Iraq account for 20% of suicides in the United States. The applicant also submits another study conducted by Michael P. Atkinson of the Naval Postgraduate School, Adam Guetz of Stanford University and Lawrence M. Wein of Stanford Graduate School of Business estimates that 35% of veterans returning from those wars will at some point in their lives suffer from PTSD. The applicant claims this near doubling of the prevalence rate is due to the time lag between the PTSD - generating event, the onset of symptoms and the failure of many veterans to seek help.

The applicant states there is currently no cure for PTSD or a medication specifically designed for PTSD. There are only ways of treating the symptoms and its devastating effects. The applicant further states PTSD is not treated the same as other psychological disorders, stating patients suffering from PTSD respond better to specialized treatment. The applicant submits because military personnel and veterans suffering from PTSD have experiences far different from those of civilians, a program specifically designed to address their issues is critical to their recovery.

The application contained thirteen (13) letters of support attesting to the need for PTSD services.

### **SHP Criterion 2 –Data Requirements**

Oceans affirms that it will record and maintain, at a minimum, the information required by this criterion regarding charity care and care to the medically indigent and will make such information available to the Mississippi State Department of Health within fifteen (15) business days of request.

### **SHP Criterion 3 – Referral/Admission of Charity/Indigent Patients**

The application contains a letter of support from the Department of Mental Health (“DMH”). The letter states “this program is needed in Mississippi to serve those suffering from PTSD who often must leave the State to receive this level of treatment.” DMH further states Oceans’ proposed project will serve as a “wonderful complement” to the work being done in the State.

### **SHP Criterion 4 – Letters of Comment**

The application contains letters of support and comments from the following individuals: physicians and nurse practitioners; Mayor Billy Hewes, Gulfport, MS; Mayor A.M. Gilich, Jr., Biloxi, MS; Chris Ryle, Chief of Police, Gulfport Police Department; John B. Miller, Chief of Police, Biloxi Police Department; Leonard J. Papania, Chief Administrative Officer, City of Gulfport; Jeremy England, Mississippi State Senator, District 51; Kay Daneault, Executive Director, Mental Health Association of South Mississippi; Mona Gauthier, Executive Director, Pine Belt Mental Healthcare Resources; and the Department of Mental Health.

### **SHP Criterion 5 – Non-Discrimination Provision**

Oceans affirms that within the scope of its available services, neither it nor its participating staff shall have policies or procedures which would exclude patients because of race, color, age (except as to persons who are not adults and, therefore, are not eligible for Oceans’ PTSD STAR Program), sex, ethnicity, or ability to pay.

## **SHP Criterion 6 – Charity/Indigent Care**

Oceans affirms that it will provide a reasonable amount of charity/indigent care as provided for in Chapter 1 of the Plan. The applicant anticipates that two percent (2%) of its gross patient revenue derived from PTSD services will be charity care.

## **Service Specific (SS) Certificate of Need Criteria and Standards for Acute Psychiatric Beds/Services for Adults**

### **SS Need Criterion 1 – Statistical Need for Adult Psychiatric Beds**

The Mississippi State Department of Health bases statistical need for adult acute psychiatric beds on a ratio of 0.21 beds per 1,000 population aged eighteen (18) years and older for 2022. However, this application requests to add ten (10) psychiatric beds in accordance with Chapter 3, Section 306.02(1)(e) of the *FY 2022 MSHP* regarding the establishment of a PTSD Program for the treatment of adults eighteen (18) years of age or older with a psychiatric diagnosis of PTSD.

### **SS Need Criterion 2 – Proposed Size of Facility/Unit**

Oceans is a hospital-based facility consisting of thirty-five (35) adult psychiatric beds and ten (10) adolescent psychiatric beds. According to the applicant, Oceans seeks authority to establish an inpatient program for the treatment of persons suffering from PTSD and to add to its bed complement ten (10) PTSD psychiatric beds. The applicant affirms the ten (10) PTSD psychiatric beds will be housed in an existing wing of the Hospital located on the second floor. The applicant states the proposed PTSD Unit will consist of 6,300 square feet of space, which includes five (5) rooms, a hallway, an activities room, a nurses' station, and a group therapy room, designated for adults suffering from PTSD.

The applicant further states, services will be limited to adults eighteen (18) years of age or older with a psychiatric diagnosis of PTSD.

### **SS Need Criterion 3 – Staffing**

The applicant submits the PTSD Unit will become part of Oceans' Department of Behavioral Health. Dr. James Rusch, a board-certified psychiatrist, who has been specially trained to care for people with emotional or behavioral disorders, specifically PTSD, will serve as the Medical Director of the PTSD STAR Program and oversee its implementation and programming. The applicant affirms Patsy H. Zakaras, Ph.D., will also provide psychological services via contract at the Hospital.

In addition, Oceans states it will employ 7.9 additional full-time employees, including 3.3 additional registered nurses, and 2.0 aides to work with PTSD patients during the Program's first year of operation. The

applicant states the new social services clinicians will include one (1) person to serve as the Director of Clinical Services who will oversee all programming and social services assignments. The applicant further states the new staff members have been or will be trained to care for people with emotional or behavioral disorders, specifically military-related PTSD.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2019*, addresses the 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**

This application was reviewed for consistency with the *FY 2022 MS State Health Plan* in effect at the time of submission. The application substantially complies with the *FY 2022 MSHP*.

**GR Criterion 2 – Long Range Plan**

The applicant states that its proposed project to provide PTSD services to those in need “comports” with the Hospital’s goal to provide quality, efficient health care and is compatible with its long-range plans.

Additionally, the applicant states the Hospital was initially approached by physicians at Keesler Medical Center who alerted the Hospital to the specific need for specialized services for PTSD victims. The applicant asserts Oceans has access to a full range of “tried-and-true” resources for the development of its PTSD STAR Program.

**GR Criterion 3 – Availability of Alternatives**

**a. Advantages and Disadvantages:**

The applicant considered three alternatives:

(i) Status Quo. The applicant states Oceans could continue providing only the STAR services that it is currently providing, ignoring the significant issue facing many who experience PTSD.

(ii) Provide a smaller PTSD STAR Program. The applicant states the fact that the Gulf Coast is home to all branches of the military is a good indicator that a smaller program would be insufficient to tackle the problem that so many veterans and military personnel deal with every day. Furthermore, the applicant states a smaller program would not have the cost efficiencies of the ten (10) bed proposed program Oceans plans to offer.

(iii) Provide a larger PTSD STAR Program. Oceans states that although the Hospital is able to offer a larger program, the Hospital has selected a wing in the facility that is comprised of the appropriate number of rooms and is isolated from other areas of the Hospital.

**b. New Construction Projects:** The applicant states the proposed project contemplates renovations and capital improvements primarily for the purpose of ensuring the safety of the Hospital's patients and staff.

**c. Beneficial Effects to the Health Care System:** Oceans submits that the decision to provide the PTSD STAR Program to veterans and military personnel addresses a need within the State. According to the applicant, currently, there are no such programs in Mississippi designated to treat veterans and military personnel, other than programs in VA hospitals where too often the needed inpatient care is unavailable or is at full capacity.

**d. Effective and Less Costly Alternatives:** Oceans states because the PTSD Unit will be located in an existing wing of the Hospital, the proposed project can be implemented at a reasonable cost. The applicant affirms there is no less costly alternative.

**i. Unnecessary Duplication of Services:** The applicant states the proposed project is not an unnecessary duplication of services. The applicant further states, except for PTSD services provided at VA hospitals in Mississippi, there are no other inpatient psychiatric programs in Mississippi dedicated to providing treatment to military personnel and veterans suffering from PTSD.

**ii. Efficient Solution:** The applicant states the proposed project is an efficient use of health resources because the cost is little compared to the benefits that will be recognized. The applicant asserts victims of PTSD, if untreated, could drain health resources.

**e. Improvements and Innovations:** The applicant states the proposed project fosters improvements in the delivery of health services and promotes health care quality assurance and cost effectiveness by addressing the growing rate of veterans and military personnel suffering from PTSD, by providing an intensive inpatient program specifically designed to treat those persons suffering from PTSD, and by providing a program that allows a person suffering from PTSD to recognize their problem and seek treatment at the early on-set of the disease.

**f. Relevancy:** The applicant asserts the proposed project is on the cutting edge of healthcare and recognizes the debilitating effect

PTSD has on the victim, the victim's family and friends, and the victim's all-around well-being.

#### **GR Criterion 4 – Economic Viability**

- a. Proposed Charge:** The applicant states there are no similar services in the area other than those provided by the VA Medical Center. The applicant states the PTSD services proposed by Oceans under its PTSD STAR Program are expected to be reimbursed by the Veterans Health Care System or will be provided as charity care.

The applicant submits the proposed charges were calculated using a formula markup of the projected reimbursement. The applicant states the actual reimbursement will primarily be dictated by TRICARE.

- b. Projected Levels of Utilization:** The applicant states there are no comparable programs in Oceans' service area besides the VA Medical Center. However, the applicant also states its projected utilization is reasonable considering the need for the proposed project and the letters submitted in support of the project.

The utilization projections are shown in Attachment 1 of this Staff Analysis.

- c. Financial Feasibility Study:** The capital expenditure for this project is less than \$2,000,000; therefore, this criterion is not applicable.
- d. Financial Forecasts:** The applicant states the financial forecasts does not deviate significantly from the financial statements of the three-year historical period.
- e. Means of Covering Expenses in Event of Failure to Meet Projections:** The applicant indicates that Oceans has the means to finance this project in the event of a failure to meet expectations by stating Oceans is one (1) of twenty-six (26) hospitals in Oceans Behavioral Health's hospital system.
- f. Impact of Proposed Project on Health Care Cost:** Oceans states the proposed project will have no adverse impact on gross revenues per patient day. The applicant further states any impact on gross revenues will be a beneficial impact, and the implementation of the proposed project will not result in an increase in charges for any existing services. The applicant asserts any increase will occur as a result of inflationary or reimbursement issues. The applicant further states there may be a slight increase in expenses due to additional employees, but such an increase is expected to be offset by an anticipated increase in patient revenue.

### GR Criterion 5 – Need for Project

- a. **Access by Population Served:** The applicant submits that the *FY 2022 MSHP*, Chapter 3, Section 306.02(1)(e) provides that the PTSD services that are the subject of the application are to be limited to adults eighteen (18) years of age or older with a psychiatric diagnosis of PTSD. All such adults will have access to the PTSD STAR Program.
- b. **Relocation of Services:** The applicant submits this criterion is not applicable.
- c. **Current and Projected Utilization of Comparable Facilities:** According to the applicant, there are no like facilities within the State other than hospitals in the Veterans Administration system. The application contains a letter from the Commander of the 81st Medical Group at Keesler Air Force Base, Colonel Christopher Estridge, which recognizes the need for PTSD services for military personnel.
- d. **Probable Effect on Existing Facilities in the Area:** The applicant states there are no facilities within the State, with the exception of hospitals in the Veterans Administration system, that provide inpatient PTSD services for veterans and military personnel suffering from PTSD.
- e. **Community Reaction:** The application contained fourteen (14) letters of support for the proposed project. The Department received no letters of opposition.

### GR Criterion 6 – Access to the Facility or Service

- a. **Access to Services:** The applicant submits all adults with a primary psychiatric diagnosis of PTSD who is eighteen (18) years of age or older will have access to the PTSD STAR Program.

The percentage of gross patient revenue and the actual dollar amount of health care provided to charity care patients for the last two years as well as the projected amount for the two years following completion of the project are as follows:

**Gross Patient Revenue**

	Medically Indigent (%)	Charity Care (%)	Medically Indigent (\$)	Charity Care (\$)
Historical Fiscal Year 2020	1%	2%	\$73,940.00	\$147,880.00
Historical Fiscal Year 2021	1%	2%	\$146,813.00	\$293,626.00
Projected Year 1	1%	2%	\$149,489.00	\$298,973.00
Projected Year 2	1%	2%	\$167,637.00	\$334,074.00

- b. **Existing Obligations:** The applicant states Oceans has no existing obligations under any federal regulations requiring the provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs of Medicare/Medicaid and Medically Indigent Patients:** The *FY 2022 MSHP*, Chapter 3, Section 306.02(1)( e) provides that the PTSD services that are the subject of Oceans' application are to be limited to adults eighteen (18) years of age or older with a psychiatric diagnosis of PTSD.
- d. **Access to Proposed Facility/Services:** The applicant states services will be accessible to veterans, military personnel, and their families.
- e. **Access Issues:**
  - i. **Transportation and Travel:** The applicant affirms the Hospital is located on Debuys Road in Biloxi, which provides patients quick and easy access to the Hospital.
  - ii. **Restrictive Admissions Policy:** Oceans included a copy of the Hospital's admissions policy in its application.
  - iii. **Access to Care by Medically Indigent Patients:** The applicant states Oceans currently provides approximately ten percent (10%) of care to medically indigent patients and two percent (2%) of care to charity care patients.
  - iv. **Operational Hours of Service:** The applicant states the Hospital's regular hours of operation are twenty-four (24) hours per day, seven (7) days per week.

## GR Criterion 7 – Information Requirement

Oceans affirms that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within fifteen (15) business days of request.

## GR Criterion 8 – Relationship to Existing Health Care System

- a. **Comparable Services:** The applicant submits there are no existing, comparable services in the State, other than those provided by the VA system. The applicant states, currently, a veteran or military member must access specialized PTSD treatment at one of the VA hospitals or out of state.
- b. **Effect on Existing Health Services:**
  - i. **Complement Existing Services:** The applicant states there are no facilities within the State, with the exception of hospitals in the Veterans Administration system, that provide inpatient PTSD services for veterans and military personnel suffering from PTSD. By implementing the proposed project, the applicant submits a much-needed service will be available to the area's military community.
  - ii. **Provide Alternative or Unique Service:** The applicant states a unique need for the PTSD STAR Program exists along the Mississippi Gulf Coast. The applicant acknowledges that Keesler Medical Center cannot accommodate all the needs of active-duty serviceman and veterans who currently must seek such inpatient care in other states.
  - iii. **Provide a service for a specified target population:** The applicant states that the proposed project will provide inpatient PTSD services for veterans and military personnel eighteen (18) years of age or older with a psychiatric diagnosis of PTSD.
  - iv. **Provide services for which there is an unmet need:** The applicant states there are currently no designated PTSD services in the State for veteran and military personnel. Oceans asserts the community has expressed a need for specialized PTSD services on the Coast.
- c. **Adverse Impact:** The applicant asserts failure to implement this proposed project will result in denying veterans, military personnel, and their families the opportunity to access intensive inpatient treatment for PTSD.
- d. **Transfer/Referral/Affiliation Agreements:** The application included a transfer agreement between Oceans Behavioral

Hospital of Biloxi and Merit Health Biloxi. However, the applicant states the agreement is not directly related to the proposed project.

#### **GR Criterion 9 - Availability of Resources**

- a. New Personnel:** The application indicates that the project will require 7.9 additional new personnel during its first year of operation. The applicant also states, during the second year of operation, the Hospital intends to employ eight (8) additional full-time employees for the PTSD Program.
- b. Contractual Services:** The applicant included a Staffing Agreement by and between Oceans Acquisitions, Inc. and Advantage Medical Professionals, LLC.
- c. Existing Facilities or Services:** Oceans states that it has a good record of hiring and retaining appropriate staff. The applicant further states Oceans is confident that it will have no problems hiring needed employees. The Hospital states that it will use normal recruiting practices to fill available positions with the best suited applicants. The applicant further states special efforts will also be made to work with the area's institutions of higher learning to recruit skilled personnel.
- d. Alternative Uses of Resources:** The applicant states there is no better use of the resources that Oceans has committed to implement the proposed project.

#### **GR Criterion 10 – Relationship to Ancillary or Support Services**

- a. Support and Ancillary Services:** According to the applicant, all necessary support and ancillary services are currently in place at Oceans.
- b. Changes in Costs or Charges:** The applicant states there will be no change in existing charges as a result of the implementation of this project. Any increases in charges for existing services will occur as a result of inflationary or reimbursement issues. Furthermore, the applicant states any increase in operating costs will be minimal and will be driven primarily by the cost of adding additional staff.
- c. Accommodation of Changes in Cost or Charges:** The applicant states the Hospital anticipates increased patient revenue.

#### **GR Criterion 11 – Health Professional Training Programs**

The applicant states Oceans will consider any request made by health professional training programs in its service area. The applicant asserts

each request will be reviewed based upon the merits of the training, the participants, and the appropriate actions to be taken.

#### **GR Criterion 12 – Access by Health Professional Schools**

Oceans reiterates that it will consider any request made by health professional training programs in its service area. The applicant asserts again that each request will be reviewed based upon the merits of the training, the participants, and the appropriate actions to be taken

#### **GR Criterion 13 – Access by Individuals Outside Service Area**

The applicant states based on room availability, Oceans' PTSD STAR Program will be available to any qualifying patient who is an adult suffering from PTSD and is covered by the Veterans Health Care System, other payors, or indigent/charity care. The applicant further states because of the scarcity of PTSD programs specializing in care for veterans and military personnel, it is most likely that persons residing outside of the Hospital's service area will seek treatment at Oceans.

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

The applicant states the proposed project contemplates renovations and capital improvements primarily for the purpose of ensuring the safety of the Hospital's patients and staff.

#### **GR Criterion 15 – Competing Applications**

There are no competing applications on file with the Mississippi State Department of Health for the establishment of an inpatient program for the treatment of persons suffering from PTSD and the addition of beds designated for PTSD treatment.

#### **GR Criterion 16– Quality of Care**

- a. Past Quality of Care:** The applicant states Oceans has a history of providing high quality medical care to the residents of its service area. Oceans states that it has a quality improvement program, the purpose of which is to ensure the delivery of the highest quality of care to its patients in the most efficient manner considering the resources available.
- b. Improvement of Quality of Care:** The applicant states the proposed project will improve the quality of care delivered to veterans, military personnel, and their families. The applicant also states inpatient treatment of PTSD is necessary in many cases and allows someone suffering from the disorder to live a normal and productive life.
- c. Accreditations and/or Certifications:** The applicant affirms Oceans is accredited by The Joint Commission, licensed by the

Mississippi State Department of Health, and certified to participate in TRICARE, and the Medicare and Medicaid programs.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The total estimated capital expenditure is allocated as follows:

	Item	Cost (\$)	Percent (%) of Total
a.	Land Cost	\$ 0	0
b.	Site Preparation	0	0
c.	other	0	0
d.	New Construction	0	0
e.	Renovation	1,350,000	88.51
f.	Capital Improvements	142,000	9.31
g.	Fees (Architectural, Consultant, etc.)	0	0
h.	Contingency Reserve	33,250	2.2
i.	Capital Interest	0	
j.	Other	0	0
	<b>Total Proposed Capital Expenditure</b>	<b><u>\$1,525,250.00</u></b>	<b><u>100.00%</u></b>

\*Percentage may differ due to rounding

**B. Method of Financing**

The above capital expenditure is proposed to be financed by related company financing. The application contained audited financial statements from Oceans Acquisition, Inc. which indicate sufficient funding for the project.

The applicant states the method of financing for the proposed project is \$5,000.00 from Equity Contribution, \$507,500.00 from Cash Reserves and a \$1,012,750.00 contribution from NEC Midway (the building's owner).

**C. Effects on Operating Costs**

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.

**D. Cost to Medicaid/Medicare**

The applicant projects the cost of the project to third party payors as follows:

<b>Oceans Behavioral Hospital of Biloxi, LLC</b>		
<b>Payor</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
<b>Medicare</b>	(232%)	\$ (263,418)
<b>Medicaid</b>	233%	\$ 264,173
<b>Commercial</b>	74%	\$ 83,663
<b>Self-Pay</b>	26%	\$ 29,128
<b>Charity Care</b>	0%	\$ 0
<b>Other(MHAP)</b>	0%	\$ 0
<b>Total</b>	<b>100.00%</b>	<b><u>\$ 113,546.00</u></b>

\*Totals may differ due to rounding

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid (the "Division") was provided a copy of this application for review and comment. The Division states effective September 1, 2012, the Division of Medicaid changed the methodology by which outpatient services are reimbursed so that the cost incurred subsequent to that date will no longer affect outpatient payments. Also, effective October 1, 2012, the Division changed the methodology by which it reimburses inpatient services so that the cost incurred subsequent to that date will only affect cost outlier payments. The Division states that the estimated increase in cost outlier payments resulting from this CON cannot be determined at this time. The Division of Medicaid, therefore, had no opinion on this proposed transaction.

The Department of Mental Health was also provided a copy of this application for review and comment. The Department of Mental Health is in support of this project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards contained in the *FY 2022 Mississippi State Health Plan* for the establishment of programs for the exclusive treatment of adults with a primary psychiatric diagnosis of post-traumatic stress disorder; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2019*; 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 the application submitted by Oceans Behavioral Hospital of Biloxi, LLC for the provision of post-traumatic stress disorder services and the addition of ten (10) psychiatric beds to treat PTSD patients.

Attachment 1

Oceans Behavioral Hospital of Biloxi, LLC  
Provision of Post-Traumatic Stress Disorder (PTSD) Services and  
Addition of Ten (10) PTSD Psychiatric Beds  
Three-Year Projected Operating Statement (With Project)

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$ 13,206,019	\$ 14,928,967	\$ 15,331,252
Outpatient Care Revenue	1,742,628	1,774,740	1,812,371
<b>Gross Patient Care Rev.</b>			
Charity Care	293,464	290,576	294,413
Deductions for Revenue	(945,008)	(1,051,121)	(1,082,221)
<b>Net Patient Care Revenue</b>	\$ 14,297,104	\$ 15,943,161	\$ 16,355,815
Other Operating Revenue	684,348	684,348	684,348
<b>Total Operating Revenue</b>	<b>\$ 14,981,452</b>	<b>\$ 16,627,509</b>	<b>\$ 17,040,163</b>
<b>Operating Expenses</b>			
Salaries	\$ 4,536,193	\$ 4,804,883	\$ 4,909,040
Benefits	1,134,048	1,201,221	1,227,260
Supplies	101,991	108,032	110,374
Services	2,239,840	2,377,688	2,429,230
Lease	868,876	920,342	940,292
Depreciation	184,736	195,678	199,920
Interest	21,018	22,263	22,746
Other	2,156,069	2,283,779	2,333,285
<b>Total Operating Expenses</b>	<b>\$ 11,242,771</b>	<b>\$ 11,913,886</b>	<b>\$ 12,172,147</b>
<b>Net Operating Income (Loss)</b>	<b>\$ 3,738,681</b>	<b>\$ 4,713,623</b>	<b>\$ 4,868,017</b>
Inpatient Days	12,818	15,253	15,415
Outpatient Days	8,965	8,996	9,051
Procedures	0	0	0
Charge per outpatient day	\$ 194	\$ 197	\$ 200
Charge per inpatient day	\$ 1,030	\$ 1,097	\$ 995
Charge per procedure	0	0	0
Cost per inpatient day	\$ 833	\$ 742	\$ 750
Cost per outpatient day	\$ 63	\$ 66	\$ 67
Cost per procedure	0	0	0

\*Calculations may differ due to rounding

\*Note: The Division of Health Planning and Resource Development calculations project the following: Charge per inpatient day for Year 2 is \$979; Cost per inpatient day for Year 1 is \$877, Year 2 is \$781, and Year 3 is \$790; Cost per outpatient day for Year 1 is \$1,254, Year 2 is \$1,324, and Year 3 is \$1,345.