

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
FEBRUARY 2008**

**CON REVIEW: HG-CRF-1207-032  
FORREST GENERAL HOSPITAL D/B/A HIGHLAND COMMUNITY HOSPITAL  
CONSTRUCTION, RELOCATION AND REPLACEMENT OF A 95-BED  
ACUTE CARE FACILITY IN PICAYUNE  
CAPITAL EXPENDITURE: \$75,829,000  
LOCATION: PICAYUNE, PEARL RIVER COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Forrest General Hospital d/b/a Highland Community Hospital (formerly L.O. Crosby Memorial Hospital) is a public, 95-bed general acute care hospital owned by Forrest General Hospital of Hattiesburg, Mississippi, and Forrest County. Forrest General Hospital is governed by a seven-member Board of trustees, accredited by the Joint Commission on the Accreditation of Healthcare Organizations and licensed by the Mississippi State Department of Health. In May 2006, Forrest General Hospital purchased Highland Community Hospital (HCH).

The licensed bed capacity of Highland Community Hospital is made up of 95 medical surgical beds.

The occupancy rates, average lengths of stay (ALOS) and the Medicaid utilization rates for the medical surgical beds at Highland Community Hospital are as follows for the three most recent fiscal years:

**Highland Community Hospital  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2004	22.32	3.09	22.75
2005	19.23	2.46	20.09
2006	19.41	2.82	24.03

**Source:** Division of Health Facilities Licensure and Certification, Mississippi State Department of Health, (MSDH).

**B. Project Description**

Forrest General Hospital d/b/a Highland Community Hospital is requesting Certificate of Need (CON) authority for construction, relocation and replacement of a 95-bed acute care facility located at Good Year Boulevard in Picayune, Mississippi. The applicant asserts that the proposed project will replace and relocate the facility to a location on Highway 11, approximately ½ mile north of Highway 43. The project will be completed in three phases. Initially, the new facility will operate 46 beds; once completed the facility will consist of 95 licensed short-term acute care beds.

The applicant asserts that L. O. Crosby Memorial Hospital received approval for a CON in 1999 for a replacement facility; however, until the recent acquisition by Forrest General Hospital in May 2006, the facility has not been able to move forward with a replacement hospital. The approval of this CON application will supersede and replace the previously issued CON #R-0352 issued in 1999 to L. O. Crosby Memorial Hospital by the Department.

Forrest General Hospital submits that the scope of the proposed project includes the construction of a two-story (plus basement) replacement hospital to be located on a new campus in Picayune, Mississippi. A portion of the administrative services and outpatient services will be located in an attached medical office building and a portion of the support services will be located on the basement level, allowing easy access from the loading dock area. Public circulation will be provided to the dining and education area only.

The proposed project will encompass a total of 199,162 square feet of new construction. A description of the project by floor space is as follows:

- **First Floor:** The plan is designed around a central seating area directly serving most of the outpatient functions, with minor sub-waiting areas within the departments. A six-booth registration and three examine pre-admit testing areas will be provided at the main entrance, as well as immediate access to imaging and surgical services for the outpatient volumes. The imaging department provides two R&F, one CT, one general rad, one ultrasound and one mammography unit. Imaging has direct access for the emergency department. Two operating rooms (plus a shell), 5 PACU stations and 13 prep and recovery stations will be provided. An expansion zone for the OR's and prep recovery has been located to the north. Immediately adjacent to the surgical service is the nine-bed labor delivery post partum area. A ten-bassinet nursery, three labor/delivery/recovery rooms and ten ante post partum beds will be provided. An expansion zone for future needs is zoned to the west. The C-section room is located on the restricted corridor in the surgery department. Located adjacent to the surgical services, with easy access from the prep and recovery area and immediate access from emergency is a five-bed intensive care unit. All patient rooms will be private. The emergency department is equipped with two trauma rooms adjacent to the ambulance entrance and sixteen exam treatment rooms.
- **Second Floor:** The scope of the second floor includes the build-out of 32 medical surgical beds and a unit that will provide an additional 32 medical-surgical beds in the future. All patient rooms will be private and served from a central nurse station with smaller satellite nurse substations for each six patients.
- **Basement Level:** This level provides support functions requiring proximal adjacency to the loading dock area. The design considerations have been made to accommodate public circulation to the education and dining areas.
- **First Floor (Medical Office Building):** On this floor, strictly outpatient functions and administrative functions requiring only proximal access to the hospital will be located in an adjacent, but connected medical office building. These services include hospital administration, medical records, physician lounge, business office, and physical therapy/cardiac rehabilitation. These services will be accessed along the connector spine to the main hospital.

The applicant projects an additional 13.4 full-time equivalent personnel at an estimated annual cost of \$558,271 for the proposed project.

The total proposed capital expenditure of \$75,828,000 is composed of new construction (69.95 percent), non-fixed equipment (5.21 percent), fixed equipment (8.42 percent), land (1.44 percent), site preparation (0.88 percent), fees (8.01 percent), capitalized interest (5.15 percent), and contingency reserve (0.93 percent). See capital expenditure summary, page 11. The applicant proposes to finance \$50,000,000 of the proposed capital expenditure with the proceeds of tax-exempt bonds to be issued by the Mississippi Hospital Equipment and Facilities Authority as general obligation bonds or revenue bonds of Forrest General Hospital, \$24,828,000 from cash reserves of Forrest General Hospital and \$1,000,000 from private donations.

According to MSDH Division of Health Facilities Licensure and Certification, the site is approved for the construction of a hospital.

The applicant anticipates that phase I will begin upon CON approval; phase II and phase III will begin upon census demand per the *State Health Plan* for the proposed project. The applicant further predicts that the final construction phase will be completed within 74 months of the project start date.

The current property is owned by Southern Regional Corporation Foundation who intends to use the facility for the local school system.

## II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-191, subparagraph (1) (b), (e) and (j), 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 March 6, 2008.

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

### A. State Health Plan

The *FY 2007 State Health Plan* contains criteria and standards which an applicant is required to meet prior to undertaking major construction, renovation, expansion, capital improvements, replacement of health care facilities, and addition of hospital beds. This application is in substantial compliance with applicable criteria and standards.

### **SHP Criterion 1 – Need**

According to the applicant, in 1995 an extensive review of the existing facility was conducted by Graham, Smith and Partners which identified the following major problems: architectural/structural; electrical/mechanical/ code violations and fire code deficiencies. With these renovations, the facility would still have been antiquated.

The applicant submits the following items to support the need for the proposed project:

- a. **Aged Facility:** According to Highland Community Hospital, the existing hospital was built in 1954. The 53 year old building was designed and constructed during a time when patient care was predominantly inpatient. Today, many inpatient services require shorter stays, and the ability to move patients easily throughout the facility is necessary. A replacement facility will allow for improved patient flow, which will lead to better patient outcomes and improved patient satisfaction as well as quality of care.  
  
The applicant asserts that the current hospital sustained damage during the Katrina hurricane to the roof, exterior wall, interior wall, floors, etc. The repairs of the structures had to be done around existing operations. The existing structures are older and may not perform well during another Katrina sized hurricane. Construction of a new replacement hospital will be done to the highest of performance standards for a structure in a hurricane area. The project will enable the uninterrupted continued delivery of services during future hurricane or other disasters.
- b. **Institutional Long Term Plans:** The applicant states that Forrest General Hospital acquired Highland Community Hospital, formerly Crosby Memorial Hospital, in May 2006 for the purpose of building a replacement facility. The proposed project has been approved by the hospital's Board of trustees and is consistent with the long range plan.
- c. **Accreditation:** According to the applicant, Highland Community Hospital has not been accredited by the Joint Commission since 1982, mainly because of problems with the physical facility.
  - a. **Pharmacy:** The applicant asserts that even with renovation the hospital cannot meet the requirements in the existing facility to comply with the guidelines for pharmacy services.
  - b. **Imaging:** Since 2004, imaging has received warnings during each annual State inspection regarding film storage in a non-sprinkler area. The hospital continues to aggressively purge and send films to an off-site storage facility. Highland Community Hospital's inability to maintain film for longer periods of time in the facility does present delays in the radiologists providing a complete interpretation and comparison of previous studies during the course of illness and treatment.
- d. **Trauma System:** According to the applicant, HCH currently participates in the statewide trauma system as a Level IV Trauma Center. This participation will continue after the proposed replacement.
- e. **Access to Care:** Currently, the existing facility is located west of an active railroad. If patients or ambulances get caught on the wrong side of the train while en route to the hospital, there can be lengthy delays. Ambulances and patients must turn around and navigate to an overpass of the railroad tracks. This delay can be dangerous to patients' access to health care. The replacement facility will be located in an area that will not have any delays in access due to passing trains.

Forrest General Hospital d/b/a Highland Community Hospital asserts that the new facility will be designed to improve the minimum room sizes for all primary clinical spaces, which will include all inpatient bed rooms, intensive care bed rooms, operating rooms, emergency department rooms and radiology rooms, and all private beds for inpatients. The applicant believes that the additional spaces will improve access to care for the community by giving care givers ample space to perform their work. The proposed project will give families more space to visit. The public spaces in family waiting rooms and dining spaces will also be increased.

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

According to the applicant, the proposed replacement facility will be built to comply with federal and licensure standards. The project will include building the replacement hospital to fully comply with American Institute of Architects “Guidelines for Construction of Hospitals and Healthcare facilities” 2006 edition. The project will also be built to the state of Mississippi standards for new construction of hospitals.

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

Highland Community Hospital affirms it will provide a reasonable amount of charity care. Charity care provided in the past twelve months ending September 30, 2007, was \$268,298.

### **SHP Criterion 4 – Cost of Project**

- a. **Cost per Square Foot:** Forrest General Hospital believes that the cost of this project is comparable with cost of similar projects. The cost per square foot of new construction is \$355.42. The cost of the project is above the high range (\$300) for new construction of hospitals listed in the *Means Building Construction Cost Data, 2007 Edition*.
- b. **Equipment Cost:** According to the applicant, equipment will be purchased through the hospital’s purchasing agreement with the Voluntary Hospital Association. The applicant believes the equipment budget to be comparable and reasonable with cost to other similar projects.

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

- a. **Gross Square Footage:** The applicant states that the proposed project consists of 199,162 square feet of new construction. The applicant asserts that the square footage compares favorably with the state and national norms for similar projects.
- b. **Architectural Restraints:** Highland Community Hospital states that there are no architectural restraints to this project. It is a replacement facility.

### **SHP Criterion 6 – Renovation Versus Replacement**

Forrest General Hospital d/b/a Highland Community Hospital states that the proposed project is for construction of a replacement facility in Picayune.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, revised September 8, 2007*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

**GR Criterion 1 – Consistency with the State Health Plan**

According to the applicant, the relocation of Highland Community Hospital is consistent with the State Health Plan. The proposed replacement facility will impact the following Priority Health Needs identified in the *Plan*:

- Health care for specific populations, such as mothers, babies, the elderly, the indigent, the uninsured, and minorities
- Implementation of a statewide trauma system
- Availability of adequate health manpower throughout the state
- Enhanced capacity for detection of and response to public health emergencies, including acts of bioterrorism
- Avoidance of unnecessary duplication of services
- Cost Containment Measures

The applicant submits that the current 65,000 square foot facility, which was built in 1954, is functionally obsolete based upon current trends in medicine, as well as the facility's design and overall condition. It was designed over 50 years ago when the hospital's role was almost exclusively inpatient. The shift to largely outpatient orientation in today's healthcare industry has left Highland Community Hospital behind accepted industry standards. The last renovation took place in the intensive care unit (ICU) more than 15 years ago.

The applicant asserts that the project will complement existing services through improved patient access, improved patient flow through hospital services, improved quality of care, and improved patient satisfaction.

**GR Criterion 2 - Long Range Plan**

According to the applicant, during recent acquisition of Highland Community Hospital by Forrest General Hospital, additional review and analysis confirmed that a replacement facility is required in order to maintain HCH's viability and quality patient care in its community.

Forrest General Hospital d/b/a Highland Community Hospital asserts that the proposed project is consistent with the long range development plan of FGH's Board of Trustees.

**GR Criterion 3 – Availability of Alternatives**

According to the applicant, the first option considered was to renovate the existing facility. This option was rejected because the facility is land-locked and renovation would not improve current patient flow issues or new technology requirements. Re-investment of large capital dollars in this building will not yield a good long-term return on investment because of the limitations of the older building structure, design and shape of the footprint.

The second option considered by the applicant was to build to the specifications identified in the previous CON. This option was rejected because the specifications are old and the location has changed.

The applicant states that the third option considered and selected was to build a replacement facility located off of Highway 11. The location provides easier access and the facility will be built with optimal patient flow.

Forrest General Hospital believes that the replacement facility will promote a higher level of patient care in Picayune and will serve as the basis for addressing the county's health planning goals in the future. The facility has easier access for the public and patients via Interstate 59, Highway 43, and Highway 11. The additional space will allow the hospital to grow and expand in order to meet the needs of the growing population.

#### **GR Criterion 4 - Economic Viability**

Highland Community Hospital projects net operating income to be \$4,238,692 the first year, \$4,805,678 the second year, and \$5,503,325 the third year after completion of this project. See effect on operating cost, page 12.

- a. **Proposed Charges:** The applicant projects charges of \$7,141 per inpatient day for the first year, \$7,686 for second year, and \$8,239 for third year of operation for the proposed project. The applicant projects costs of \$1,542 per inpatient day for the first year, \$1,564 for second year, and \$1,618 for third year of operation for the proposed project.

The applicant asserts that as the number of physician increases and when the new facility opens, community support should help drive significant increases in services and revenues for Highland Community Hospital.

- b. **The Projected Level of Utilization:** The applicant projects 6,306 inpatient days for year one, 6,960 inpatient days for year two, and 7,296 inpatient days for year three for the proposed project. Additionally, Highland Community Hospital projects 10,753 outpatient days for year one, 12,040 outpatient days for year two, and 13,185 outpatient days for year three for the proposed project.
- c. **Project's Financial Feasibility Study:** The application contained a letter signed by the hospital's chief financial officer attesting to the financial feasibility of the project.

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

- a. **Access by Population Served:** According to the applicant, the replacement facility will improve local healthcare to all age groups of Pearl River County though the availability of improved preventive and diagnostic services.

The applicant asserts that the current facility is deficient in appropriate spatial requirements, functional layout, and general patient considerations. These chronic problems have been a barrier to attracting physicians and other healthcare personnel. While the commitment is there, these problems are also a hindrance to quality patient care, the hospital's reputation, and public acceptance. This has caused an extremely high percentage of out-migration to other Mississippi hospitals, as well as Slidell, Louisiana. The applicant indicates that the proposed

project is designed to address the needs and should exceed the public and physician expectations.

- b. **Relocation of Services:** This application is for construction of a replacement facility in Picayune. The applicant submits that the new hospital will achieve the goals of the public and patient accessibility, concepts in ambulatory care, operational efficiencies and patient care. The facility will also have adequate space in order to accommodate new medical, informational and support equipment. The applicant believes that the availability of this project will enhance diagnostic capability, which will be able to attract additional medical professionals to the area.
- c. **Current and Projected Utilization of Like Facilities in the Area:** According to the Report on Hospitals, MSDH, the average occupancy rate for acute care hospitals in Mississippi in 2006 was 47.7 percent. According to the applicant, HCH's actual utilization (inpatient days) for all beds for 2006 was 2,821 or 19.41 percent. As previously mentioned, the applicant projects 6,306 inpatient days for year one, 6,960 inpatient days for year two, and 7,296 inpatient days for year three for the proposed project.
- d. **Probable Effect on Existing Facilities in the Area:** The proposed project should have no effect on existing facilities in the area because no additional beds or services will be added.  
  
The applicant asserts that Picayune is located in a fairly remote section of the state with Hattiesburg, Gulfport, and Slidell, Louisiana, located 60, 50, and 20 miles away, respectively. Therefore, the availability of the replacement facility should not affect these tertiary centers. In addition, no new service categories are proposed. It is expected that the replacement facility will have a positive effect on Pearl River County as more patients will be treated through technological upgrades and additional medical staff. The applicant believes that the project will have a positive effect on the county's medical retail providers and freestanding medical providers.
- e. **Community Reaction:** The application contains nine letters of support for the project.

Forrest General Hospital d/b/a Highland Community Hospital believes that failure to implement the relocation and construction of a replacement facility will result in the gradual clinical and financial demise of the hospital. It will also result in an even larger percentage of Pearl River County residents being forced to go out of the state to Slidell, Louisiana, for their primary healthcare needs. In addition, the inaccessibility of a modern medical center will have a damaging effect on the economic development of Pearl River County. The design and upgraded services of the replacement facility will be able to respond more appropriately to the needs of the population.



**GR Criterion 6 - Access to the Facility or Service**

- a. **Medically Underserved Population:** According to the applicant, all residents of the health planning service area, hospital service area, patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services of the proposed project.
- b. **Performance in Meeting Federal Obligations:** The applicant submits that HCH has no obligations under any federal regulations requiring uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs to be Served by Applicant:** Highland Community Hospital submits that it is certified for Medicare and Medicaid programs. The applicant asserts that it maintains no institutional barriers to medically underserved populations receiving medical care or other clinical services. All demographic groups in the service area will benefit from the replacement facility and ease of access that will be available.

According to the applicant, the Medicaid utilization for fiscal year ended September 30, 2007, for HCH was 18.1 percent, with an additional 15.3 percent of self-pay patients.

The following table shows the percentage of estimated gross patient revenue and actual dollar amount of health care provided to medically indigent patients for the last fiscal year and the projections for years 2011 and 2012 at Highland Community Hospital:

<b>Fiscal Year</b>	<b>Percent of Gross Patient Revenue</b>	<b>Dollar Amount</b>
Historical Year 2007	15.9	\$11,621,386
Projected Year 1 (2011)	16.69	\$12,353,814
Projected Year 2 (2012)	17.3	\$13,100,890

**GR Criterion 7 – Information Requirement**

Highland Community Hospital indicates 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**

Highland Community Hospital is located in General Hospital Service Area 7, which contains 1,534 licensed acute care beds, distributed among twelve (12) hospitals. As previously mentioned, the applicant believes that the proposed project should have no effect on existing facilities in the area because no additional beds or services will be added.

The Department received no letters of opposition concerning the proposed project.

Since the project does not propose any additional beds or services in the service area, staff does not anticipate that this project will have an adverse impact on any of the existing hospitals in GHSA 7.

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

The applicant projects 13.4 additional full-time equivalent personnel at an estimated annual cost of \$558,271.

Highland Community Hospital states that additional costs in healthcare staffing are related to performance increases and the professional education and certification of staff personnel. Staffing increases will be made in response to the productivity standards of HCH. It is expected that the facility's design will also contribute to increased operational efficiencies.

Highland Community Hospital submits that the recruitment of additional staff will be through the hospital's human resource department. Availability of staff involved appears to be sufficient within the region.

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

According to the applicant, Highland Community Hospital currently offers all of the necessary support and ancillary services to operate the hospital. The existing support and ancillary services will be relocated to the new facility. The new facility is expected to streamline patient flow by modernizing ancillary service departments, creating efficiencies that should more or less offset the increased cost of the new facility. The applicant submits that the volume increase is expected to actually lower the unit fixed costs over time or at least avoid inflation. Since costs drive charges, HCH would expect charge levels to stay within market range.

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

- a. **Cost Estimate:** The application contains a cost estimate prepared by MEA Architecture LLC.
- b. **Schematic Drawing:** The application contains a schematic drawing of the proposed new construction of the project.
- c. **Space Allocations:** The applicant submits that it will conform to applicable local, state and minimum licensing standards.
- d. **New Construction Projects:** This project involves new construction (199,162 square feet) for the replacement of a 95-bed acute care hospital.
- e. **Cost per square foot:** The total project will cost \$355.42 per square foot for new construction (see Attachment 1). The new construction cost of the project is high when compared to similar projects listed in the *Means Building Construction Cost Data, 2007 Edition*.

The applicant submits that the cost for new construction is projected higher due to the total construction amount, which takes into consideration the capitalized interest and the escalation cost of the project which will take approximately 20-28 months from the fall of 2008

for completion. Another factor for consideration is Hurricane Katrina, which has increased the material and labor cost in South Mississippi by 15-20 percent.

**GR Criterion 16 - Quality of Care**

Highland Community Hospital is in compliance with **the Minimum Standards for the Operation of Mississippi Hospitals**, according to the Division of Health Facilities Licensure and Certification, MSDH.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The total estimated capital expenditure is allocated as follows:

<b>Cost Item</b>	<b>Projected Cost</b>	<b>Percent</b>
Construction Cost -- New	\$53,044,000	69.95%
Non-Fixed Equipment Cost	3,951,000	5.21%
Fixed-Equipment Cost	6,384,000	8.42%
Land Cost	1,090,000	1.44%
Site Preparation Cost	667,000	0.88%
Fees (Architectural, Consultant, etc.)	6,075,000	8.01%
Capitalized Interest	3,908,000	5.15%
Contingency Reserve	<u>709,000</u>	<u>0.93%</u>
<b>Total Proposed Capital Expenditure</b>	<b><u>\$75,828,000</u></b>	<b><u>100%</u></b>

The above estimated capital expenditure is proposed for new construction of 199,162 square feet of space at a cost of \$355.42 per square foot (See Attachment 1). The cost of new construction projects listed in *Means Building Construction Cost Data, 2007 Edition (MCCD, 2007)* range from \$164 to \$300 per square foot for hospitals. The applicant submits that the cost for new construction is projected higher due to the total construction amount, which take into consideration the capitalized interest and the escalation cost of the project which will take approximately 20-28 months from the fall of 2008 for completion.

The proposed project also involves the purchase of fixed and non-fixed equipment.

**B. Method of Financing**

The applicant proposes to finance \$50,000,000 of the proposed capital expenditure with the proceeds of tax-exempt bonds to be issued by the Mississippi Hospital Equipment and Facilities Authority as general obligation bonds or revenue bonds of Forrest General Hospital, \$24,828,000 from cash reserves of Forrest General Hospital, and \$1,000,000 from private donations. The applicant provided a copy of the resolution concerning financing of the proposed project.

**C. Effect on Operating Cost**

Highland Community Hospital projects the following expenses, revenues, and utilization for the first three years of operation for the proposed project:

Highland Community Hospital Three-Year Operating Statement			
	Year 1	Year 2	Year 3
<b>Revenue</b>			
Patient Revenue:			
Inpatient	\$45,030,505	\$ 53,495,110	\$ 60,108,839
Outpatient	39,280,150	47,934,762	57,650,090
<b>Total Gross Patient Revenue</b>	<b><u>\$84,310,655</u></b>	<b><u>\$ 101,429,872</u></b>	<b><u>\$ 117,758,929</u></b>
Charity Care	\$15,701,357	\$19,030,935	\$22,360,097
Deductions	54,648,873	66,705,865	78,095,271
<b>Total Deductions</b>	<b><u>\$70,350,230</u></b>	<b><u>\$85,746,800</u></b>	<b><u>\$100,455,368</u></b>
Net Patient Revenue	\$13,960,425	\$15,693,072	\$17,303,561
Other Operating Revenue	\$1,518	\$1,534	\$1,549
<b>Total Operating Revenue</b>	<b><u>\$13,961,943</u></b>	<b><u>\$15,694,607</u></b>	<b><u>\$17,305,110</u></b>
<b>Expenses</b>			
Salaries *	\$4,343,052	\$5,231,435	\$6,051,069
Benefits	450,486	547,970	636,457
Supplies	1,528,335	1,756,380	1,939,614
Services	126,924	162,476	177,747
Depreciation	3,252,112	3,252,112	3,252,112
Interest	584	595	606
Other	537,650	474,225	304,612
Lease	(515,892)	(536,264)	(560,432)
<b>Total Expenses</b>	<b><u>\$9,723,251</u></b>	<b><u>\$10,888,929</u></b>	<b><u>\$11,801,785</u></b>
<b>Net Income (Loss)</b>	<b><u>\$4,238,692</u></b>	<b><u>\$ 4,805,678</u></b>	<b><u>\$ 5,503,325</u></b>
<b>Utilization</b>			
Inpatient Day	6,306	6,960	7,296
Outpatient Day	10,753	12,040	13,185
Charge Per Outpatient Day	\$3,653	\$3,981	\$4,372
Charge Per Inpatient Day	\$7,141	\$7,686	\$8,239
Cost Per Outpatient Day	\$904	\$904	\$ 895
Cost Per Inpatient Day	\$1,542	\$1,564	\$1,618

\*According to the applicant, the current actual figures related to salaries and wages are for fiscal year 2007. The first year projected for the finished building project is 2011. Between the current year and the opening of the new facility, the applicant expects continued high growth levels in the community and in the volume of patients that Highland Community Hospital treats. Recruitment of new physicians is ongoing, and the hospital expects to have already added 15 new physicians prior to the opening of the new facility. All the additional volume will require additional staff and other resources.

The applicant submits that the number and cost of additional staff reported in Table 7 of the

application is based on the increase expected as the new building is occupied, and not related to the overall increases expected during the interim and during construction.

**D. Cost to Medicaid/Medicare**

<b>Patient Mix by Type Payer</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
Medicaid	18	\$15,175,918
Medicare	42	\$35,410,475
Other	40	\$33,724,262
<b>Total</b>	<b>100.00</b>	<b>\$84,310,655</b>

Highland Community Hospital asserts that it will provide a reasonable amount of gross revenue for medically indigent patients for the proposed project.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in compliance with the criteria and standards for construction, renovation, expansion, capital improvements, replacement, and the addition of hospital beds as contained in the **FY 2007 State Health Plan**; the **Mississippi Certificate of Need Review Manual, Revised September 8 , 2007**; 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 this application submitted by Forrest General Hospital d/b/a Highland Community Hospital for construction, relocation and replacement a 95-bed acute care facility in Picayune.

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Attachment 1

Computation of New Construction Cost\*

<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>
A. New Construction Cost	\$ 53,044,000	\$53,044,000
C. Total Fixed Equipment Cost	\$ 6,384,000	\$ 6,384,000
Non-Fixed Equipment Cost	\$ 3,951,000	-0-
Land Cost	\$ 1,090,000	-0-
D. Site Cost	\$ 667,000	\$ 667,000
E. Fees (Architectural, Consultant, etc.)	\$ 6,075,000	\$ 6,075,000
F. Contingency Reserve	709,000	709,000
G. Capitalized Interest	\$ 3,908,000	\$ 3,908,000
<b>Total Proposed Capital Expenditure</b>	<b><u>\$ 75,828,000</u></b>	<b><u>\$70,787,000</u></b>
Square Footage	<b>199,162</b>	<b>199,162</b>
Allocation Percent		100%
<b>Costs Less Land &amp; Non-Fixed Equipment</b>	<b>\$ 5,041,000</b>	<b>\$ 5,041,000</b>
<b>Cost Per Square Foot</b>	<b>\$ 355.42</b>	<b>\$ 355.42</b>

\*Source: FY 2007 State Health Plan

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