

**Division of Health Planning  
and Resource Development  
April 2004**

**CON Review HG-A-0304-010  
Forrest General Hospital  
Amendment to CON #R-0406 (Phase IX ICU/CCU Project)  
Relocation/New Construction of Neurosurgery Unit  
Approved Capital Expenditure: \$20,084,972  
Revised Capital Expenditure: \$21,084,972  
Additional Capital Expenditure: \$1,000,000  
Location: Hattiesburg, Mississippi**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

A. Application Information

Forrest General Hospital is a short-term, 504-bed, general acute care facility located in Hattiesburg, Mississippi, and owned by Forrest County. Forrest General is a not-for-profit, tax-exempt institution governed by a seven-member Board of Trustees which are appointed by the Forrest County Board of Supervisors.

Forrest General's bed complement includes 396 medical/surgical beds, 16 adolescent psychiatric, 6 adolescent chemical dependency, and 20 rehabilitation beds. In addition, 40 adult psychiatric beds and 26 adult chemical dependency beds are located at Pine Grove Recovery Center, a separately licensed division of Forrest General Hospital.

The facility's occupancy rates, average lengths of stay (ALOS), and Medicaid utilization rates for the three most recent fiscal years are as follows (medical/surgical beds only):

**Forrest General Hospital  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rates (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2001	66.86	4.65	18.86
2002	72.08	4.57	18.86
2003	64.70	4.72	24.00

Source: Division of Licensure and Certification, MSDH.

B. Project Background

CON # R-0406, approved by the State Health Officer on September 29, 2000, authorized Forrest General Hospital to initiate Phase IX ICU/CCU project. The project entailed 115,226 square feet of new space, 13,500 square feet of renovated space, and the addition of eight ICU/CCU beds. Forrest General Hospital proposed to construct a three-floor addition over the new and existing Emergency Department located on the north side of the hospital. The second floor (46,150 sq. ft.) new construction would create space for replacement of the existing intensive care and cardiac care units, support space for the operating suites, and some shelled-in space for future growth. The third floor (34,536 sq. ft.) will provide the electrical and mechanical equipment to support the ICU/CCU on the second floor and the Emergency Department on the ground level. It will also provide future electrical and mechanical space for the fourth floor and any additional floors. The fourth floor (34,538 sq. ft) would be shelled in for future use.

C. Project Description

Forrest General now seeks CON authority to relocate 12 existing acute care beds to create a 12-bed Neurosurgical Progressive Patient Care Area designed to provide care for patients that require neurosurgical medical and nursing care expertise. The population served are ages greater than 14 years.

Applicant states that this unit will provide a cost-effective alternative to critical care for neurosurgical patients with low risk of, but potential for, major complications and who need frequent neurological assessments from neurosurgical nurses. Forrest General expects that these relocated beds will enable the hospital to decrease the number of times it goes into a diversion mode due to a need for neurosurgical specialty beds.

According to the applicant, the proposed 12-bed Neurosurgical Progressive Patient Care Area will require 7,000 square feet of shelled-in space constructed on the second floor of Phase IX. Applicant expects that construction on this project will begin upon CON approval, with completion scheduled for July 2004.

**II. TYPE OF REVIEW REQUIRED**

The State Health Officer reviews all projects for amendment and cost overruns in accordance with duly adopted procedures 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 20 days of publication of the staff analysis. The opportunity to request a hearing expires on May 20, 2004.

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

A. State Health Plan (SHP)

The original application was in substantial compliance with the *1999 State Health Plan*, in effect at the time of submission. This amendment project continues to be in substantial compliance with the *Plan*.

B. General Review (GR) Criteria

The original project was in substantial compliance with the Certificate of Need Review Manual, in effect at the time of submission. This application continues to be in substantial compliance with applicable criteria and standards.

**IV. Financial Feasibility**

A. Capital Expenditure Summary

A comparison of the original and revised expenditures is as follows:

<u>Item</u>	<u>Originally Approved</u>	<u>Current Request</u>	<u>Increase/ (Decrease)</u>
New Construction	\$ 14,152,802	\$ 14,803,947	\$ 651,145
Construction/Renovation	1,631,575	1,631,575	-0-
Land	NA	NA	NA
Site Work	150,000	150,000	-0-
Fixed Equipment	415,350	415,350	-0-
Non-Fixed Equipment	1,500,000	1,768,438	268,438
Contingency	1,090,764	1,123,321	32,557
Fees	1,144,481	1,192,341	47,860
Capitalized Interest	NA	NA	NA
<b>Total Capital</b>	<b>\$ 20,084,972</b>	<b>\$21,084,972</b>	<b>\$1,000,000</b>

The revised capital expenditure is for the build-out of 7,000 square feet of space on the second floor of Phase IX project. Based on MSDH's formula, this equates to \$104.51 per square foot, which falls below the one-fourth percentile for hospital

construction as listed in the *Means Construction Cost Data, 2004 edition*.

B. Method of Financing

The applicant proposes to fund this project with cash reserves.

C. Effect on Operating Cost

The applicant projects the following results from operations the first three years after initiation of the project:

	Year 1	Year 2	Year 3
Salaries & Expenses	\$100,967,843	\$103,996,878	\$107,116,785
Employee Benefits	20,822,680	21,447,360	22,090,781
Professional Fees	25,674,861	26,445,107	27,238,460
Supplies and Other	89,363,745	92,044,657	94,805,997
Depreciation(Existing)	16,304,717	16,795,781	17,301,577
Interest Expense	3,470,149	3,574,255	3,681,481
Depreciation (New)	64,074	64,074	64,074
<b>Total Expenses</b>	<b>\$256,668,069</b>	<b>\$264,368,112</b>	<b>\$272,299,155</b>
<b>Net Patient Revenue</b>	<b>\$248,520,077</b>	<b>\$255,975,680</b>	<b>\$263,654,950</b>
<b>Other Revenue</b>	<b>10,226,000</b>	<b>10,532,780</b>	<b>10,848,763</b>
<b>Total Op. Revenue</b>	<b>\$258,746,077</b>	<b>\$266,508,460</b>	<b>\$274,503,713</b>
<b>Net Income(Loss)</b>	<b>\$ 2,078,008</b>	<b>\$ 2,140,348</b>	<b>\$ 2,204,558</b>

**Note:** The above expense summary represents the expenses for the entire facility after initiation of this project. According to the applicant, the project will not impact patient costs and charges, and the only added expenses will be new depreciation of \$64,074.

D. Cost to Medicare/Medicaid

Additional cost to the Medicaid program is expected to be minimal since the only added cost is new depreciation of \$64,074.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this amendment application for review and comment. The Division of Medicaid estimates an increased annual cost to Medicaid will be \$90,024 for inpatient hospital services. The Division does not oppose this project.

**VI. CONCLUSIONS AND RECOMMENDATION**

The original application was found to be in substantial compliance with the criteria and standards for the construction, renovation, expansion, etc. of health care facilities found in the *Mississippi State Health Plan; Certificate of Need Review Manual*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of the approval. This request for an amendment/additional capital expenditure is considered a change in scope, but does not change the overall objectives of the project.

The Division of Planning and Resource Development recommends approval of the application submitted by Forrest General Hospital for the relocation and new construction of a neurosurgery unit and amendment to CON numbered R-0406.