

MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
FEBRUARY 2008

CON REVIEW: HP-CB-1107-028
DIAMOND GROVE CENTER, LLC D/B/A DIAMOND GROVE CENTER
ADDITION OF 30 PSYCHIATRIC RESIDENTIAL TREATMENT FACILITY BEDS
CAPITAL EXPENDITURE: \$6,750,000
Location: LOUISVILLE, WINSTON COUNTY, MISSISSIPPI

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Diamond Grove Center, LLC d/b/a Diamond Grove Center is a Delaware limited liability company authorized to do business in the state of Mississippi. Diamond Grove Center, LLC, registered on April 6, 2006, is a wholly owned subsidiary of Psychiatric Solutions Hospitals, Tennessee. The company has the following member and officers:

- Psychiatric Solutions Hospital, LLC – member
- Joey Jacobs – President
- Steve Davidson – Vice President/Assistant Secretary
- Jack Polson – Vice Pres., Chief Financial Officer/Treasurer and Assistant
- Brent Turner - Vice President and Assistant Secretary
- Christopher Howard – Vice President and Assistant Secretary

Diamond Grove Center is a psychiatric hospital, consisting of a 20-bed acute child/adolescent psychiatric unit and a 30-bed psychiatric residential treatment facility (PRTF) for children and adolescents. The applicant indicates that Diamond Grove Center is located on a 20 acre campus in a private and secure, rural setting in east Mississippi about 90 miles northeast of Jackson. It is licensed by the Mississippi State Department of Health and accredited by the Joint Commission for the Accreditation of Health Care Organizations.

Diamond Grove Center offers a therapeutic milieu specifically designed for the treatment of serious emotional, psychological, and behavioral difficulties among children and adolescents between the ages of five and seventeen years. In addition to patient care and treatment areas, the facility includes such features as an accredited school, a gymnasium, and play areas.

The occupancy rates, average lengths of stay (ALOS) and the Medicaid utilization rates for the psychiatric residential treatment beds at Diamond Grove Center are as follows for the three most recent fiscal years:

**Diamond Grove Center
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2004	76.32	22.90	NA
2005	64.85	19.45	NA
2006	81.29	24.39	NA

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

B. Project Description

Diamond Grove Center, LLC d/b/a Diamond Grove Center is requesting Certificate of Need (CON) authority to expand its existing 30-bed PRTF by an additional 30 beds. The project will bring the total licensed capacity to 60 PRTF beds. The applicant asserts that 15 of the proposed 30 beds will be dedicated to the treatment of children under the age of 14 years. Also, pending before the Department is an application for a CON for the addition/expansion of 20 child and adolescent acute psychiatric beds/service. The applicant asserts that both units will be within close proximity of the existing 50-bed facility and will be located across from each other.

The project involves 22,500 square feet of new construction and 2,500 of renovation to the existing facility.

The total proposed capital expenditure of \$6,750,000 is composed of new construction (42 percent), renovation (5.1 percent), fixed equipment (8.8 percent), capital improvement (4.4 percent), site preparation (10 percent), fees (13 percent), capital interest (3.7 percent), and contingency reserve (13 percent). See capital expenditure summary, page 12. The applicant proposes to finance \$2,700,000 of the proposed capital expenditure from equity contribution and \$4,050,000 from related company financing of Psychiatric Solutions, Inc., the owner.

The applicant proposes to obligate the capital expenditure within 30 days of CON approval, and anticipates that the project will be complete as soon as possible thereafter.

The completed project will require 50.7 additional full-time equivalent personnel, at an estimated first-year annual cost \$1,635,041.

According to the Division of Health Facilities Licensure and Certification, the site is acceptable for the stated purpose of the proposed project.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health ("Department") reviews applications for the establishment of psychiatric residential treatment facilities in accordance with Sections 41-7-191 subparagraphs (1)(a), (d)(iv) and (3), Section 41-7-193 of the Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Department.

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 March 6, 2008.

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

A. State Health Plan (SHP)

The *FY 2007 Mississippi State Health Plan (SHP)* contains policy statements and both general and service specific criteria and standards which an applicant is required to meet before receiving CON authority for psychiatric residential treatment facility/services. This application is **not** in substantial compliance with applicable criteria and standards.

SHP Policy Statement 1 – Indigent Care

The applicant affirms that the facility will provide a reasonable amount of charity care consistent with the demands of the community and comparable with levels of similar services and facilities in the area.

SHP Policy Statement 2 – Mental Health Planning Areas

The applicant recognized the statewide application of the need methodology as a reasonable means to control Medicaid expenditures, and states that it often results in the unfortunate consequence of mal-distribution of resources and may, in some areas, inhibit both their availability and geographic accessibility.

SHP Policy Statement 3 – Public Sector Beds

According to the applicant, the facility has not, in its analysis of need, included any acute psychiatric, chemical dependency, or PRTF beds operated by the Mississippi Department of Mental Health.

SHP Policy Statement 4 - Comments from the Department of Mental Health.

The Mississippi Department of Mental Health was provided an opportunity to review and comment on this proposal; however, no comments were received.

SHP Policy Statement 5 – Separation of Adults and Children/Adolescents

The applicant asserts that it provides programmatically and physically distinct units for the children's program (ages 5-11) and the adolescent program (ages 12-17). The proposed project will establish 15 additional PRTF beds for the children's program and 15 additional PRTF beds for the adolescent program.

SHP Policy Statement 6 – Separation of Males and Females

The applicant submits that currently it provides separate gender-specific accommodations in both the children's program and adolescent's program. The proposed 30 additional beds will ensure that such gender specific separation can continue in an appropriate and efficient manner.

SHP Policy Statement 7 – Dually Diagnosed Patients

The applicant states that swing-bed services do not apply to this project.

SHP Policy Statement 8 – Comprehensive Program of Treatment

Diamond Grove Center asserts that it provides a comprehensive, family-centered program of treatment for children and adolescents that includes, but not limited to, acute inpatient, inpatient residential treatment, outpatient, follow-up services, and a state certified educational program.

SHP Policy Statement 9 – Medicaid Participation

- a. Diamond Grove Center is currently Medicaid certified. The applicant hereby attests that it will seek Medicaid certification for the additional 30 beds as well.
- b. According to the applicant, during the 12-month period ending September 30, 2007, approximately 89 percent of admissions to Diamond Grove PRTF were Medicaid beneficiaries. The applicant hereby affirms that it will provide MSDH with additional information regarding services to Medicaid patients when requested.

SHP Policy Statement 10 – Licensure and Certification

The applicant submits that Diamond Grove Center is currently licensed by the Mississippi State Department of Health. The proposed 30-bed addition will meet all of the applicable licensing and certification regulations of the Division of Health Facilities Licensure and Certification.

SHP Policy Statement 11 – Psychiatric Residential Treatment Facility

The applicant submits that Diamond Grove Center currently meets this definition of a psychiatric residential treatment facility. The proposed additional 30 beds will also be operated in a manner consistent with the required definition of a psychiatric residential treatment facility.

SHP Policy Statement 12 – Certified Education Programs

According to the applicant, Diamond Grove Center provides a state-accredited education program for all school age residents. Additionally, it provides a gymnasium and play areas to meet the recreational needs of its residents.

SHP Policy Statement 14 – Dedicated Beds for Children’s Service

According to the applicant, Diamond Grove Center proposes to dedicate 15 of the 30 additional beds for children under the age of 14 years. To ensure programmatic integrity and a therapeutic and social milieu appropriate to the unique needs of children, Diamond Grove has established the age limits for its children’s program as those individuals between 5 and 11 years of age.

General (G) Criteria and Standards for Psychiatric, Chemical Dependency and Psychiatric Residential Treatment Facilities

SHP G Criterion 1 – Need

The *FY 2007 Mississippi State Health Plan (SHP)* states that: “The applicant shall document a need for ... psychiatric residential treatment facility beds using the appropriate bed need methodology as presented in this section under the service specific criteria and standards”. The *Plan* indicates a current statewide excess of 76 PRTF beds.

Diamond Grove Center states that the *FY 2007 State Health Plan* shows a current statewide excess of 76 PRTF beds. However, that application of a statewide methodology does not take into account the regional nature of PRTF facilities or the utilization of existing resources. The applicant states that its existing 30-bed PRTF obtained, during the 12-month period ending September 30, 2007, referrals from 41 counties in Mississippi. However, the majority of patients (52 percent) originate from Lowndes, Monroe, Winston, Washington, Oktibbeha, Montgomery, Alcorn, and Choctaw Counties.

The applicant further states that an 8-county Primary Service Area is expected, by 2010, to be comprised of 67,545 inhabitants between 5 and 21 years of age (Mississippi Institutes for Higher Learning, August 2005, using Sprague Multiplier for prescribed cohort calculation). The applicant further states that at the prescribed bed ratio of 0.4 per thousand, there is a need for 27 PRTF beds to serve only the affected residents of the Primary Service Areas.

Further, the applicant submits that the proposed facility will be located in Mental Health Region 7, which is comprised of Choctaw, Clay, Webster, Winston, Noxubee, Lowndes, and Oktibbeha Counties. Region 7 is expected to have 44,329 inhabitants between 5 and 21 years if age by 2010, according to the applicant. Based on this expected population, prescribed bed ratio of 0.4 per thousand, the applicant states there is a need for 18 PRTF beds to serve only the affected residents of Mental Health Region 7, from which only 38 percent of the applicant’s total patient base is expected to originate.

However, Policy Statement No. 2 states that: “The Department shall use the state as a whole to determine the need for acute psychiatric beds/service, chemical dependency

beds/services, and psychiatric residential treatment beds/services.” In addition, Section 41-7-191 subparagraph 3 provides that the total number of beds which may be authorized by Certificates of Need shall not exceed 334 beds for the entire state. The 358 licensed and CON approved beds were the results of both CON approval and legislative action.

The application did not contain evidence of enabling legislation that would allow the Department to approve this proposal for the addition of 30 PRTF beds.

SHP G-Criterion 2 – Information Requirement

The applicant affirms that it will record and maintain information required by this criterion and make it available to the Department within 15 days of such request.

SHP G Criteria 3 and 4 – Memorandums of Understanding

The application contains a copy of signed letters/memorandums of understanding between Diamond Grove Center, LLC and Community Counseling Services concerning this criterion and letters of support from area doctors, City of Louisville, Louisville School District, and Starkville School District for the proposed project.

SHP General Criterion 5 – Policy of Exclusion

The applicant affirms that within the scope of its available services, neither the facility nor its participating staff will have policy or procedures which would exclude patients because of race, color, age, sex, ethnicity, or ability to pay.

Service Specific (SS) Criteria and Standards for Psychiatric Residential Treatment Facility Beds/Services

SHP SS Criterion 1 – Need

The *SHP* states that the Department shall base statistical need for PRTF beds on a ratio of **0.4 beds per 1,000 population aged 5 to 21 for the year 2010** in the state as a whole. This calculation yields a statewide need of 282 beds statewide. The state currently has 358 licensed and CON approved beds, reflecting that the state is over-bedded by 76 PRTF beds.

Therefore, the applicant is not in compliance with this criterion.

SHP SS Criterion 2 – Age Groups to be Served

According to the applicant, the proposed additional 30 beds will be divided evenly with 15 beds dedicated for the children’s program (ages 5 through 11) and 15 beds for the adolescent programs (ages 12 through 17).

SHP SS Criterion 3 – Structural Design

The applicant states that in compliance with the *State Health Plan’s* goal, Diamond Grove will attempt to provide separate areas for patients less than 14 years of age and older than 13 years of age, the applicant plans to separate children and adolescents within the

facility. Currently, the residential patients at Diamond Grove Center are separated by age.

SHP SS Criterion 4 – Legislation Limitations

Diamond Grove Center is requesting that 15 of the 30 beds be considered under the special provisions for the treatment of patients less than 14 years of age.

Legislation (Miss. Code Ann. § 41-7-191 et. seq.) limits the maximum number of PRTF beds that the Department can approve to 334. Therefore, this application cannot be approved without further enabling legislation.

SHP SS Criterion 5 – Facility Size

The applicant states that the proposed addition will be comprised of two 15-bed units and will, upon CON approval and construction, bring the total capacity of Diamond Grove PRTF to 50 beds.

The application's schematic drawings for the proposal are not clear concerning the requirements to comply with this criterion.

SHP SS Criterion 6 – Staffing

The completed project will require 50.7 additional full-time equivalent personnel, at an estimated first-year annual cost of \$1,635,041.

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 **not** in substantial compliance with general review criteria.

GR Criterion 2 - Long Range Plan

The applicant affirms that the key stakeholders determined that the addition of 30 PRTF beds was consistent with the overall mission of the organization and supportive of its long-range plans.

GR Criterion 3- Availability of Alternatives

The applicant considered the following options in the development of this proposal:

- Maintain the status quo;
- Construct the 30 beds but with different bed distribution between child and adolescent programs;
- Construct more than 30 beds; and
- Construct fewer than 30 beds.

According to the applicant, maintaining the status quo was no longer an option for the facility since Diamond Grove Center operated above 80 percent occupancy for 339 days out of the last 365 days during the 12 months ending September 30, 2007. Diamond

Grove Center's average annual occupancy exceeded 89 percent. The applicant states that there were many days when the facility had no beds available for additional admissions. The lack of additional capacity impacts on staffing efficiency, stress on the physical plant, delay or denial of admissions, and operational challenges in maintaining appropriate gender, age, and program separation. Therefore, doing nothing, as an alternative approach to this application, was rejected.

The applicant stated it also considered splitting the number of program-specific beds within the 30 additional beds. This included constructing only 10 children's beds with 20 adolescent beds. While only 29 percent of admissions were, during the last 12 months, among children between 5 and 11 years of age, it has been the applicant's experience that the demand for children's services has been increasing. Therefore, reducing or eliminating beds for children's services was rejected as an alternative approach.

The applicant also considered requesting fewer than 30 PRTF beds. However, the applicant rejected this alternative approach because of the expected demand for services and the operational and programmatic efficiencies gained in a 30-bed unit.

Diamond Grove Center believes that the selected approach will ensure a sufficient number of beds will be available to efficiently accommodate existing patients and increasing needs within the region.

GR Criterion 4 - Economic Viability

The three year operating projections reflect a net income of \$194,401 the first year, \$182,837 the second year, and \$180,529 the third year after completion of this project. See effect on operating cost, page 13.

The applicant states that Diamond Grove is an affiliate of Psychiatric Solutions, Inc. (PSI). PSI offers an extensive continuum of behavioral health programs to critically ill children, adolescents, and adults through its operation of 91 owned or leased freestanding psychiatric inpatient facilities with approximately 10,000 beds in 31 states, Puerto Rico, and the U.S. Virgin Islands. PSI has the financial resources to fund the capital expenditure for this proposal and to fund operating losses in the event the project fails to achieve projected revenues. The application contains PSI's annual report to support the funding of the project.

- a. **Proposed Charges:** The applicant projects charges of \$527 per inpatient day for years one, two, and year three of operation for the proposed project. The applicant projects cost of \$338 per inpatient day for the first year, \$349 for year two, and \$360 for year three of operation for the proposed project.
- b. **The Projected Level of Utilization:** The applicant projects 8,760 inpatient days for years one, two, and three for the proposed project.
- c. **Project's Financial Feasibility Study:** The application contained a letter signed by Diamond Grove's chief financial officer attesting to the financial feasibility of the project.

GR Criterion 5 - Need for the Project

The applicant asserts that Diamond Grove Center operated above 80 percent occupancy for 339 days out of the last 365 days during the 12 months ending September 30, 2007. The facility's average annual occupancy exceeded 89 percent.

According to the Report on Institutions for the Aged or Infirm, the occupancy rate was 81.29 percent for 2006. See utilization data, page 2. However, the FY 2007 Mississippi *State Health Plan* indicates that the state is over bedded by 76 beds.

According to the Report on Institutions for the Aged or Infirm, total occupancy rate for PRTF facilities in Mississippi in 2006 was 84.40 percent. As previously mentioned, the applicant projects 8,760 inpatient days for the first three years of the proposed project.

According to the applicant, the proposed project should have no effect on existing facilities in the state because there are no existing PRTF beds in the region. The closest PRTF facility is located in Lauderdale County, approximately 70 miles from Diamond Grove Center, Louisville.

As previously mentioned, the application contains a copy of signed letters/memorandums of understanding between Diamond Grove Center, LLC and Community Counseling Services concerning this criterion and letters of support from area doctors, City of Louisville, Louisville School District, and Starkville School District.

Diamond Grove Center believes that failure to implement the proposed project may result in an inadequate number of PRTF beds to meet the current and future needs of children and adolescents in the region. This may lead to further delays in admission and treatment or force families to travel outside of the region for care. The involvement of families in the treatment process is often critical to a successful outcome. Greater travel distances often limit the amount of family involvement.

GR Criterion 6 - Access to the Facility or Service

- a. **Medically Underserved Population:** According to the applicant, all residents of the patient service area have access to the services of the existing facility, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, and handicapped persons, and will have access to the services of the proposed project.

The applicant affirms that it will make its services available in a manner consistent with the applicable provisions of the *State Health Plan* with respect to indigent care.

- b. **Performance in Meeting Federal Obligations:** The applicant submits that Diamond Grove 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:** Diamond Grove Center is certified for the Medicaid program. According to the applicant, during the 12-month period

ending September 30, 2007, approximately 89 percent of admissions to Diamond Grove PRTF were Medicaid beneficiaries. The applicant hereby affirms that it will provide MSDH with additional information regarding services to Medicaid patients when requested.

The applicant asserts that the utilization levels at the facility suggest there are an insufficient number of child and adolescent PRTF beds to accommodate the existing demand for services. The lack of sufficient bed capacity impacts staffing efficiency, stresses the physical plant, results in delays or denial of admissions, and increased operational challenges in maintaining appropriate gender, age, and program separation.

GR Criterion 7 – Information Requirement

Diamond Grove Center 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

Diamond Grove Center is located in Mental Health Region 7, which is comprised of Choctaw, Clay, Webster, Winston, Noxubee, Lowndes, and Oktibbeha Counties. The applicant asserts that the proposed project should have no effect on other existing health services in Mississippi. There are no other existing PRTF beds in the region. The closest PRTF facility is located in Lauderdale County. The applicant believes the project will ensure adequate availability of PRTF beds for children and adolescents.

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

Given the statistical bed need for PRTF beds contained in the *Plan*, no new PRTF beds can be awarded in Mississippi without approved legislation.

GR Criterion 9 - Availability of Resource

The applicant projects 50.7 additional full-time equivalent personnel at an estimated annual cost of \$1,635,041 for the proposed project.

Diamond Grove Center states that presently the facility has a professional staff from the disciplines of psychiatry, psychology, pediatric medicine, social work, nursing, recreational therapy, occupational therapy and education; and it has not experienced any problems in hiring and retaining needed personnel.

GR Criterion 10 – Relationship to Ancillary or Support Services

According to the applicant, all necessary support and ancillary services are already in place and currently service the existing 30 PRTF beds. The existing services will continue to support the proposed PRTF beds.

Ancillary and support services will be increased where applicable and appropriate to accommodate the increase in patient volume. The charges related to residential services will remain comparable to existing services. Cost increases will be related to increased

fixed costs associated with facility depreciation and variable costs associated with volume related to staffing, supplies, and other operational factors.

GR Criterion 14 - Construction Projects

- a. **Cost Estimate:** The application contains a cost estimate prepared by Pryor & Morrow Architects.
- 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:** The proposed project involves new construction of 22,500 square feet at a cost of \$262.44 per square foot and 2,500 square feet of renovation at a cost of \$218 per square foot to house the 30 additional PRTF beds.
- e. **Cost per square foot:** The project will cost \$262.44 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*.

GR Criterion 16 - Quality of Care

Diamond Grove Center 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:

Cost Item	Projected Cost	Percent
Construction Cost – New	\$2,875,000	42.0%
Renovation Cost	350,000	5.1%
Fixed-Equipment Cost	600,000	8.8%
Capital Improvements Cost	300,000	4.4%
Site Preparation Cost	675,000	10.0%
Fees (Architectural, Consultant, etc.)	800,000	13.0%
Capital Interest	250,000	3.7%
Contingency Reserve	900,000	13.0%
Total Proposed Capital Expenditure	<u>\$6,750,000</u>	<u>100.0%</u>

The above estimated capital expenditure is proposed for new construction of 22,500 square feet of space at a cost of \$262.44 per square foot and 2,500 square feet of renovated space at a cost of \$218 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 proposed project also involves the purchase of fixed equipment.

The *Means Building Construction Cost Data, 2007 Edition* does not provide cost comparison for renovation.

B. Method of Financing

Since the applicant is an affiliate of Psychiatric Solutions, Inc., Diamond Grove proposes to finance \$2,700,000 of the proposed capital expenditure from equity contribution and \$4,050,000 from related company financing, totaling \$6,750,000 to finance the proposed project.

Psychiatric Solutions, Inc. (PSI) offers an extensive continuum of behavioral health programs to critically ill children, adolescents, and adults through its operation of 91 owned or leased freestanding psychiatric inpatient facilities with approximately 10,000 beds in 31 states, Puerto Rico, and the U.S. Virgin Islands. PSI has the financial resources to fund the capital expenditure for this proposal and to fund operating losses in the event the project fails to achieve projected revenues. The application contains PSI's annual report to support the project.

C. Effect on Operating Cost

Diamond Grove Center projects the following expenses, revenues, and utilization for the first three years of operation for the proposed project:

Diamond Grove Center Three-Year Operating Statement			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$4,615,891	\$ 4,615,891	\$ 4,615,891
Outpatient	-0-	-0-	-0-
Total Gross Patient Revenue	<u>\$4,615,891</u>	<u>\$ 4,615,891</u>	<u>\$ 4,615,891</u>
Charity Care	-0-	-0-	-0-
Deductions	\$1,463,686	\$ 1,378,495	\$ 1,284,785
Total Deductions	<u>\$1,463,686</u>	<u>\$ 1,378,495</u>	<u>\$ 1,284,785</u>
Net Patient Revenue	\$3,152,205	\$ 3,237,396	\$ 3,331,106
Other Operating Revenue	-0-	-0-	-0-
Total Operating Revenue	<u>\$3,152,205</u>	<u>\$ 3,237,396</u>	<u>\$ 3,331,106</u>
Expenses			
Salaries *	\$ 1,417,215	\$ 1,463,730	\$ 1,507,618
Benefits	217,826	224,975	231,721
Supplies	234,330	246,068	258,420
Services	158,556	166,440	174,850
Depreciation	100,000	100,000	100,000
Interest	360,000	360,000	360,000
Other	463,054	486,180	510,445
Lease	6,824	7,165	7,523
Total Expenses	<u>\$ 2,957,805</u>	<u>\$ 3,054,558</u>	<u>\$ 3,150,577</u>
Net Income (Loss)	<u>\$ 194,401</u>	<u>\$ 182,837</u>	<u>\$ 180,529</u>
Utilization			
Inpatient Day	8,760	8,760	\$ 8,760
Outpatient Day	-0-	-0-	-0-
Charge Per Outpatient Day	-0-	-0-	-0-
Charge Per Inpatient Day	\$ 527	\$ 527	\$ 527
Cost Per Outpatient Day	-0-	-0-	\$ 895
Cost Per Inpatient Day	\$ 338	\$ 349	\$ 1,618

D. Cost to Medicaid/Medicare

Patient Mix by Type Payer	Utilization Percentage	First Year Revenue
Medicaid	100	\$ 4,615,891
Medicare	0	\$ 0
Other	0	\$ 0
Total	<u>100.00</u>	<u>\$ 4,615,891</u>

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. However, no comments were received.

The Department of Mental Health was provided an opportunity to comment on this project, however, no comments were received.

VI. CONCLUSION AND RECOMMENDATION

This project is **not** in compliance with the criteria and standards for the addition of psychiatric residential treatment facility 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. Specifically, the *FY 2007 State Health Plan* indicates that the state is currently over bedded by 76 PRTF beds; the Mississippi State Legislature has limited the number of beds that the Department can approve to 334; the proposed 30-bed addition would exceed the PRTF bed capacity specified in the *State Health Plan*.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of this application submitted by Diamond Grove Center, LLC d/b/a Diamond Grove Center for the addition of 30 psychiatric residential treatment facility beds.

Diamond Grove Center
 HP-CB-1107-028

Attachment 1

Computation of New Construction and Renovation Cost*

<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>	<u>Renovation</u>
New Construction Cost	\$2,875,000	\$2,875,000	
Renovation Cost	\$350,000		\$350,000
Total Fixed Equipment Cost	\$600,000	\$600,000	
Total Non-Fixed Equipment Cost	\$0	\$0	
Capital Improvement	\$300,000		
Land Cost	\$0	\$0	
Site Preparation Cost	\$675,000	\$675,000	
Fees (Architectural, Consultant, etc.)	\$800,000	\$720,000	\$80,000
Contingency Reserve	\$900,000	\$810,000	\$90,000
Capitalized Interest	\$250,000	\$225,000	\$25,000
Total Proposed Capital Expenditure	\$6,750,000	\$5,905,000	\$545,000

Square Footage	25,000	22,500	2,500
Allocation Percent		90.00%	10.00%

Costs Less Land, Non-Fixed Eqt.& Cap. Improvement	\$6,750,000	\$5,905,000	\$545,000
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Cost Per Square Foot	\$270.00	\$262.44	\$218.00
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*Source: FY 2007 State Health Plan