

**Mississippi State Department of Health  
Division of Health Planning and Resource Development  
August 2008**

**CON Review HG-A-0608-021  
St. Dominic-Jackson Memorial Hospital, Inc.  
Amendment to CON No.R-0738 (Construction of an  
Information Technology Office Building)  
Approved Capital Expenditure: \$4,385,648  
Location: Jackson, Hinds County, Mississippi**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

St. Dominic-Jackson Memorial Hospital (St. Dominic) is a 535-bed short term, public, not-for-profit hospital. It is licensed to operate 417 medical/surgical beds, 35 adult chemical dependency beds and 83 adult psychiatric beds. St. Dominic is a not-for-profit Mississippi corporation. The hospital is governed by a 15-member Board of Directors. The hospital is accredited by the Joint Commission on the Accreditation of Healthcare Organizations and licensed by the Mississippi State Department of Health (MSDH).

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for St. Dominic are as follows for the years 2005 through 2007:

**St. Dominic-Jackson Memorial Hospital  
Utilization Data**

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (Days)</b>	<b>Medicaid Utilization Rate (%)</b>
2005	58.80	4.47	12.70
2006	57.14	4.48	13.60
2007	65.48	4.54	16.72

**Source:** Division of Health Facilities Licensure and Certification, MSDH.

**B. Project Background**

Certificate of Need No.R-0738, effective March 29, 2007, authorized St. Dominic for construction of an information technology office building on the south campus of the hospital. On March 20, 2008, St. Dominic was approved for a six-month extension on CON No.R-0738. This extension period will terminate September 29, 2008.

According to the original project, the new office building construction will include two floors with approximately 18,045 square feet. St. Dominic intends to relocate and consolidate the appropriate information technology personnel to a new office building on the south campus of the existing hospital.

**C. Project Description**

St. Dominic now requests Certificate of Need authority to amend its CON No.R-0738 to allow for a less expensive approach for the project. According to St. Dominic, recently, through the efforts of a long range facility planning engagement with a national consulting company, a less expensive approach has been developed. This engagement has taken several months to develop a recommendation for the long range hospital facilities design. The recommendation regarding the information technology office building is to use two (2) existing floors in the hospital east tower office building located on St. Dominic's south campus to renovate the offices needed to support the information technology staff and operations. The applicant asserts that some information technology employees currently occupy space on one of these two floors and renovation is needed to better support their work needs. The second of these two floors will be renovated to bring the remaining staff together.

St. Dominic asserts that the development costs for this are considerably less than constructing a new building and preserves valuable space for other possible future hospital needs. The costs approved in the original CON are \$4,385,648 and the estimated costs for the amendment proposal are \$3,312,858.90 resulting in a savings of approximately \$1,072,789.10. This amendment project no longer involves new construction only renovation of existing office space in St. Dominic's east tower office building.

The square footage will increase slightly from 18,045 to 18,469 due to the size of the two floors and will help better accommodate employee space needs. The square feet for each floor (**5<sup>th</sup> and 6<sup>th</sup>**) are as follows:

5<sup>th</sup> floor = 9,823 square feet of renovated area

6<sup>th</sup> floor = 8,646 square feet of renovated area

**Total square feet of renovated area = 18,469**

According to St. Dominic, the proposed site is on the campus of the hospital and located on the referenced floors (**5<sup>th</sup> and 6<sup>th</sup>**) of the existing east medical office building. The applicant states that this site was approved by the Division of Health Facilities Licensure and Certification at the time of the original construction of the east medical office building.

The applicant submits that no bids have been received for this amendment project. Five percent of work has been completed (architectural plans only). No capital expenditures have been made to date.

## II. TYPE OF REVIEW REQUIRED

The State Health Officer reviews all projects for amendment and cost overrun 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 or 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of this staff analysis. The opportunity to request a public hearing expires on September 14, 2008.

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

### A. State Health Plan (SHP)

The original project was in substantial compliance with the *FY 2007 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, 2000 revision*, in effect at the time of submission. This application continues to be in compliance with applicable criteria and standards.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

	<b><u>Approved Capital Expenditure</u></b>	<b><u>Revised Capital Expenditure</u></b>	<b><u>Increase (Decrease)</u></b>
New Construction	\$2,880,376	0	\$(2,880,758)
Renovation	0	2,289,376	2,289,376
Land	0	0	0
Site Work	0	0	0
Fixed Equipment	0	0	0
Non-Fixed Equipment	600,000	600,000	0
Architectural/Engineering Fees	220,710	194,545	(26,165)
Capitalized Interest	0	0	0
Contingency & Katrina Factor	288,076 +396,104 =684,180	228,938	(455,242)
<b>Total</b>	<b>\$4,385,648</b>	<b>\$3,312,859</b>	<b>\$(1,072,789)</b>

As mentioned previously, the applicant submits that this proposed amendment project is no longer new construction and is renovation of existing office space in St. Dominic's east tower office building.

The costs approved in the original CON are \$4,385,648 and the estimated costs for the amendment proposal are \$3,312,858.90 resulting in a savings of approximately \$1,072,789.10.

The square footage will increase slightly from 18,045 to 18,469 due to the size of the two floors and will help better accommodate employee space needs.

The project's renovation will cost approximately \$146.88 per square foot. The *Means Construction Cost Data, 2008 edition*, does not list renovation cost. See Attachment 1 for computation of the project's square foot cost.

**B. Method of Financing**

The applicant states that the project will be funded through the operating funds of St. Dominic-Jackson Memorial Hospital.

According to St. Dominic-Jackson Memorial Hospital, five percent of work is completed (architectural plans only). No capital expenditures have been made to date.

**C. Effect on Operating Cost**

According to the applicant, there are no projected revenues and utilization associated with the original CON #R-0738. The only expense associated with the original project (CON #R-073) is depreciation, and this amendment project stands the same. The projected annual depreciated cost for this amended project is \$240,857.

**D. Cost to Medicare/Medicaid**

According to the applicant, the original application was for the construction of an information technology office building, and did not involve inpatient care. This amendment project no longer involves new construction only renovation of existing office space in St. Dominic's east tower office building. St. Dominic asserts that this proposed amendment does not involve inpatient care. Therefore, it will not have any effect on third party payors.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid states that effective October 1, 2005, it changed the methodology by which the Division reimburses inpatient hospital services so that cost incurred subsequent to that date no longer affects per diem rates, and that any portion of the cost which may relate to outpatient service will be paid as outlined in the *Medicaid State Plan*. The Division takes no position on the proposed project.

**VI. CONCLUSIONS AND RECOMMENDATION**

The original application was found to be in substantial compliance with 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; 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 approval. This request for an amendment is a change in scope but does not change the overall objectives of the project.

The Division of Health Planning and Resource Development recommends approval of the application submitted by St. Dominic-Jackson Memorial Hospital for an amendment to CON #R-0738 (construction of an information technology office building).

**Attachment 1**

**St. Dominic-Jackson Memorial Hospital**

<b>Computation of Renovation Cost</b>		
<b><u>Cost Component</u></b>	<b><u>Total</u></b>	<b><u>Renovation</u></b>
New Construction Cost	0	0
Renovation Cost	\$2,289,376	\$2,289,376
Fixed Equipment	0	0
<b>Total Non-Fixed Equipment Cost</b>	<b>\$600,000</b>	<b>0</b>
<b>Land Cost</b>	<b>0</b>	<b>0</b>
Site Preparation Cost	0	0
<i>Fees (Architectural, Consultant, etc.)</i>	\$194,545	<i>\$194,545</i>
<i>Contingency Reserve</i>	\$228,937	<i>\$228,937</i>
<i>Capitalized Interest</i>	0	<i>0</i>
<b>Total Proposed Capital Expenditure</b>	<b>\$3,312,858</b>	<b>\$2,712,858</b>
Square Footage	<b>18,469</b>	<b>18,469</b>
<i>Allocation Percent</i>		<i>100.00%</i>
<b>Costs Less Land, Non-Fixed Eqt.</b>	<b>\$2,712,858</b>	<b>\$2,712,858</b>
<b>Cost Per Square Foot</b>	<b>\$146.88</b>	<b>\$146.88</b>

Source: FY 2007 State Health Plan