

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
OCTOBER 2010**

**CON REVIEW HG-C-0810-029
FORREST GENERAL HOSPITAL
CONSTRUCTION OF AN ADELINE STREET
FREESTANDING PARKING GARAGE/DECK
CAPITAL EXPENDITURE: \$14,759,200
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Forrest General Hospital (FGH) is a Level II trauma center and a 512-bed short-term, general acute care, public hospital located in Hattiesburg, Forrest County, Mississippi. The hospital is owned by Forrest County, Mississippi, and was established in July 1952. The hospital is governed by a seven-member board of trustees, certified to participate in the Medicare and Medicaid programs, and is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for Forrest General Hospital (medical/surgical beds only) are as follows for the years 2007 through 2009:

**Forrest General Hospital
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2007	62.28	4.60	22.44
2008	61.82	4.55	19.03
2009	61.69	4.49	26.21

Source: Division of Health Facilities Licensure and Certification, MSDH

B. Project Description

Forrest General Hospital requests Certificate of Need (CON) authority for construction of an Adeline Street freestanding parking garage/deck on the campus of Forrest General Hospital. The applicant indicates that the total estimated size of the project is 345,000 square feet of new construction. The new construction consists of a freestanding, five level concrete pre-cast structure. All square footage shall be used for parking or driving lanes in order for this space to function as a parking garage. The new parking garage shall be supported by concrete drilled piling approximately thirty feet deep and three feet in diameter. The applicant asserts that the site located south of the hospital and out of the future growth direction of FGH is very conducive to this type of construction. The growth pattern has consistently been toward the north side of the campus due to Gordon's Creek and private residences acting as natural barriers to the south. This location is ideally suited for the new parking garage due to its close proximity to the hospital and the fact that it will be built on property that is already owned by FGH. The area is currently being utilized for surface parking. The site topography is basic flat terrain with basic storm drainage systems in place. Two new elevators will be installed in the new garage to assist in transporting patients, visitors and employees. In addition, all lighting levels will be required to meet or exceed local, state and national codes. According to FGH, the proposed project will not result in increased bed capacity.

The total proposed capital expenditure is \$14,759,200 and of that amount, approximately 86.45 percent is for new construction; 5.18 percent for fees (architectural, consultant, etc.); 4.34 percent for contingency reserve; 2.0 percent for capitalized interest and 2.02 percent for other cost (site preparation and landscaping). The applicant asserts that the proposed capital expenditure will be funded from the hospital's cash reserves. The application contained a letter from the hospital's financial analyst attesting to the financial feasibility of the project.

The MSDH Division of Health Facilities Licensure and Certification has approved the site for the proposed project.

The applicant asserts that the proposed capital expenditure will be obligated in January 2011 and the proposed project will be complete by January 2014.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for construction, renovation, expansion, or capital expenditure in excess of \$5,000,000 (for non-clinical health services), under the applicable statutory requirements of Section 41-7-191, subparagraph (1),(j) 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 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 November 1, 2010.

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

A. State Health Plan (SHP)

The *FY 2010 State Health Plan* contains criteria and standards which an applicant is required to meet before receiving CON authority for construction, renovation, expansion, or capital improvement involving a capital expenditure in excess of \$2,000,000. The application is in substantial compliance with these criteria.

Note: Projects are reviewed under the *State Health Plan* that is effective at the time the project is submitted. This project was received on August 3, 2010. The *2011 State Health Plan* became effective September 8, 2010.

SHP Criterion 1 – Need

Projects which do not involve the addition of any acute care beds: The applicant shall document the need for the proposed project. Documentation may consist of, but is not limited to, citing of licensure or regulatory code deficiencies, institutional long-term plans (duly adopted by the governing board), recommendations made by consultant firms, and deficiencies cited by accreditation agencies (JCAHO, CAP, etc.). In addition, for projects which involve construction, renovation, or expansion of emergency department facilities, the applicant shall include a statement indicating whether the hospital will participate in the statewide trauma system and describe the level of participation, if any.

According to the applicant, this project was developed in response to the anticipated community health care needs in the immediate and long-term future, specifically with respect to the need for patient accessibility to the facilities and services of FGH. The proposed five-level parking garage is critical to FGH's long range plans. In 2006, an extensive parking research began to evaluate existing parking needs with respect to future growth. That same year, FGH contracted with Carl Walker Parking, Planning and Engineering to do a formal study and analysis of campus parking. Upon completion of this analysis, it was recommended that 700 additional parking spaces be created by adding a second parking garage in close proximity to the hospital. Since that time, additional square footage has been added to the facility forcing the temporary use of existing parking as construction lay-down area for substantial lengths of time. FGH's future growth consists of replacing older campus structures with modern medical office buildings. These future medical office buildings must encroach into existing patient and staff parking which will worsen the current parking dilemma. The applicant has therefore chosen to move forward with the recommendation of Carl Walker Parking, Planning and Engineering for construction of a second parking garage.

The applicant believes that the proposed project will foster improvement in the delivery of health services providing convenient and accessible parking for patients receiving care at FGH and their families.

The proposed project will not involve additional beds or the offering of a new institutional health service.

SHP Criterion 2 – Bed Service Transfer/Reallocation/Relocation

This project does not involve the transfer/reallocation or relocation of beds.

SHP Criterion 3 – Uncompensated Care

According to the applicant, this project will enhance accessibility by medically underserved groups to the facilities and services offered by FGH by expanding parking capacity at the hospital. The applicant asserts that all residents of the service area, including those underserved groups (low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly) will have access to FGH and will continue to have access as a result of this project.

SHP Criterion 4 – Cost of Project

The project will cost \$42.35 per square foot for new construction (see Attachment 1). The cost of the project is below the low cost of \$60 when compared to commercial garage construction projects listed in the *Means Construction Cost Data, 2010*. The proposed project does not involve the purchase of fixed and non-fixed equipment.

SHP Criterion 5 – Floor Area and Space Requirements

As previously mentioned, the project involves 345,000 square feet of new construction. Forrest General Hospital asserts that the project will cost \$42.35 per square foot for new construction (see Attachment 1). The project does not exceed the low construction costs compared to *Means Construction Cost Data, 2010*, because the cost of the project is below the low cost of \$60 when compared to commercial garage construction projects listed in the *Means Construction Cost Data, 2010*.

SHP Criterion 6 –Renovation versus Replacement

Forrest General Hospital proposes construction of a freestanding parking garage/deck located south of the hospital campus. The applicant's proposal does not involve renovation or expansion.

SHP Criterion 7 – Need for Service

This application does not propose the need for new services. Forrest General Hospital proposes construction of a freestanding parking garage/deck located south of the hospital campus.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised May 1, 2010*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 3 – Availability of Alternatives

According to the applicant, two other alternatives to the proposed project were considered as following:

Alternative #1: Forrest General Hospital considered offsite parking, which is typically done for a short period of time for a specific project and should not be considered a permanent solution.

Alternative #2: Forrest General Hospital considered the surface parking, which is generally the most economical, but with property costs escalating and the need to have all parking in close proximity to the hospital, a freestanding parking garage/deck is the most desirable solution.

Forrest General Hospital selected the proposed project because construction of a parking deck in effect relocates most surface parking to one central location that is in close proximity to the hospital; it affords safe and easy access to the facility without patients, visitors, and employees having to cross busy city streets. It also provides better security for employees working varying shifts.

GR Criterion 4 - Economic Viability

According to the applicant, the proposed project is for a freestanding parking garage/deck that will not generate any income revenue.

The application contained a letter from the hospital's financial analyst attesting to the financial feasibility of the project.

GR Criterion 5 - Need for the Project

The applicant asserts that historically, parking at FGH has been a problem that affects both patient and visitor satisfaction along with employee morale. The applicant believes that in an effort to pave the way for future growth for the facility, it is necessary to provide adequate parking for patients, visitors, and employees. While FGH's current campus has 1,563 spaces of surface parking and 399 spaces in the existing parking garage, additional capacity is needed in the form of a parking garage to meet the needs of the hospital's patients, visitors, and employees.

According to the applicant, the final objectives of the proposed project include the following:

1. Improve accessibility to the hospital for patients, visitors, and employees
 2. Provide safe and secure parking
 3. Improve patient satisfaction
 4. Utilize space more efficiently and provide room for growth of patient care services
- a. **Access by Population Served:** The applicant asserts that all residents of the service area, including those underserved groups (low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly have access to FGH and will continue to have access as a result of this project.

- b. **Relocation of Services:** This application does not propose the relocation of services. Forrest General Hospital proposes new construction of an Adeline Street freestanding parking garage/deck south of the hospital campus.
- c. **Current and Projected Utilization of Like Facilities in the Area:** The applicant is not proposing to add any additional facilities or services in the area.
- d. **Probable Effect on Existing Facilities in the Area:** The project proposes new construction of a freestanding parking deck, which will be located south of the hospital and out of the future growth direction of FGH and is very conducive to this type of construction. Therefore, no impact on utilization of other existing facilities or services is anticipated.
- e. **Community Reaction:** The application contains two letters of support for the project.

No adverse comments were received from the community.

GR Criterion 6 - Access to the Facility or Service

- a. **Medically Underserved Population:** According to the applicant, this project will enhance accessibility by medically underserved groups to the facilities and services offered by FGH by expanding parking capacity at the hospital.
- b. **Performance in Meeting Federal Obligations:** The applicant submits that FGH has no existing obligations under any federal regulation requiring provision of uncompensated care, community service, or access by minority/handicapped persons for the proposed project.
- c. **Unmet Needs to be Served by Applicant:** The applicant submits that the percentage of gross patient revenue (GPR) and actual dollar amount of health care provided to charity care patients for the last three years are as follows:

Forrest General
Gross Patient Revenue

	Medically Indigent %	Charity Care %
Historical Year 2008	14.44	6.58
Historical Year 2009	14.90	7.43
Projected Year 1	18.39	5.57
Projected Year 2	18.29	5.13

GR Criterion 7 - Information Requirement

The applicant asserts 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

Forrest General Hospital is located in General Hospital Service Area 8 (GHSA 8), which contained 1,079 licensed acute care beds in FY 2008. This application does not propose new services in General Hospital Service Area 8.

Because no new services will be offered as a result of this project, staff concludes that this project would have no adverse affect on other providers in the referenced service area.

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

GR Criterion 9 - Availability of Resources

According to the applicant, no new personnel will be necessary for the proposed project.

GR Criterion 14 - Construction Projects

- a. **Cost Estimate:** The application contains a cost estimate prepared by Finlo Construction Company, Inc.
- b. **Schematic Drawing:** The application contains a schematic drawing of the proposed project.
- c. **Space Allocations:** The applicant submits that space will conform to applicable local and state licensing standards.
- d. **New Construction Projects:** This project involves new construction of 345,000 square feet of space.
- e. **Cost per Square Foot:** The project will cost \$42.35 per square foot for new construction (see Attachment 1). The cost of the project is below the low cost of \$60 when compared to commercial garage construction projects listed in the *Means Construction Cost Data, 2010*.

GR Criterion 16 - Quality of Care

Forrest General 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:

	Item	Cost	Percent of Total
a.	Construction Cost – New	\$12,500,000	86.45%
b.	Construction Cost -- Renovation	0	0
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	0	0
e.	Total Non-Fixed Equipment Cost	0	0
f.	Land Cost	0	0
g.	Site Preparation Cost	150,000	1.01%
h.	Fees (Architectural, Consultant, etc.)	750,000	5.18%
i.	Contingency Reserve	628,169	4.35%
j.	Capitalized Interest	581,450	2.00%
k.	Other (Demolition & Landscaping)	150,000	1.01%
	Total Proposed Capital Expenditure	\$14,759,200	100%

B. Method of Financing

The applicant indicates that the proposed capital expenditure will be funded from the hospital's cash reserves. The application contained a letter from the hospital's financial analyst attesting to the financial feasibility of the project.

C. Effect on Operating Cost

According to the applicant, the proposed project is for a freestanding parking garage/deck, which will not generate any patient income.

D. Cost to Medicaid/Medicare

According to Forrest General Hospital, the proposed project is for the construction of a freestanding parking garage/deck and will not have a material impact on Medicaid or Medicare. Therefore, the project will not have any effect on third party payors.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided an opportunity to review and comment on this project. The Division of Medicaid estimate the increased annual cost to Medicaid to be \$54,598 in inpatient hospital services. Outpatient services are paid as outlined in the *Medicaid State Plan*; thus, the Division does oppose the application

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the construction, renovation, expansion, capital improvements, replacement of health care facilities, and addition of hospital beds as contained in the *FY 2010 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised May 1, 2010*; 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 the application submitted by Forrest General Hospital for construction of an Adeline Street freestanding parking garage/deck.

**Forrest General Hospital
 HG-C-0810-029
 Attachment 1
 Computation of New Construction Cost***

Cost Component	Total	New Construction
New Construction Cost	\$12,500,000	\$12,500,000
Renovation Cost	0	0
Total Fixed Equipment Cost	0	0
Total Non-Fixed Equipment Cost	0	0
Land Cost	0	0
Site Preparation Cost	\$150,000	\$150,000
Fees (Architectural, Consultant, etc.)	\$750,000	\$750,000
Contingency Reserve	\$627,750	\$627,750
Capitalized Interest	\$581,450	\$581,450
Other (Landscaping & signage)	\$150,000	0
Total Proposed Capital Expenditure	\$14,759,200	\$14,609,200

Square Footage	345,000	345,000
<i>Allocation Percent</i>		100%

Costs Less Land, Non-Fixed Eqt. & Other	\$14,609,200	\$14,609,200
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Cost Per Square Foot	\$42.35	\$ 42.35
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*Source: Mississippi Certificate of Need Review Manual, Revised May 1, 2010