

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
JUNE 2012**

**CON REVIEW HG-SB-0312-008  
SOUTH SUNFLOWER COUNTY HOSPITAL  
RENOVATION AND SWING BED PROJECT  
LOCATION: INDIANOLA, SUNFLOWER COUNTY, MISSISSIPPI  
CAPITAL EXPENDITURE: \$8,768,274**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

South Sunflower County Hospital (SSCH) is a general acute care, not-for-profit corporation, and public hospital. The hospital is governed by hospital officers and trustees and is presently governed by a seven-member Board of Trustees.

The facility provides short-term acute care healthcare services and does not have any other licensed bed category. South Sunflower County Hospital is certified to participate in the Medicare and Medicaid programs, and is licensed by The Mississippi State Department of Health (MSDH).

The facility is licensed for 49 acute care beds. The occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate%
2009	35.45	2.92	N/A
2010	28.47	2.92	51.00
2011	28.24	3.03	52.03

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

## **B. Project Description**

South Sunflower County Hospital (SSCH) in General Hospital Service Area 3 (GHSA 3) requests CON authority to renovate/construct a total of 94,900 square feet of hospital space in seven phases and establish a swing bed service by certifying 30 of its 49 existing, licensed acute care beds to serve in as the swing bed program.

Briefly, SSCH is a one story, 1953 facility that was constructed as a Hill Burton hospital to serve residents in Indianola and other areas surrounding the facility. The applicant states that the purpose of the proposed project is to address needed renovations over a two year period without building a replacement facility, construct additional square footage to assist in reconfiguring areas listed in the CON application and temporarily relocate existing units to other spaces within the facility until renovations are complete.

Hospital renovations and the construction of areas will serve as the first component of the project and the second component will be to establish a swing bed service. The breakdown of renovation and construction square footage is as follows: 43,117 square feet of space will be renovated, new construction will consist of 1,033 square feet of space, and 50,750 square feet of space will be used to create a new parking lot.

Because the project will be completed in phases, staff will briefly discuss main points relating to the renovation of the hospital and the construction of space. The applicant indicates that the proposed project will be completed under the following seven phases: Phases 1A, Phase 1B, and Phase 1C; Phase 2A and Phase 2B; and Phase 3A and Phase 3B.

### ***Phases 1A - 1C***

#### **➤ Phase 1A-**

- Add 1,033 square foot covered entryway
- Renovate 6,317 square feet of existing administrative and support areas adjacent to the entryway
- Add a new 50,750 square foot parking area
- Temporarily relocate eight existing units and offices

#### **➤ Phase 1B-**

- Renovate existing areas used for administration and business offices

- Temporarily relocate the Business Office and Medical Records to completed space in Phase 1A
  - Renovate the Business Office and Medical Records, inclusive of new finishes, new system furnishing, and construction of an additional toilet room
  - Renovate existing areas to move another department or office or unit in renovated space- Payroll office will move to the former Admissions/Discharge area; the Comptroller Office will move into area used for the public toilet and copy room; the blood draw area, lab storage, and small conference room will move to area designated for Respiratory Care. Respiratory care will temporarily relocate “until the end of Phase 2B”
- Phase 1C-
- Renovate a total of 10 existing patient rooms. Three monitored patient rooms will replace four of the 10 rooms and four ADA accessible patient rooms will replace six of the 10 rooms.

### **Phases 2A – 2B**

- Phase 2A
- Temporarily relocate -Emergency Room (ER) to -existing ICU until renovation of ER is complete
  - Renovation of ER will include a new covered drop-off with ramp and stairs
  - During construction, the south staff entry along Baker Street will serve as the ER entrance and the west entry will become the ambulance drop off point
  - Renovate existing spaces to move another area in renovated space- ER waiting and reception will replace old dining area; physical therapy will replace the old kitchen space
  - The two existing toilets at x-ray will be renovated
  - Adjacent to the new PT, a new outpatient consultation room will be constructed
- Phase 2B
- Renovate existing areas to move another department or office or unit or in renovated space- a new controlled reception/waiting will replace the existing recovery area and the new entry addition will provide access
  - Recovery, pre-op holding, staff break, bone density, and radiology manager office will replace the existing ICU spaces

- Respiratory therapy will replace the existing physical therapy spaces
- I.T. office and work room will replace the existing hydro-therapy spaces

**Phases 3A – 3B**

➤ Phase 3A

- Renovate-both nurse stations, inclusive of work areas, supply room, MEDS room, utility rooms, nourishment room, and staff toilet
- All patient rooms will receive finish, millwork, headwall, and MPE replacement
- Nurses stations will temporarily relocate to the un-renovated area of Phase 3B
- 20 rooms must be in full operation
- Owner and hospital operations will coordinate to complete the required sub-phasing process

➤ Phase 3B

- Renovate existing areas to move another department or office or unit or in renovated space- Staff entry, staff break, nurse supervisor office, public waiting area, and private waiting area will replace four patient rooms and waiting area

If SSCH is CON approved for the proposed project and all renovations and construction take place, the facility will work on establishing swing bed services. South Sunflower County Hospital believes residents in the area need to have access to acute care services as well as swing bed services. In addition, the applicant feels that if certification is granted to allow 30 of SSCH's 49 acute care beds to serve as swing beds, the approval will permit the efficient use of healthcare resources in Indianola, Mississippi.

The applicant points out that SSCH is not changing its bed compliment or licensed bed capacity while completing the proposed renovation/construction process. The applicant asserts that the proposed project was planned in stages to allow the operations of the hospital to continue with minimum disruptions. An estimated time schedule to complete all phases was provided in the application.

The applicant provided a letter from the architect to verify the estimated cost to complete the project. The applicant states that the cost to renovate 43,117 square feet of existing hospital space will be \$143.34 per square foot and the

cost to construct 51,783 square feet of new space will be \$37.04 per square foot. The applicant indicates that the total fixed and non-fixed equipment costs are \$0 and \$592,605, respectively.

The applicant includes a capital expenditure summary, a three-year projected operating statement, and an Audited Financial Statement. The applicant states that the project will not involve hiring additional staff; however, the annual personnel cost will be \$60,000. South Sunflower County Hospital will continue to have contractual and transfer/referral/affiliation agreements with health care providers listed in the application. The facility received site approval from the Mississippi Department of Health, Division of Licensure and Certification. To fund the project, SSCH will use cash reserves and assets from investment accounts. The applicant anticipates that the capital expenditure for the proposed project will be obligated within six months after the CON has been issued and estimates that the project will be complete within 30 months.

## **II. TYPE OF REVIEW REQUESTED**

The Mississippi Department of Health reviews applications for construction and renovation and establishment of swing bed service in accordance with Section 41-7-191, subparagraphs (1) (j) and (1) (d) (x) and 7 Mississippi Code 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi 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 June 27, 2012.

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

### **A. State Health Plan (SHP)**

The *FY-2012 Mississippi State Health Plan (MSHP)* contains criteria and standards which the applicant is required to meet before receiving CON authority for construction, renovation, and the acquisition of major medical equipment. This application is in compliance with applicable criteria and standards.

**Construction, Renovation, Expansion, Capital Improvements, Replacement of Health Care Facilities, and Addition of Hospital Beds**

**SHP Criterion 1- Need**

As mentioned above in the Project Description, SSCH states the hospital was constructed in 1953. South Sunflower County Hospital Board evaluated its long range plan and the applicant feels the existing facility must be modernized to meet the current and future healthcare needs of Indianola residents and the Sunflower County population residing in GHSA3. Although SSCH indicates that the facility has not been cited for any deficiencies by the Mississippi State Department of Health, Division of Health Facilities, Licensure and Certification, the applicant stresses that the hospital is in need of an upgrade by renovating areas and constructing spaces for reconfiguration to better serve its patients.

With this in mind, the applicant looked at the services SSCH is currently licensed for and the need for additional healthcare services. The hospital determined that patients who need rehabilitation service are traveling miles from her homes to receive services at other facilities or possibly be admitted into a nursing home. The hospital assessed that the two options mentioned above and determined they are not feasible for SSCH's patients. Thus, the applicant believes that the proposed project will provide patients with convenient access to swing bed service as well as acute care service.

The applicant asserts that if the proposed project is CON approved, SSCH will be able to use modern patient care methodologies to address assist in the structure development of the facility as well as develop patient services. Since the facility currently provides patients will acute care services, the applicant states that SSCH does participate in the statewide trauma system by submitting payments to the trauma system as a Level IV center.

The applicant states the SSCH is not adding additional beds or other services; however, the hospital is proposing to establish swing bed services. Thus, this project will not have an adverse impact on existing facilities in GSHA 3.

**SHP Criterion 2 - Bed Service Transfer/Reallocation/Relocation**

The applicant asserts that this project does not involve transfer/reallocation/relocation of beds to another facility within GSHA 3; thus, this criterion is not applicable to the proposed project.

### **SHP Criterion 3 - Charity/Indigent Care**

The hospital has served patients who cannot financially meet their obligation to pay for services rendered; thus, the hospital affirms that it will continue to provide a “reasonable amount” of indigent/charity care as described in Chapter I of the *FY 2012 MSHP*.

### **SHP Criterion 4 - Cost of Proposed Project**

Staff determined that the *2012 Means Construction Cost Data* publication lists the following cost ranges per square foot associated with hospital construction: low- \$192; median-\$240; and high-\$325. Using the *Means Construction Cost Data* book as a cost guide, the applicant states it will cost \$37.04 per square foot to construct/add a 1,033 square foot covered entryway and construct/add a new 50,750 square foot parking lot. The *Means Construction Cost Data for 2012* does not compare costs for renovation projects; however, the applicant states that the cost to renovate 43,117 square feet of space in the existing hospital will be \$143.34. The applicant states that based on the construction/renovation amount of \$8,175,669, the construction cost will be \$48.87/square foot and the renovation cost will be \$160.05/ square foot.

Based on the formulas listed in the *FY 2012 MSHP*, staff concurs with the construction/renovation costs per square foot captured in Attachment 2 of this document.

The applicant asserts that there is no fixed equipment cost associated with this project; however, there is a fixed equipment cost of \$592,605. South Sunflower County Hospital reviewed CON applications over the last few years and compared the construction and renovation costs to the proposed project. The applicant affirms that the proposed project does not exceed the median equipment cost for equipment of similar quality by more than 15%.

### **SHP Criterion 5 - Floor and Area Specifications**

South Sunflower County Hospital proposes to construct 51,783 square feet of space and renovate 43,117 square feet of space. The applicant states that their specifications are comparable to state and national norms for similar construction/renovation projects. The applicant does not note that the existing hospital has architectural design restraints that will not allow the applicant to reconfigure or modernize its existing hospital. Also, South

Sunflower County Hospital does not list any “special considerations due to local conditions.” Thus, the proposed project is comparable to both state and national norms for similar projects.

**B. State Health Plan (SHP)**

The *FY-2012 Mississippi State Health Plan (MSHP)* contains criteria and standards which the applicant is required to meet before receiving CON authority to establish swing-bed services. This application is in compliance with applicable criteria and standards.

**Swing-Bed Services**

**SHP Criterion 1- Need**

The applicant asserts that SSCH will meet all federal regulations regarding the swing-bed concept. The application indicates that the licensed bed category is current 49 acute care beds and will remain the same number if the proposed project is CON approved. In order to establish a swing bed service, the applicant will certify 30 of its 49 acute care beds to serve as the swing bed program.

**SHP Criterion 2 - Governing Board Approval**

The applicant provided a copy of the Resolution adopted by its governing board showing that the Board of Trustees approved the proposed participation.

**SHP Criterion 3 – Federal Regulations**

The applicant is not proposing to operate and staff more than the maximum number of beds specified in federal regulations for participation in the swing-bed program. Thus, the applicant is not required to give written assurance that only private pay patients will receive swing-bed services.

**SHP Criterion 4 - Medicare (Title XVIII of the Social Security Act)**

South Sunflower County Hospital affirms that upon receiving CON approval and meeting all federal requirements for participation in the swing-bed program, SSRH shall render services provided under the swing-bed concept to any patient eligible for Medicare (Title XVIII of the Social Security Act) who is certified by a physician to need such services.

### **SHP Criterion 5 – Hospital Stay Requirements**

The applicant states that upon receiving CON approval and meeting all federal requirements for participation in the swing-bed program, the applicant shall not permit any patient who is eligible for both Medicaid and Medicare or is eligible only for Medicaid to stay in the swing-beds of a hospital for more than 30 days per admission unless the hospital receives prior approval for such patient from the Division of Medicaid.

### **SHP Criterion 6 - 50-mile Radius (Geographic Area) Requirement**

South Sunflower County Hospital asserts the hospital will not have more licensed beds or a higher average daily census than the maximum number specified in federal regulations for participation in the swing-bed program.

### **SHP Criterion 7- Transfer Agreements**

The application includes copies of transfer agreements SSCH entered into with several nursing facilities within the hospital's geographic area.

### **SHP Criterion 8- Compliance with Federal Regulation**

The applicant affirms that if for some reason that SSCH fails to comply with Criterion #5 conditions listed above and the Department, after proper hearing, determines that SSCH has failed to comply with any of those requirements, the hospital will be subject to suspension from participation in the swing-bed program

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 revisions*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

### **GR Criterion 2 - Long Range Plan**

The applicant states that SSCH's Board of Trustees adopted a long range strategic plan and the proposed project is consistent with the plan to enhance the hospital's facility and services in GHSA 3. South Sunflower County Hospital obtained the services of a design company from Tupelo, Mississippi to implement SSHC's strategic plan, the hospital's master facility arrangement, and evaluate all aspects of the plan. Also, the applicant asserts that a financial feasibility study was completed to assess the viability of the proposed project.

### **GR Criterion 3- Availability of Alternatives**

The applicant considered the following options regarding the facility: keep the facility in its existing state, construct a new replacement hospital at another location, and not seek to establish a swing bed service; however, all alternatives were rejected. If SSCH made those choices, the applicants believes that the facility would encounter plumbing and electrical problems if nothing was done and the cost to replace/relocate a facility will be a great financial undertaking as opposed to renovating/constructing new spaces for reconfiguring. If a swing program was not requested by SSCH to receive approval, SSCH indicates that patients needing swing bed services will continue to be transferred and treated out of GSHA 3. As a result, a hardship will continue to be placed on the patients and their families.

Thus, the applicant submits that renovating/constructing new space and establishing a swing bed program at SSCH are the only cost effective options available to offer facility upgrades and patients better access to healthcare services.

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

The applicant provided a three-year projected operating statement and indicated that net revenue over a projected three year period will increase from \$22,386,518 to \$22,868,798. The statement shows that the net income will be \$2,791,080, \$2,471,314, and \$2,129,777 over the same three year period.

Based on the projections listed in the three-year operating statement, and the audited financial statements, all financial requirements will be met during the projected three years and after.

Since this project involves the renovating existing spaces/constructing new spaces, the applicant affirms that the proposed costs and charges associated with the project are comparable to similar construction and expansion projects in the state (see Attachment 1).

The proposed project does have a capital expenditure that exceeds \$2,000,000; however, the applicant provided audited financial statements to show the proposed project will be financially viable. Based on the statements, the project appears to be economically viable.

Based on revenue and volume projections listed in the three-year operating statement, the applicant's Controller submitted a letter stating the project will be financially feasible.

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

The applicant states the facility will serve all patients in GSHA 3 without respect to race, color, age, sex, ethnicity, or ability to pay. The hospital will operate 7 days per week, 24 hours per day.

The applicant states there is a need to reconfigure and redesign the hospital to create a modernized facility in order to provide quality service, health care, and better access to departments and services within the hospital. Since SSCH is nearly 60 years old, the applicant feels that the proposed changes will remedy any deterioration or electrical issues that the facility may encounter in the future while providing inpatient and outpatient services. South Sunflower County Hospital contends that the details of the proposed project are in-line with SSCH's long-term strategic plan. South Sunflower County Hospital believes the facility must be upgraded and additional space must be added to accommodate patients in GSHA 3 and staff.

The applicant asserts this project does not involve relocating the facility or service; thus, current and projected utilization of like facilities or services within GSHA 3 is not applicable to this criterion.

For 2010, 2009, and 2008, the applicant reported the number of swing beds, average daily census and occupancy rates for each facility in GHSA 3. In SSCH's assessment, the applicant asserts that swing bed occupancy rates in Sunflower County for the listed years were 75.13%, 74%, and 74.60%, respectively. Also, SSCH asserts that North Sunflower Medical Center (NSMC) and Patient's Choice Medical Center in Humphreys County are 30 miles from SSCH and their occupancy rates for 2010, 2009, and 2008 were 44.55%, 47.23%, and 50.53%.

The applicant also reports that SSCH's 2010 and 2009 occupancy rate and average daily census for 49 acute beds was 28.47% and 13.95 and 35.45% and 17.37, respectively. The following tables capture the most current data the applicant lists in the CON application and staff obtained from the *FY 2012 MSHP* and "Licensure":

Facility	Licensed Beds	Average Daily Census (ADC)	Occupancy Rates
North Sunflower Medical Center	15	11.47	75.13%
Patients Choice Med. Ctr. of Humphreys County	25	6.35	31.16%
Quitman County Hospital	25	3.49	13.96%
Tallahatchie General Hospital & ECF	3	1.76	58.67%
<b>Total/Averages</b>	<b>68</b>	<b>23.07</b>	<b>33.93%</b>

Occupancy Rates of GHSA 3 Providers of Swing Beds Services

South Sunflower County Hospital indicates that the renovation/construction part of the project will take about two years and five months to complete. Thus, there will be no swing bed utilization projections for years one and two; however, for year three, the occupancy rate, ALOS, ADC, and ADC with observation beds rates will be as follows: 23%, 14% 0, and 7%.

**FY 2010  
 Swing Bed Utilization**

Source: Applications for Renewal of Hospital License for Calendar Year 2011 and FY 2010 Annual Hospital Report, Mississippi State Department of Health (FY 2012 MSHP)

**FY 2010 Swing Bed Data**

Facility (GHSA 3)	Swing Beds		Inpatient Days	Occupancy Rates
Facility	Licensed Beds	Discharges	Average Length of Stay (ALOS)	Average Daily Census
North Sunflower County Hospital	15	15	4,185	76.44
Patients Choice Medical Center of Humphreys County	25	25	2,317	25.39
Quitman County Hospital	25	25	1,272	12.05
<b>General Hospital Service Area 3</b>	<b>68</b>	<b>634</b>	<b>13.02</b>	<b>23.06</b>
Tallahatchie General Hospital	15	0	0	0.00
North Sunflower Medical Center	15	338	12.14	11.47
Patients Choice Med. Ctr. of Humphreys County	25	172	13.45	6.35
Quitman County Hospital	25	95	12.71	3.49
Tallahatchie General Hospital & ECF	3	34	20.29	1.76

Division of Licensure and Certification

South Sunflower County Hospital points out that Coahoma, Leflore,

Washington, Humphreys, Tallahatchie, Bolivar, and Holmes Counties border Sunflower County; however, all are in GHSA 3 except Holmes County. The applicant references a 2011 CON application submitted by Tallahatchie County and submits that the occupancy data shown in the application for FY 2010 indicate that there is a growing need for additional swing bed certified beds in GHSA 3.

The applicant evaluated data in the *2010 Hospital Report* and concluded that the swing bed programs have a high rate of returning patients to their homes as opposed to admitting them in a nursing home, other hospitals or in the worst case scenario, the morgue. As a matter of fact, the applicant states that 71.61% of swing beds patients in GHSA 3 were discharged home, 8.04% were admitted into a nursing home, and 4.89% were admitted into a hospital.

In reviewing data in the *2010 Report on Institutions in the Aged and Infirm*, SSCH asserts that nursing home percentages relating to the following: deaths (20.1%), number of nursing home residents (79.9%), patients discharged home from a nursing home (42.4%) or to a hospital for acute care services (42.5%) or relocation to another nursing home (8.9%) were not as favorable as swing bed percentages.

Through written correspondence, South Sunflower County Hospital contends that existing facilities in GHSA 3, including nursing homes in the area are in

support of the proposed project. The applicant feels that any facility that would likely evaluate and oppose SSCH's request for a swing bed program would be a 75-bed nursing home in Indianola, Mississippi; however, SSCH reports that the facility has an occupancy rate of 92.56% and an average of four open beds. Furthermore, SSCH states that local physicians have been referring patients to local acute care hospitals with swing beds services as opposed to the 75-bed Indianola nursing home.

Based on the fact that SSCH is not adding additional beds but requesting to establish swing bed services; the applicant affirms this project will not have an adverse impact on existing facilities in GSHA 3. The applicant strongly feels that a swing bed program at SSCH can be the bridge to keep patients, their families/friends in high spirits during a patient's recovery as well as provide a program that will serve as avenue for them to be discharged home.

Several endorsement letters from various community officials and the

medical community were included in the CON application dated March 16, 2012. According to the applicant, the community officials recognize that the SSCH complies with all federal regulations regarding community service and supports SSCH's efforts to serve all patients in GSHA 3 regardless of race, creed, sex, or ability to pay.

#### **GR Criterion 6 -Accessibility**

As previously stated, SSCH states the facility will serve all patients in GSHA 3 without respect to race, color, age, sex, ethnicity, or ability to pay. South Sunflower County Hospital affirms that the hospital's GHSA is a 30 mile radius and most residents have a means of transportation to the facility. The applicant provides a current admission policy and the facility will operate 7 days per week, 24 hours per day.

#### **GR Criterion 7- Information Requirement**

South Sunflower County Hospital affirms that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

#### **GR Criterion 8 - Relationship to Existing Health Care System**

South Sunflower County Hospital affirms that North Sunflower Medical Center provides the same type of services that SSCH currently has except for the swing bed service and nursing home service NSMC currently provides/operates. The applicant includes a number of hospital officials who wrote letters of support for the proposed project, including NSMC. South Sunflower County Hospital is only proposing to enhance their facility and establish a swing bed program while continuing its commitment to provide current services to the community. Thus, this project will not have an adverse impact on existing facilities in GSHA 3.

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

The applicant states that SSCH has maintained staff for the provision of healthcare services within the facility and asserts that necessary staff will be

available for the proposed swing bed program. The applicant indicates that 172.1 full-time equivalents (FTEs) are currently employed at SSCH and no additional staff will be required; however, if additional employees are needed, SSCH states that the hospital will recruit staff through traditional staffing sources. The applicant reports that the estimated annual cost for existing personnel (172.1 FTEs) will be \$60,000.

South Sunflower County Hospital states that the hospital has demonstrated a successful staffing history and asserts that sufficient physicians, nursing, technical staff, etc are available to ensure proper implementation of this project. The applicant indicates that all healthcare providers have experienced a nursing shortage in past or present years; however, SSCH states that the facility has been able to address any nursing shortages.

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

The applicant asserts that SSCH has necessary support and ancillary services. Thus, the proposed renovation/construction and swing bed project is not expected to have an adverse effect upon the delivery of ancillary health services nor change the cost and charges of those services.

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

The Board of Trustees took appropriate action to apply for a CON in the amount of \$8,768,274. The architect and designers hired by the hospital submitted a cost estimate to show a proposed capital expenditure of \$8,725,645. The application includes a site approval letter from the Division of Health Facilities Licensure and Certification. The applicant includes a schematic drawing to show how the hospital will look after the renovation and construction process has been completed.

In addition, the applicant states that the project complies with state and local building codes, zoning ordinances, and all appropriate regulatory authorities. The applicant has provided written assurance that SSCH will comply with state statutes and regulations for the protection of the environment.

Since hospital officials and consultants opted to add to modernize the existing hospital and to construct new space, a formula calculation was used by the hospital to show how much the proposed project will cost per square foot. The applicant states that the cost to construct /add a 1,033 square foot covered entryway and construct/add a new 50,750 square foot parking lot to the existing building will be \$37.04 per square foot.

As a cost guide, the *Building Construction Cost Data for FY 2012* lists construction costs from low to high range per square foot. For hospitals of this size, the construction costs are \$192, \$240, and \$325. The construction cost of \$37.04 is closer to the low range.

The *Means Construction Cost Data for 2012* does not compare costs for renovation projects; however, the renovation formula in the *Plan* was used by SSCH to show how much the proposed project will cost per square foot. The applicant states that the cost to renovate 43,117 square feet of space will be \$143.34 per square foot.

Based on the specifics presented in the application and the construction/renovation formula listed in the *FY 2012 MSHP*, costs per square foot are shown in Attachment 2 of this analysis.

#### **GR Criterion 16 - Quality of Care**

The facility is certified to participate in the Medicare and Medicaid programs and is licensed by MSDH. The applicant states that SSCH has provided quality care to area residents for more than 50 years. To continue its efforts to serve area residents and patients, the applicant believes the proposed project will allow services to be provided in a modern facility and allow patients to experience swing bed services. In turn, patients will be taking part in preventive/rehabilitation healthcare methods to increase their quality of life.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

<b>Cost Item</b>	<b>Projected Cost</b>	<b>% of Total</b>
Construction Cost - New	\$ 649,969.00	7.41%
Construction Cost - Renovation	5,644,972.00	64.38%
Capital Improvements	0.00	0.00%
Total Fixed Equip Cost	0.00	0.00%
Total Non-Fixed Equip Cost	\$ 592,605.00	6.76%
Land Cost	0.00	0.00%
Legal and Accounting Fees	\$ 30,000.00	.34%
Site Prep Cost	624,959.00	7.13%
Fees (architectural, consultant)	\$536,165.00	6.11%
Contingency Reserve	642,604.00	7.33%
Capitalized Interest	0.00	0.00%
Other Cost (CON Filing Fees)	\$ 47,000.00	0.00%
<b>Total Proposed Expenditures</b>	<b>\$ 8,768,274.00</b>	<b>99.46 or 100.00%</b>

**B. Method of Financing**

To fund the project, SSCH will use cash reserves and assets from investment accounts. Audited financial statements demonstrate that SSCH has sufficient cash reserves to fund the project.

**C. Effects on Operating Costs**

The applicant projects gross patient revenue of \$34,565,308, \$34,565,308, and \$34,565,308 the first, second, and third year of operation, respectively, and expenses of \$19,924,812, \$20,498,035, and \$21,088,454 for the first three years of operation. Utilization, cost, and charges are included in the applicant=s Three-Year Projected Operating Statement (See Attachment 1).

**D. Cost to Medicaid/Medicare**

<b>Patient Mix</b>	<b>Utilization Percentage</b>	<b>First Year Gross Revenue</b>
Medicare	36.0%	\$ 8,177,721.10
Medicaid	27.0%	6,133,290.80
Other Payors	<u>37.0%</u>	<u>8,404,880.00</u>
<b>Total</b>	<b>100.0%</b>	<b>* \$ 22,715,892</b>
SSCH projects 1% percent medically indigent, bad debt and charity care are projected based on current and historical experience of gross patient revenues.		

\*\$22,715,891.90 is rounded to the next dollar amount, \$22,715,892.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, the Division estimates the increased annual cost to Medicaid to be \$93,581 in inpatient hospital services. Outpatient services are paid based on a facility's cost to charge ratio, 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 construction, renovation, and expansion projects as contained in the *FY 2012 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised 2011*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by the South Sunflower County Hospital (SSCH).

**ATTACHMENT 1**  
**South Sunflower County Hospital**  
**Renovation and Swing Bed Project**  
**Three-Year Projected Operating Statement**  
**(With Project)**

	Latest Actual	Proposed Year 1	Proposed Year 2	Proposed Year 3
<b>Revenue</b>				
Inpatient Care Revenue	\$ 11,919,499	\$ 13,831,707	\$ 13,831,707	\$ 13,831,707
Outpatient Care Revenue	17,842,666	20,733,601	20,733,601	20,733,601
<b>Gross Patient Care Revenue</b>	<b>\$ 29,762,165</b>	<b>\$ 34,565,308</b>	<b>\$ 34,565,308</b>	<b>\$ 34,565,308</b>
Charity Care	\$ 213,912	\$ 248,389	\$ 248,389	\$ 248,389
Deductions from Revenue	7,495,507	11,930,401	11,686,825	11,448,120
<b>Net Patient Care Revenue</b>	<b>\$ 22,052,746</b>	<b>\$ 22,386,518</b>	<b>\$ 22,630,094</b>	<b>\$ 22,868,798</b>
Other Operating Revenue	519,967	329,374	339,255	349,433
<b>Total Operating Revenue</b>	<b>\$ 22,572,713</b>	<b>\$ 22,715,892</b>	<b>\$ 22,969,349</b>	<b>\$ 23,218,231</b>
<b>Operating Expense</b>				
Salaries	\$ 8,981,702	\$ 8,471,780	\$ 8,725,933	\$ 8,987,711
Benefits	2,870,795	2,541,008	2,617,238	2,695,755
Supplies	2,619,727	2,258,056	2,325,798	2,395,572
Services	2,978,699	3,292,975	3,391,764	3,493,517
Lease	165,000	170,775	170,775	170,775
Depreciation	604,875	646,615	646,615	646,615
Interest	-	-	-	-
Other	1,916,162	2,543,603	2,619,911	2,698,508
<b>Total Operating Expense</b>	<b>\$ 20,136,960</b>	<b>\$ 19,924,812</b>	<b>\$ 20,498,035</b>	<b>\$ 21,088,454</b>
<b>Net Operating Income (Loss)</b>	<b>\$ 2,435,753</b>	<b>\$ 2,791,080</b>	<b>\$ 2,471,314</b>	<b>\$ 2,129,777</b>
<b>Operating Metrics</b>				
	Latest Actual	Proposed Year 1	Proposed Year 2	Proposed Year 3
Inpatient days	5,941	5,941	5,941	5,941
Outpatient days				
Procedures				
Charge per outpatient day	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Charge per inpatient day	\$ 2,006	\$ 2,328	\$ 2,328	\$ 2,328
Charge per procedure	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Cost per inpatient day	\$ 3,389	\$ 3,354	\$ 3,450	\$ 3,550
Cost per outpatient day	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Cost per procedure	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

**Note: # DIV/0! denotes \$0. Applicant's totals may be off by \$1 due to rounding.**

ATTACHMENT 2

SOUTH SUNFLOWER COUNTY HOSPITAL  
 Computation of Construction and Renovation Cost

		Total	New Constructon	Renovation
	<u>Cost Component</u>			
A	New Construction Cost	\$649,969	\$649,969	
B	Renovation Cost	\$5,644,972		\$5,644,972
C	Total Fixed Equipment Cost	\$0	\$0	
	Total Non-Fixed Equipment Cost	\$592,605		
	Capital Improvement	\$0		
	Land Cost	\$0		
	Legal and Accounting Fees	\$30,000		
	Other (CON Filing Fees)	\$47,000		
D	Site Preparation Cost	\$624,959	\$624,959	
E	Fees (Architectural, Consultant, etc.)	\$536,165	\$292,585	\$243,580
F	Contingency Reserve	\$642,604	\$350,669	\$291,935
G	Capitalized Interest	\$0	\$0	\$0
	<b>Total Proposed Capital Expenditure</b>	<b>\$8,768,274</b>	<b>\$1,918,182</b>	<b>\$6,180,487</b>
	Square Footage	<b>94,900</b>	51,783	43,117
	Allocation Percent		54.57%	45.43%
	<b>Costs Less Land, Non-Fixed Eqt.&amp; Cap. Improvement</b>	<b>\$8,175,669</b>	<b>\$1,918,182</b>	<b>\$6,180,487</b>
	<b>Cost Per Square Foot</b>	<b>\$86.15</b>	<b>\$37.04</b>	<b>\$143.34</b>

Source: Mississippi Certificate of Need Review Manual, 2011 revisions