

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
DECEMBER 2012**

**CON REVIEW: HG-CO-1012-018
ST. DOMINIC-JACKSON MEMORIAL HOSPITAL
COST OVERRUN TO CON NUMBER R-0840
(RENOVATION FOR THE CREATION OF A HYBRID OPERATION ROOM)
APPROVED CAPITAL EXPENDITURE: \$2,679,601
ADDITIONAL CAPITAL EXPENDITURE: \$1,077,669
REVISED CAPITAL EXPENDITURE: \$3,757,270
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 (medical/surgical beds only) are as follows for the years 2009 through 2011:

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

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2009	68.21	4.57	14.95
2010	71.43	4.50	15.40
2011	73.63	4.52	15.75

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

B. Project Background

St. Dominic-Jackson Memorial Hospital received Certificate of Need (CON) No. R-0840 with an effective date of December 22, 2011 expiring on December 22, 2012 for the renovation for the creation a hybrid operating room. In the original project, the applicant asserts the renovation of its current hospital space for a hybrid operating room (OR). The scope of the project involves renovation of the current sterile storage room located on the second floor of the hospital for a hybrid operating room and the renovation of additional space on the second floor for the relocation of the sterile storage room. The original project involves the complete renovation of 1,840 square feet on the second floor of the hospital. The project involves 2,274 square feet of renovation for the creation of a hybrid operating room (1,150 square feet), relocation of the sterile storage area (690 square feet) and partial renovation of a hallway (434 square feet).

The applicant asserts in the original application that the proposed hybrid operating room is conveniently located on the same floor as the hospital cardiovascular operating rooms and heart catheterization labs. The proposed project will consist of the demolition, reconfiguration and build-back of an existing sterile supply/storage room and a portion of the old cardiologist lounge to allow for the creation of a new hybrid operating room. No new services will be offered as a result of this project.

According to the applicant, actual construction has not begun. Construction was delayed due to issues with the previously approved location of the operating room. Construction will begin thirty (30) days after CON approval of this cost overrun application.

C. Project Description

St. Dominic-Jackson Memorial Hospital now requests a cost overrun to its CON No. R-0840. St. Dominic asserts that the proposed cost overrun is necessary to complete the original project. St. Dominic submits that the original project lacked the space for the installation of the required HVAC ductwork of a size that would meet the applicable codes and ASHRAE standards in effect for air exchange rates. Also, the applicant indicates that there isn't room for the installation of lighting fixtures per the International Building Code and Illuminating Engineering Society to ensure adequate foot candles at the procedure table. The proposed cost overrun application contains documentation addressing the details concerning the need the proposed cost overrun.

According to St. Dominic, the additional capital expenditure is attributed to the following changes necessary to complete the project:

St. Dominic asserts that the intent of the original project was to renovate an existing clean/sterile storage room, sinifilm storage and a portion of the old physicians lounge on the second floor of the hospital to create space to build-out the new hybrid operating room. This would allow for the hybrid OR to be adjacent to the cardiovascular surgery rooms and the heart catheterization labs, both components of the Mississippi Heart and Vascular Institute. This adjacency is critical to allow for the

supplies, services and staffing of the existing area to be available to support the hybrid OR and its functions.

St. Dominic asserts that after the equipment selection was finalized and additional design work on the room configuration was completed, it became apparent that the existing floor to floor height of 11'-0" would not be adequate to allow for the proper installation of the Philips Medical ceiling mounted equipment (including installation of the "short-arm" components) to meet the construction standards required for this project. The applicant asserts that while the structural support for the ceiling mounted imaging equipment could be accommodated, the depth of the required structural members left inadequate space for the installation of the required HVAC ductwork of a size that would meet the applicable codes and ASHRAE standards in effect for air exchange rates or for the installation of lighting fixtures per the International Building Code and Illuminating Engineering Society to ensure adequate foot candles at the procedure table. The manufacturer's minimum installation requirements include a 10'-23/8" ceiling height; with an 11'-0" floor to floor height and a 6" thick floor slab at the third floor. These standards revealed that the remaining measurements left a 3' 5/8" clearance for all other components. St. Dominic also investigated another piece of equipment that required a 9'-9 3/16" ceiling and the results showed only a 9 13/16" clearance.

St. Dominic submits that while rooms on the perimeter of the hybrid OR may have a lower ceiling height, current standards and codes mandate that a percentage of the air volume require minimum foot candles to occur over the procedure table, neither of which can be accomplished in accordance with the Guidelines for the Design and Construction of Healthcare Facilities at the current location.

St. Dominic states that in reviewing options for the hybrid OR project and investigating what existing areas would allow for the construction of the hybrid OR space, it became apparent that due to the equipment requirements, normal power and emergency power requirements, lighting requirements and HVAC considerations (air exchange rates) there was no area on the existing second floor that would accommodate the new hybrid OR room. Due to the necessity that the room be adjacent to the current Mississippi Heart and Vascular Institute and its various components, the only option available was to look "outside" where St. Dominic could deviate from the floor to floor height restriction within the current hospital. The hospital is proposing that the second floor roof area between the 8 level north wing and the 4 level surgery wing be in-filled adjacent to the cardiovascular surgery and electrophysiology catheterization lab. This will allow the creation of adequate contiguous space (approximately 2,500 square feet) with a floor to structure height of 14'-4". Adjacent space will be used for sterile storage/supply room.

Interior finishes shall provide monolithic and scrubable surfaces that are capable of withstanding repeated cleanings with disinfectant products. The room will be constructed with radiation shielding (thickness and extents as determined by the radiation physicist). Design considerations shall include an optimal temperature of 68F - 74F, an air exchange rate of 25/hour minimum and luminance of 500 -1000 lux. Ceiling mounted imaging equipment will be utilized.

The application includes a copy of the revised cost estimate from the architect, Barlow, Eddy, Jenkins, P.A. and it lists the estimated cost of the project.

According to the applicant, the total capital expenditure approved in the original CON is \$2,679,601 and the additional cost for the proposed cost overrun is \$1,077,669, resulting in a revised capital expenditure of approximately \$3,757,270. The authorized capital expenditure is \$2,679,601 and the amount of \$31,245.38 has been spent to date and that zero percent of the project is complete.

Staff contends that this cost overrun project does not change the scope of the original project.

The Mississippi State Department of Health, Division of Health Facilities Licensure and Certification approved the revised site plan for the proposed cost overrun project (not a part of the original project).

According to the applicant, the project will be complete two hundred and eighty (208) days after construction begins.

II. TYPE OF REVIEW REQUIRED

The original project was reviewed under the applicable statutory requirements of Section 41-7-191, subparagraphs (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.

The State Health Officer reviews all projects for amendment and cost overruns in accordance with 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 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 hearing expires on January 7, 2013.

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

A. State Health Plan

The original projects were in substantial compliance with the *FY 2011 Mississippi State Health Plan*, in effect at the time the original applications were submitted. This cost overrun project continues to be in substantial compliance with the *FY 2011 Mississippi State Health Plan*.

B. General Review Criteria

The original projects were in substantial compliance with the *Certificate of Need Review Manual, 2010 revision*, in effect at the time of submission. This application continues to be in compliance with applicable General Review Criteria and Standards contained in the *Certificate of Need Review Manual, 2010 revision*.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	<u>Approved Capital Expenditure</u>	<u>Revised Capital Expenditure</u>	<u>Increase (Decrease)</u>
New Construction	0	0	0
Renovation/Construction	\$437,285	\$1,378,864	\$941,579
Capital Improvements	0	0	0
Land	0	0	0
Site Work	0	0	0
Fixed Equipment	1,600,000	1,600,000	0
Non-Fixed Equipment	486,000	511,000	25,000
Fees (Architectural, Consultant, etc.)	48,863	95,120	46,257
Contingency Reserve	71,053	135,886	64,833
Capitalized Interest	0	0	0
Other	36,400	36,400	0
Total	<u>\$2,679,601</u>	<u>\$3,757,270</u>	<u>\$1,077,669</u>

As previously mentioned, the capital expenditure approved in the original CON was \$2,679,601 (renovation for the creation of a hybrid operating room). The applicant asserts that the additional cost for the cost overrun proposal is \$1,077,669, resulting in a revised capital expenditure of approximately \$3,757,270. As previously mentioned, the increase in cost requested in the proposed cost overrun is based on the new location/space of St. Dominic's hybrid operating room that was not a part of the original application.

This cost overrun project does not change the scope of the original projects.

B. Method of Financing

The original application and proposed cost overrun project will be funded from St. Dominic's cash reserves.

Effect on Operating Cost

St. Dominic asserts that the only effect on operating cost will be an increase of depreciation cost from \$456,773 (original) to \$531,951 an increase by \$75,177 and

net income will decrease from \$543,973 to \$468,795 for the first full year of operation after completion of the proposed project.

The applicant projects the following revised cost for the first full year of operation after completion of the proposed project: cost per inpatient day will increase from \$7,080 to \$7,118; cost per outpatient day will increase from \$34,193 to \$34,374 and cost per procedure will increase from \$18,236 to \$18,333 as a result of the proposed cost overrun project.

D. Cost to Medicare/Medicaid

According to the applicant, the capital expenditures are not directly passed through to public or private health insurance carriers or to patients. The proposed cost overrun project will have no impact on Medicaid or Medicare patients.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid states that effective September 1, 2012, the Division changed the methodology by which it reimburse outpatient services so that the cost incurred subsequent to that date will no longer affect outpatient payments. Effective October 1, 2012, the Division changed the methodology by which it reimburse inpatient services so that the cost incurred subsequent to that date will only affect cost outlier payments. The Division estimated increase in cost outlier payments resulting from this application cannot be determined at this time. The Division of Medicaid opposes this project.

VI. CONCLUSIONS AND RECOMMENDATION

This project continues to be in substantial compliance with the overall objectives of the *FY 2011 Mississippi State Health Plan; Certificate of Need Review Manual, Revision 2010*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of approval.

The Division of Health Planning and Resource Development recommends approval of the application submitted by St. Dominic-Jackson Memorial Hospital for a cost overrun to CON No. R-0840 (renovation for the creation of a hybrid operating room).