

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
MAY 2013**

**CON REVIEW HG-AA-0313-002
ST. DOMINIC-JACKSON MEMORIAL HOSPITAL
TRANSFER OF OWNERSHIP OF CHAPEL
CAPITAL EXPENDITURE: \$5,786,072
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 2010 through 2012:

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

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2010	71.43	4.50	15.40
2011	73.63	4.52	15.75
2012	75.18	4.44	16.56

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

B. Project Description

St. Dominic requests Certificate of Need (CON) authority to transfer ownership of the Chapel from St. Dominic Health Services, Inc. to St. Dominic-Jackson Memorial Hospital. The proposed project will entail St. Dominic acquiring ownership of the recently constructed Chapel from St. Dominic Health Services, Inc. to the hospital. The Chapel was originally constructed and completed May 2012 and is currently owned by St. Dominic Health Services, Inc. the hospital's parent company. The applicant submits that St. Dominic Health Services, Inc. paid \$5,786,072 to Fountain Construction Company, Inc. for construction of the Chapel located next to the hospital at 960 Lakeland Drive, Jackson, Mississippi. The application contains a letter from Fountain Construction Company, Inc. to verify receiving payment from St. Dominic Health Services, Inc. regarding this Chapel. As a result of the proposed transfer of ownership of the Chapel, St. Dominic will pay \$5,786,072 to St. Dominic Health Service, Inc.

The applicant asserts that the Chapel is not a hospital or healthcare facility. However, it will offer religious services, prayer time, and serve other spiritual needs of St. Dominic's patients, employees, medical staff, hospital visitors and the greater Jackson community.

The purpose of the proposed project is for St. Dominic, a health care facility, to adhere to CON requirements/law by requesting for CON authority to transfer full ownership of the Chapel at a capital expenditure amount of \$5,786,072.¹⁴ If CON approved, St. Dominic-Jackson Memorial Hospital will control, manage and operate the Chapel. The application includes a proposed bill of sale and assignment between St. Dominic Health Services, Inc. and St. Dominic-Jackson Memorial Hospital regarding the sale and transfer of assets regarding this Chapel project.

The Chapel consists of 3,355 square feet of new space in the main sanctuary and entrance vestibules and sacristy. Also, the two support buildings contain 630 square feet each to house the support functions, including toilet rooms, consultation space, and gathering areas. The total of square feet is 4,615. The ground plane of the Chapel is raised, providing a landscaped plinth to elevate the Chapel above the surrounding drives and walks. The entrance vestibules are completely surrounded by colored glass and relocated on the corners of the cross. The interior wall finishes are multiple shades of white that provide a canvas for the colored light to play across. The Chapel is utilized to perform mass, prayer and meditation, and was inspired by the geometric clarity of ancient church forms that give appropriate symbolic presence to St. Dominic's mission and purpose.

All necessary verification regarding the construction of the Chapel located at 960 Lakeland Drive, Jackson, Mississippi project was provided in the CON application referenced above. Also, the project was in compliance with all regulations listed in the application.

St. Dominic proposes to fund the project with equity contributions. The application includes a capital expenditure summary and a financial feasibility statement from its CPA asserting that St. Dominic has sufficient capital to fund the project.

The applicant provided a schematic drawing of the Chapel and the contractor costs verified that it costs \$1,197.89 per square foot to construct the Chapel. The applicant states that no new personnel will be necessary for the proposed project. The applicant asserts that the Chapel does not provide health care services; therefore, no physician or other medical staffing is necessary for this Chapel project.

The Chapel received site approval from the Mississippi State Department of Health, Division of Health Facilities Licensure and Certification.

St. Dominic contends that the Chapel was completed in May of 2012 and transfer of ownership of the Chapel will take place within 30 days of CON approval of this project.

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) in accordance with Section 41-7-191, subparagraph (1) (j) 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 5, 2013.

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

A. State Health Plan (SHP)

The *FY 2013 Mississippi State Health Plan* does not address policy statements, criteria and standards for the transfer of ownership of a Chapel. Since the hospital is acquiring the ownership of the Chapel, the hospital must adhere to CON requirements/law to requests CON authority to transfer ownership of the Chapel. The application is in compliance with the CON requirements/law.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 revision*, 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 the mission of St. Dominic's is to strive to provide compassionate care, to continually improve renovation and performance, serve the community as a faith-based ministry, and communicate a Christian message. Before St. Dominic Health Service, Inc. constructed the Chapel, it evaluated the current use of the Chapel; the need for additional space for St. Dominic's to expand patient care on the south campus; and possible locations for a new Chapel. It also assessed whether additional space would provide expanded opportunities for fulfilling the spiritual component of its mission. St. Dominic Health Service, Inc. believes that construction of the Chapel and transferring the ownership to the hospital will allow the hospital to continue its mission of providing a complete faith based ministry through its services. The Chapel under the operation and management of St. Dominic will allow continuation of weekly religious services and will serve other spiritual purposes at the benefit of its patients, visitors, employees, and the greater Jackson community.

GR Criterion 3- Availability of Alternatives

According to the applicant, prior to construction of the Chapel, a much smaller chapel located adjacent to St. Dominic was used for religious services and other purposes. The previous location of the Chapel was

difficult for individuals to navigate, particularly elderly individuals. Due to the confines of existing space next to the hospital building, St. Dominic Health Services, Inc. selected the proposed project because construction of a freestanding Chapel would provide much more accommodating space for all of the purposes that the Chapel serves. St. Dominic Health Services, Inc contends that the Chapel would allow the hospital to expand patient care services on the main campus of the hospital. St. Dominic Health Services, Inc. rejected keeping ownership of the Chapel, it determined that the hospital was better suited to own and operate the Chapel which was completed in May 2012.

GR Criterion 4 - Economic Viability

According to the applicant, the proposed project is to transfer of ownership of the Chapel from St. Dominic Health Services, Inc. to St. Dominic. The project will not generate any income revenue for the hospital. This project should have no material impact on the cost of health care services. The capital expenditures are not directly passed through to public or private health insurance carriers or to patients and have no impact on Medicaid.

A financial feasibility statement from St. Dominic's CPA states that St. Dominic has sufficient capital to fund the project.

GR Criterion 5 - Need for the Project

According to the applicant, the proposed Chapel will not offer health care services. However, it is positioned to meet the spiritual needs of its patients, visitors, employees and the greater Jackson community, regardless of socioeconomic status, race, ethnicity, gender, or health status. The Chapel will provide a place for weekly religious services, prayer, quiet time, and other means of fulfilling St. Dominic's faith component of its mission. In addition, the Chapel allows individuals and patients to better cope with illnesses. Evidence suggest that when battling serious illness, people with strong faith respond better to treatment, have fewer complications, spend less time in the hospital and are more likely to completely recover.

The applicant asserts that this project does not involve the relocation of a health care facility or service and is not proposing to add any additional facilities or services to General Hospital Service Area 5.

The application includes five letters of support for the proposed project.

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

GR Criterion 6 –Accessibility

The applicant submits that the percentage of gross patient revenue (GPR); actual and projected dollar amount of health care provided to charity care patients for the last two years; and projections for the next two years of operation are as follows for this project:

Gross Patient Revenue Amount

Year	Charity Care (%)	GPR Dollar Amount (\$)
Historical Year 2011	4.79	\$46,736,908
Historical Year 2012	4.12	\$43,295,541
Projected Year 1	3.22	\$37,750,251
Projected Year 2	3.22	\$38,882,759

The applicant asserts that St. Dominic does not distinguish between medically indigent care and charity care. The amounts included in the above chart only include amounts where no repayment was expected and does not include bad debt.

St. Dominic states that it makes its services available to all patients in its service area regardless of ability to pay. This includes Medicaid recipients, charity/medically indigent patients, racial and ethnicity minorities, women, handicapped persons and the elderly. St. Dominic will treat all medically indigent patients who seek services at the hospital.

The applicant asserts that the Chapel is open to the public Monday through Friday from 6:00 a.m. to 2:00 p.m. and Saturday from 4:00 p.m. to 5:30 p.m. The Chapel is not open on Sunday. Mass takes place on Monday, Tuesday, Thursday and Friday at 6:30 a.m., on Wednesday at 4:00 p.m. and on Saturday at 4:30 p.m. Mass is open to the public.

GR Criterion 7- Information Requirement

The applicant affirms that St. Dominic 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

The Chapel is located at 960 Lakeland Drive, Jackson, Mississippi next to the hospital and in General Hospital Service Area (GHSA) 5. The applicant states that the transfer of ownership of the Chapel from St. Dominic Health Services, Inc. to St. Dominic will complement the existing health care services provided by the hospital. The applicant believes that the Chapel will offer a place for prayer, quiet time, as well as religious services for those receiving hospital treatment as well as their visitors.

The applicant believes that this project will not have an adverse impact on existing facilities in GHSA 5 because the Chapel will not offer health care services. The Chapel is open to hospital patients, visitors, employees, and the greater Jackson community and will be an extension of St. Dominic's faith based healing mission.

St. Dominic asserts that there are no transfer/referral or affiliation agreements associated with this Chapel project.

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.

GR Criterion 9 - Availability of Resources

The applicant contends that no additional personnel were hired to staff the Chapel. Historically, St. Dominic has always had sufficient staffing for its spiritual/ministerial services. All personnel needs are being met by the Dominican Sisters and current staff members. The applicant asserts that because the Chapel does not provide health care services, no physician or other medical staffing is necessary for this Chapel project.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts that the project does not intend to provide healthcare services; thus, this criterion is not applicable to the proposed project.

GR Criterion 11- Health Professional Training Programs

The applicant asserts that St. Dominic has school and training programs with multiple organizations and states that this Chapel will not have an effect upon the health professional training programs in GHSA 5.

GR Criterion 12- Access by Health Professional Schools

The Chapel does not intend to provide healthcare services; thus, this criterion is not applicable to the proposed project.

GR Criterion 13- Services Outside of GHSA 5

The Chapel does not intend to provide healthcare services; thus, this criterion is not applicable to the proposed project.

GR Criterion 14 - Construction Projects

The applicant submitted a capital expenditure of \$5,786,072. The capital expenditure includes the new construction cost, fees, non-fixed equipment, and other specified cost (landscaping). The application includes a site approval letter from the Division of Health Facilities Licensure and Certification and contains a schematic drawing of the Chapel after the construction process was completed.

Since the Chapel is complete, the applicant states that the Chapel project was submitted to the City of Jackson, was approved, and a building permit was later issued to the contractor. St. Dominic affirms that it will comply with all applicable State statutes and regulations for the protection of the environment regarding this project.

At the time the Chapel was constructed and completed, St. Dominic verified that it costs \$1,197.89 per square foot to construct the Chapel, which consists of 3,355 square feet of new space in the main sanctuary, and entrance vestibules and sacristy. The two support buildings contain 630 square feet each to house the support functions, including toilet rooms, consultation space and gathering areas. The total square feet for the Chapel are 4,615.

The application includes a copy of a letter from Fountain Construction Company, Inc. of Jackson, Mississippi to verify that it received payment in full from St. Dominic Health Services, Inc., the parent company of St. Dominic,

for the construction of the Chapel. The building located at 960 Lakeland Drive, Jackson, Mississippi.

GR Criterion 16 - Quality of Care

St. Dominic-Jackson Memorial Hospital is in compliance with the *Minimum Standards of Operation for Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification, MSDH. The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total proposed capital expenditure is allocated as follows:

Cost Item	Projected Cost	% of Total
Construction Cost – New	\$5,130,323	88.67%
Construction Cost – Renovation		
Capital Improvements		
Total Fixed Equip Cost		
Total Non-Fixed Equip Cost	\$220,798	3.82%
Land Cost		
Legal and Accounting Fees		
Site Prep Cost		
Fees (Architectural, consultant, etc)	\$397,939	6.87%
Contingency Reserve		
Capitalized Interest		
Other Cost (Landscaping)	\$37,012	0.64%
Total Proposed Expenditures	\$5,786,072	100.00%

B. Method of Financing

As previously mentioned, St. Dominic proposes to finance the project with equity contributions. The application contained a financial feasibility statement from the hospital's CPA stating that St. Dominic has sufficient capital to fund the project.

C. Effects on Operating Costs

According to St. Dominic, the proposed project is for the transfer of ownership of the Chapel, which does not generate any patient income.

D. Cost to Medicaid/Medicare

St. Dominic asserts that the transfer of ownership of the Chapel project will 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 was provided an opportunity to review and comment on this project. Based on their analysis, the Division 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 outpatients payments. Effective October 1, 2012, the Division changed then the methodology by which it reimburse inpatient services so that the cost incurred subsequent to that date will only affect cost outlier payments. The estimated increase in cost outlier payments resulting from this project cannot be determined at this time. The Division of Medicaid opposes this project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the overall objectives of the *FY 2013 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 St. Dominic-Jackson Memorial Hospital to transfer ownership of the Chapel from St. Dominic Health Services, Inc. to St. Dominic-Jackson Memorial Hospital.