

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT (THURMAN)
MAY 2004**

**CON Review: HG-RLS-0304-013
Forrest General Hospital
Relocation of Women's Service
Capital Expenditure: \$8,110,600
Location: Hattiesburg, Mississippi**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Forrest General Hospital (FGH) is a five hundred- four (504) bed, general acute-care short term medical and surgical facility located in Hattiesburg, Mississippi. Forrest General Hospital is a not-for-profit, tax exempt institution owned by Forrest County, Mississippi. The hospital is governed by a seven-member Board of Trustees, appointed by the Forrest County Board of Supervisors. All citizens of Forrest County are eligible to serve on the hospital's Board of Trustees. Forrest General Hospital 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 the three most recent fiscal years are as follows (medical/surgical beds only):

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid* Utilization Rate (%)
2001	72.08	4.57	18.8%
2002	64.70	4.72	12.1%
2003	61.24	4.59	29.2%

Source: Division of Health Facilities Licensure and Certification, MSDH

B. PROJECT DESCRIPTION

Forrest General Hospital requests Certificate of Need (CON) authority for the Relocation of Women's Service. Forrest General Hospital proposes to relocate its existing "Well Baby" Nursery, Post Partum and Women's Unit beds to the shelled-in space on the 4th floor of their Phase IX project. The new area, which is contiguous to the current area, would house twenty-four (24) postpartum beds, nine (9) gynecology beds and a twenty (20) bassinet nursery. The appropriate support functions and space will be included in the construction. The existing unit will act as a transition unit so the applicant can remodel the hospital's T-Wing patient care units, floors 2-4, which were built in 1976. The new construction will be 30,010 square feet of space on the 4th floor of Phase IX.

There will be both fixed and non-fixed equipment acquisitions for this project. The fixed equipment will include headwalls; Herman Miller Casework (rooms); and a sprinkler system. The non-fixed equipment includes; Casework (nurses station); tube stations; nurses call system; drapes; beds; overbed tables; security system (infant abduction); and art work.

The new construction will be 30,010 square feet of space on the 4th floor of Phase IX. This space will provide post partum and gynecology beds and a "Well Baby" Nursery. The ancillary and support space requirements for this project will comply with the appropriate Mississippi State Department of Health codes.

There will be no change in range or type of services provided by this project. There will be no bed changes. An equipment list with description was included in the application. Also, there will be no significant change to the mechanical, plumbing and electrical system as the expansion/renovation will work off existing mechanical, plumbing and electrical systems.

The applicant states that the existing postpartum/gynecology beds and "Well Baby" Nursery were built in the 60's and have had only cosmetic upgrades such as new wall vinyl, flooring, draperies, furniture, and beds/basinetts. The patients' expectations, from the Press Ganey Patient Surveys, are for larger rooms and more upscale room furnishings. The present space will be used as transition space for the renovation of the T-Wing patient care floors. Therefore, the rooms will be left intact until this process is complete. There is no major change of equipment in this project, which would affect or impact volume of service or range of service.

A key focus for the proposed reconfiguration plan will be to replace the current inventory of antepartum, postpartum, and gynecological beds in the fourth (4th) floor shelled-in space of the new patient tower – Phase IX. This plan will take nine (9) gynecological beds from the E Wing and move them to the new tower as larger, all private beds. This plan will also take 24 antepartum and postpartum beds and move them from the older obsolete A and B Wings to the new tower as larger all private beds. One of the primary goals for the project will be to provide larger all private rooms for the patients in this program. These rooms will be sized to allow ample room for mother, bassinet, and family. Father overnight rooming-in will be easier to accommodate, when requested.

The postpartum room size will increase from a minimal 140 square feet to a standardized approximately 295 square feet. This compares to the current minimal standard from the national guidelines of 120 clear floor space per private room, exclusive of toilet rooms, cabinets, and ante-rooms. The plumbing fixtures, cabinets, medical gases, lighting, electrical, HVAC systems and telecommunications systems for the A and B Wings are rapidly falling behind the State of Mississippi CON guidelines for new facilities, American Disabilities Act, and Guidelines for Hospital and Healthcare Facilities (national standard). The proposed project will bring all room amenities, medical equipment, and required infrastructure to support the required construction to today's standards.

There will be no increase or decrease in the use of ancillary or support services as a result of this project. There will be no increase or decrease in costs or charges of ancillary or support services as a result of this project.

The capital expenditure for this project will be obligated within thirty (30) days of the approval of the Certificate of Need application and is expected to be completed within approximately thirty six (36) months of the date of initial approval.

II. TYPE OF REVIEW REQUIRED

The MSDH reviews applications for construction, renovation, expansion, relocation, and non-medical equipment replacement in accordance with Section 41-7-191, subparagraphs (1)(f) and (j), Mississippi Code 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 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 3, 2004.

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

A. State Health Plan (SHP)

The *FY 2004 State Health Plan* contains criteria and standards which the applicant is required to meet before receiving CON authority for construction, renovation, expansion, relocation, and the acquisition of non-medical equipment. This application is in substantial compliance with the overall objectives of the *State Health Plan*. The need criteria is reflected in the General Review Criterion 5.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 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 this proposal has been approved by the hospital's Board of Trustees and is consistent with the hospital's long range plan.

GR Criterion 3 - Availability of Alternatives

The applicant submits that the proposed project is the result of planning and the identification of long-range facility improvement goals for Forrest General and the community it serves. The applicant believes that the project, as proposed, will best meet the needs of the service area and health care community served by Forrest General's demographics.

The proposed facilities reconfiguration plan for the Center of Excellence for Women's and Children's Services was begun in the 1999 Site and Facilities Master Plan. The facilities strategy was updated in the revision to the Master Plan developed in 2000. The revised recommendation was taken to a facilities planning committee in 2000, consisting of the obstetricians, neonatologists, and pediatricians. Many possible facility reconfiguration options were developed for the Women's and Children's services programs. These ranged from minor short term improvements, (most of which have already been completed), to more ambitious plans like examining a freestanding pavilion model on campus. The capital cost range of the options developed ranged from \$12 million to \$40 million. The final plan presented in this project recommendation is the result of a careful development, comparison, prioritization, and synthesis of development options, which has been endorsed by Forrest General Hospital as the most effective clinical and economic response to improving the quality of care for Women's and Children's services programs. According to the applicant,

this plan has an estimated total construction cost of \$8,110,600, which is by far in the lower end of any of the options explored in the four (4) years of planning and development.

GR Criterion 4 - Economic Viability

The applicant has determined that this project is financially feasible. The three-year operating projections reflect a first year operating expense of \$256,668,069, \$264,368,112 the second year, and \$275,299,155 the third year. Excess revenue over expenses are projected at \$2,078,008, \$2,140,346, and \$2,204,558 for the first three years, respectively.

According to FGH, the project has been determined to be financially feasible by the hospital's management staff. Economic viability of the proposed project is demonstrated in the financial analysis section, as well as the three-year Projected Operating Statement.

GR Criterion 5 - Need for the Project

The applicant states that Forrest General Hospital has provided obstetrical and gynecology services to the residents of South Mississippi, a sixteen (16) county area, for fifty-one (51) years. In 1997, the hospital created a Center of Excellence for Women's and Children's Services, which was a commitment to improving the quality of services to their patients. Forrest General Hospital is ranked second in the state for the highest reported number of obstetrical deliveries consecutively for at least the last five (5) years. There were over 2,800 births at Forrest General Hospital last year.

Portions of the facilities supporting the Forrest General Hospital Center of Excellence for Women's and Children's Services are located in buildings which are rapidly becoming functionally and physically obsolete for the clinical functions they serve. The primary labor and delivery area, nurseries, and NICU are in a relatively modern 1986 building called the Phase VI Addition. Like most 1980's obstetrical and nursery facilities, the focus of the programs provided in these buildings was purely deliveries and care of the infants.

The antepartum, postpartum, and gynecological beds are located in much older buildings dating from 1968. The oldest buildings with obstetrics beds are called the A and B Wings and dated 1952 and 1962, respectively. These buildings are over 42 years old and have become functionally and physically obsolete in terms of modern women's hospital standards. The physical configuration of the footprint of these buildings is very narrow, about 42 feet wide. The column grid, exterior wall, and plumbing chase locations will preclude bringing these rooms to a modern patient standard without significant disruptions and capital investment on the order of magnitude of a replacement bed unit.

The applicant submits the following month by month utilization for the past three (3) years:

MONTH	CY 2001	CY 2002	CY 2003
January	242	247	248
February	218	236	199
March	245	242	240
April	205	193	210
May	237	243	226
June	233	204	239
July	243	273	260
August	232	269	271
September	219	270	249
October	247	223	252
November	209	232	188
December	238	246	258
Total	2,768	2,878	2,840

Average increase per year from 2001 to 2003 is 2.6%. Projected utilization based on above calculation:

	Total Number
2004	2,914
2005	2,990
2006	3,067

Forrest General Hospital serves all of the population, including: low income, racial and ethnic minorities, women, and handicapped persons. The hospital is located in an area which is proximal to this group of people and they are familiar with the facility. The applicant affirms that the hospital provides health care services to any individual who comes to it in need of such services regardless of age, creed, sex, race, or ability to pay.

Utilization of the services	
Women	63%
Elderly *	95%
Minorities	25%
Handicapped	**

* Age 50 and Above

** Data Not Available

GR Criterion 6 - Access to the Facility or Service

The applicant states that the hospital maintains no institutional barriers to medically under-served populations receiving medical care or other clinical services. The percentage of under-served populations receiving care at Forrest General Hospital reasonably reflects their percentages in the service area populations. All demographic groups in the service area will benefit from the Intensive Care and Coronary Units' new and renovated space and ease of access that will be available.

Percentage	Medicaid Utilization
20.7%	Medicaid
22.6%	Medicaid
23.6%	Medicaid

The applicant states that it complies with all applicable federal regulations regarding community service, access by under-served groups, access by handicapped persons, and the provision of uncompensated care. Forrest General Hospital serves Medicare, Medicaid and medically indigent patients and will continue to provide health services to these groups.

Applicant provided the following dollar amount and percentage to medically indigent patients for 2001, 2002, and 2003:

<i>Fiscal Year</i>	<i>Gross Patient Revenue</i>	<i>Charity</i>	<i>Percent</i>
2000	\$ 364,076,000	\$ 8,887,945	2.4%
2001	\$ 403,044,183	\$ 11,222,216	2.8%
2002	\$ 467,065,990	\$ 24,602,272	5.3%
2003	\$ 512,791,236	\$ 13,698,366	2.7%

GR Criterion 7 - Information Requirement

The applicant affirms that it will record and maintain the required utilization data and make it available to the Mississippi State Department of Health as required by the Department.

GR Criterion 8 - Relationship to Existing Health Care Service

This project does not involve the offering of new health care services and therefore should not effect existing health care providers.

GR Criterion 15 - Available Resources

The applicant currently maintains a full complement of professional and support staff for the provision of Women’s services. Forrest General has documented in the application that it has the health management and financial resources necessary to carry forward with this project.

GR Criterion 16 - Relationship to Ancillary or Support Services

There will be no increase or decrease in the use of ancillary or support services as a result of this project. This project does not involve the offering of new health care services.

GR Criterion 17 - Quality of Care

FGH is in compliance with the Minimum Standards of Operation for Mississippi Hospitals, according to the Division of Health Facilities Licensure and Certification. FGH is accredited by the Joint Commission on Accreditation of Health Care Organizations, and is licensed and certified by the Mississippi State Department of Health and certified for participation in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

FGH submitted the following capital expenditure summary:

Renovation Cost	\$	4,816,000.00
Total Fixed Equipment	\$	363,000.00
Total Non-Fixed Equipment	\$	1,800,000.00
Fees	\$	481,600.00
Contingency Reserve	\$	<u>650,000.00</u>
Total Expenditure	\$	<u>8,110,600.00</u>

The proposed capital expenditure is for Relocation of Women’s Services. The average cost of renovation per square foot for this project is \$210.28.

The applicant submitted the following depreciation schedule:

DESCRIPTION	COST	METHOD OF DEPRECIATION	USEFUL LIFE	ANNUAL DEPRECIATION EXPENSE
Const.- Renovation	\$ 4,816,000	S/L	30 Years	\$ 160,533
Fixed Equipment	\$ 363,000	S/L	15 Years	\$ 24,200
Non-Fixed Equipment	\$ 1,800,000	S/L	7 Years	\$ 257,143
Fees	\$ 481,600	S/L	20 Years	\$ 24,080
Contingency Reserve	\$ 650,000	S/L	20 Years	\$ 32,500
Total	\$ 8,110,600			\$ 498,456

B. Method of Financing

The applicant proposes to finance this project with cash reserves. No additional debt is projected.

C. Effect on Operating Cost

The applicant projects the following expenses, utilization, and results from operation for the first three years following completion of the project:

EXPENSES	YEAR 1	YEAR 2	YEAR 3
Salaries & Wages	\$ 100,967,843.00	\$ 103,996,878.00	\$ 107,116,785.00
Benefits	\$ 20,822,680.00	\$ 21,447,360.00	\$ 22,090,781.00
Professional Fees	\$ 25,674,861.00	\$ 26,445,107.00	\$ 27,238,460.00
Supplies & Other	\$ 89,363,745.00	\$ 92,044,657.00	\$ 94,805,997.00
Depreciation (Existing)	\$ 15,870,335.00	\$ 16,361,401.00	\$ 16,867,195.00
Interest Expense	\$ 3,470,149.00	\$ 3,574,255.00	\$ 3,681,481.00
Depreciation (New)	\$ 498,456.00	\$ 498,456.00	\$ 498,456.00
TOTAL EXPENSES	\$ 256,668,069.00	\$ 264,368,114.00	\$ 272,299,155.00
NET PAT. SVC. REVENUE	\$ 248,520,077.00	\$ 255,975,680.00	\$ 263,654,950.00
OTHER OPERATING REV.	\$ 10,226,000.00	\$ 10,532,780.00	\$ 10,848,763.00
TOTAL OPERATING REV.	\$ 258,746,077.00	\$ 266,508,460.00	\$ 274,503,713.00
EXCESS OPERATING	\$ 2,078,008.00	\$ 2,140,346.00	\$ 2,204,558.00

According to the applicant, the only expense related to this project is new depreciation of \$498,456.

D. Cost to Medicaid/Medicare

Based on the additional expense for this project (depreciation), staff estimates the cost to third party payors is as follows:

Patient Mix by Type Payor	Utilization Percentage	First Year Expenses
Medicaid	16.5%	\$ 82,245
Medicare	43.7%	\$ 217,825
Blue Cross	12.5%	\$ 62,307
Private Pay	14.0%	\$ 69,784
Self Pay	13.3%	\$ 66,295
TOTAL	100.0%	\$ 498,456

Bad Debt Patients 8.1%, and Charity Care Patients 2.5%

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid (DOM) was provided a copy of this application for review. The DOM estimates the increased annual cost to Medicaid to be \$81,673 for inpatient hospital services. Any portion which may relate to outpatient services will be paid as outlined in the State Plan.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with criteria and standards contained in the *2004 State Health Plan*; the *Certificate of Need Review Manual*, revised 2000; 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 the Relocation of Women's Services Project.