

Division of Health Planning and Resource Development

February 2005

CON Review HG-CRF-1104-045

Tunica County Board of Supervisors d/b/a Tunica County Hospital

Relocation/Construction of a Replacement 22-Bed Critical Access Hospital

Capital Expenditure: \$9,266,277

Location: Robinsonville, Mississippi

Staff Analysis

I. Project Summary

A. Applicant Information

Until 1994, Tunica County Board of Supervisors owned a historical 22-bed acute care hospital located in Tunica, Mississippi, known as Tunica County Hospital. The Tunica County Hospital closed in 1991. In 1994, the Tunica County Board of Supervisors entered into a 50-year lease arrangement with Methodist Healthcare of Memphis, Tennessee for the provision of emergency services, outpatient services, and inpatient services. A change of ownership application was completed at the time transferring authority to operate the 22-bed hospital license to Methodist. The hospital was demolished subsequent to the lease agreement. Under the lease arrangement, two clinics were constructed by Methodist Healthcare (one in Tunica and one in Robinsonville); however, no hospital was ever constructed or licensed. The county purchased the clinics and real estate from Methodist Healthcare in 2002. Methodist Healthcare notified the county in September 2004 of their intention to terminate the lease effective July 1, 2005. The applicant filed a change of ownership notice with the Division of Health Planning and Resource Development indicating termination of the lease agreement with Methodist Healthcare and reversion of the authority to operate the Tunica County Hospital to the Tunica County Board of Supervisors. The Tunica County Board of Supervisors proposes to seek Medicare/Medicaid certification, JCAHO accreditation, and state licensure and certification of the proposed facility as a 22-bed Critical Access Hospital.

B. Project Description

The Tunica County Board of Supervisors requests certificate of need authority to relocate the facility and construct a 22-bed replacement hospital in Robinsonville, Mississippi. Tunica County Hospital will offer the following services:

Proposed Services

Acute Inpatient Swing-Bed Emergency Services Ambulatory Surgery/Endoscopy Prevention Diagnostic Services (x-ray, CT scan, ultrasound, mammography, bone densitometry)	Therapy Services Primary Care Community Education Social Services Psychological Services
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The applicant proposes that the Robinsonville clinic constructed by Methodist Healthcare, now owned by the county, be updated to serve as the base for the 22-bed hospital. The clinic will initially be modified to meet the **Minimum Standards of Operation for Mississippi Hospitals** as an acute care hospital with one acute hospital bed. The project will be divided into four phases as follows:

Phase	Description	Construction		Total Costs*
		Square Feet	Cost	
I	Facility Upgrade/ Code Corrections 1 Acute Hospital Bed	7,728	\$ 400,000	\$ 531,000
II	21 Acute Hospital Beds Ancillary/Support Spaces	17,187	\$4,050,000	\$5,872,000
III	Physician Clinic	4,072	\$ 529,360	\$ 701,277
IV	Surgery Suite	8,690	\$1,738,000	\$2,162,000
Total		37,677	\$6,717,360	\$9,266,277

***Total costs include equipment, land, site preparation, fees, contingency reserve, and capitalized interest.**

The applicant proposes to achieve Critical Access Hospital (CAH) certification by December 31, 2005, under “windows of opportunity” of the Medicare 2003 Act. (Tunica County was designated a part of the Memphis Metropolitan Statistical Area on October 1, 2004. In order to accomplish its goal, Tunica County must be designated a necessary provider of health care and must be certified as a Critical Access Hospital by December 31, 2005.) CMS requirements for certification as a CAH include: 24 hour emergency room; 96 hour average length of stay for

acute discharges; 25 bed maximum (acute and swing bed combination); cost based acute/swing bed inpatient services; cost based outpatient services; affiliation agreements; and compliant cost definitions.

The applicant expects to hire 53 FTE personnel at an estimated annual salary cost of \$2,253,500 the first year.

The applicant contends that Tunica County is publicized as a growing destination resort indicative of the third largest gambling mecca in the country. For this reason, the Tunica County Board of Supervisors made a commitment to build and expand the infrastructure necessary to support continued economic growth (diversification outside of gambling) and to impact the quality of life of Tunica County residents.

The applicant further contends that while Tunica County has made many accomplishments, many of the chronic problems of the historical residents of Tunica County remain. Chronic disease, alarming health status indicators, and access barriers to primary and preventative healthcare remain. The applicant submits that there is a total void of emergency services, despite an estimated average daily population of 50,000 people in the county.

The Tunica County Board of Supervisors states that it is the intent that the hospital will seek and secure JCAHO accreditation, CAP accreditation, Level 4 Trauma designation of the State Division of Emergency Medical Services, and other such regulatory recognition in the relocation of its licensed 22 beds from Tunica to Robinsonville.

The Division of Health Facilities Licensure and Certification has approved the Robinsonville site for the new hospital. The applicant expects construction to start in April 2005 and that the first phase will be completed in November 2005 in order to apply for Medicare certification.

II. Type of Review Required

Projects which propose the establishment of a health care facility, relocation/replacement of a health care facility, and the offering of swing-bed services are reviewed in accordance with Section 41-7-191, subparagraphs (1)(a), (b), and (d)(x) 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 1972 Annotated, as amended, any person may request a hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on March 7, 2005.

III. Conformance with the State Health Plan and Other Adopted Criteria and Standards

A. State Health Plan (SHP)

The **FY 2005 State Health Plan** contains policy statements, criteria and standards which an applicant is required to meet before receiving CON authority for the construction or otherwise establishment of a new health care facility, replacement and/or relocation of a health care facility or portion thereof, and for the offering of swing-bed services. This application is not in compliance with the **FY 2005 State Health Plan**.

The applicant proposes replacement of the hospital “under Tunica County’s historical license and relocation of this Certificate of Need to Robinsonville, Mississippi.” Although the applicant proposes construction and relocation of the hospital, there is currently no hospital in Tunica County and the proposed project is not in compliance with the projection of need in the **FY 2005 State Health Plan**.

The applicant submitted the application as a construction/replacement project predicated on a 1994 letter from the Division of Health Planning and Resource Development which states that “there will be no need for Methodist to acquire a certificate of need for the offering of acute care services now or in the future at Tunica County Hospital.” However, as stated earlier in this staff analysis, Tunica County Board of Supervisors entered into a 50-year lease arrangement with Methodist Healthcare of Memphis, Tennessee, for the provision of emergency services, outpatient services, and inpatient services. Under this arrangement, Methodist Healthcare demolished the hospital and constructed two clinics – one in Tunica and one in Robinsonville, but never reconstructed the hospital. Consequently, Tunica County was recognized in the **FY 1998 State Health Plan** as a county without a hospital. In addition, Tunica County is identified in the **FY 2005 State Health Plan** as a county without a hospital.

SHP Criterion 1 – Need

Section 41-7-193 (1) Mississippi Code of 1972, Annotated, as amended, provides that:

“A certificate of need shall not be granted or issued for any proposal, cause or reason, unless the proposal has been reviewed for consistency with the specifications and the criteria established by the State Department of Health and substantially complies with the projection of need as reported in the state health plan in effect at the time the application for the proposal was submitted.”

The department is required to review the project for compliance with the projection of need as reported in the **FY 2005 State Health Plan**. The applicable acute care hospital need methodology is contained in the “Policy Statement Regarding Certificate of Need Applications for General Acute Care Hospitals and General Acute Care Beds.” Policy Statement 1, a, states as follows:

“Counties Without a Hospital – The MSDH shall determine hospital need by multiplying the state’s average annual occupied beds (1.85 in FY 2003) per 1,000 people by the estimated 2005 county population to determine the number of beds the population could utilize. A hospital with a maximum of 100 beds may be considered for approval if: (a) the number of beds needed is 100 or more; (b) there is strong community support for a hospital; and (c) a hospital can be determined to be economically feasible.”

According to the 2005 Population Projections, Tunica County has a population of 9,695. In applying the formula for counties without a hospital, staff determined that the population of Tunica County could utilize-18 beds. The 18 bed estimate of need does not meet or exceed the requirement that the number of beds needed be 100 or more in order that a request be considered for approval. Consequently, the applicant is not in compliance with this criterion because the number of beds needed is not 100 or more. While the applicant contends that Tunica County has a daily population of 50,000 people, (including 10,000 residents, 15,000 commuter employees, and 25,000 visitors/casino patrons), there is no provision in the acute care need methodology to include such population estimates in determining need.

Tunica County is located in General Hospital Service Area (GHSA) 2, which consists of 13 counties. The **2003 Report on Hospitals** reveals that there were 14 acute care facilities located in GHSA 2 during 2003, having a total of 1,367 licensed beds. The occupancy rates for these facilities ranged from 19.71 percent to 80.11 percent. The average occupancy rate for acute care facilities in GHSA 2 was 43 percent in 2003.

Based on the acute care hospital need methodology, the Department calculates that GHSA 2 is over-bedded by 580 beds. In addition, Baptist Memorial Hospital-DeSoto has CON authority to add 140 beds that are not yet licensed. This addition will increase the excess bed capacity for the area to 720 (See Attachment 1).

Tunica County Hospital is not currently a licensed facility. Beds once included in the facility prior to its demolition have not been included in the State Health Plan since the 1996 – 1997 issue. Approval of this application would authorize 22 additional beds that would be added to the acute care bed inventory of the planning area.

The FY 2005 State Health Plan Policy Statement, in subpart 2, also classifies Tunica County as a county without a hospital. The plan states the following:

“Need in Counties Without a Hospital: Nine counties in Mississippi do not have a hospital: Amite, Benton, Carroll, Greene, Issaquena, Itawamba, Kemper, Smith, and Tunica. Most of these counties do not have a sufficient population base to indicate a potential need for the establishment of a hospital, and all appear to receive sufficient inpatient acute care services from hospitals in adjoining counties.”

The application contained over 75 letters of support from health administrators, nursing and allied health professionals, physicians, dentists, optometrists, podiatrists, family nurse practitioners, politicians, casinos, and the community.

The application also contained a letter from the Comptroller of Tunica County, validating the financial feasibility of the project. The letter points out that “a county contribution of \$702,000 per year is so noted as an example of commitment to the healthcare needs and economic development for Tunica County.” The applicant projects a loss from operation of \$111,587 the first year and gains of \$111,603 and \$500,074 the second and third years, respectively.

SHP Criterion 2 – Bed Service Transfer/Reallocation/Relocation

The applicant submits that the proposed facility will meet or exceed the Minimum Standards of Operation for Mississippi Hospitals as well as those specific standards for Medicare certification.

SHP Criterion 3 - Charity/Indigent Care

The applicant states that Tunica County will provide an appropriate level of acute, ambulatory care, prevention, and primary care to all regardless of their ability to pay. In addition, the applicant states that community health education will be available to all residents regardless of income or third party coverage.

SHP Criterion 4 - Reasonable Cost

The applicant proposes to implement the proposed project in four phases. The cost associated with the four phases, as presented in the application, is as follows:

Phase	Description	Square Feet	Construction Cost	Construction Cost/Sq. Ft.
I	Facility Upgrade/ Code Corrections 1 Acute Care Bed	7,728	\$400,000	\$ 51.76
II	21 Acute Care Beds	17,187	\$4,050,000	\$235.64
III	Physician Clinic	4,072	\$ 529,360	\$130.00
IV	Surgery Suite	8,690	\$1,738,000	\$200.00
Total		37,677	\$6,717,360	

When considering the cost of each phase of the project, costs are in line with projects listed in the **Means Construction Cost Data, 2005 Edition**. However, when considering the total project cost, utilizing the formula presented in the **Plan**, staff calculates a total project cost of \$294.38 per square foot for new construction (see Attachment 2). This cost exceeds the high range for hospital construction projects listed in the **Means Construction Cost Data, 2005 Edition**. However, the above chart suggests a cost per bed of \$202,273 ($\$4,450,000 \div 22$ beds), which within the \$76,500 to \$223,500 range per bed listed in the **Means Construction Cost Data**.

SHP Criterion 5 - Floor Areas and Space Requirements

The application contains documentation that the proposed hospital will meet the **Minimum Standards of Operation for Mississippi Hospitals**. The applicant believes that the upgrade of the existing clinic to Mississippi hospital standards will not place any restraints on the project.

The proposed 22-bed Critical Access Hospital will be 37,677 square feet in size. The applicant submits that the 7,728 square foot clinic facility, which will serve as the base for the replacement hospital, was constructed around basic emergency room and support service concepts. As such, the emergency room treatment areas, trauma room, x-ray, laboratory, pharmacy, medical records, and support areas are in place. The applicant contends that only minor code corrections are necessary to bring the current clinic facility up to the hospital standards under the **Minimum Standards of Operation for Mississippi Hospitals**.

SHP Criterion 7 – Swing-Bed Services

The applicant proposes the establishment of swing-bed services in the proposed hospital. The Department notes that the proposed swing-bed services have not been provided within the previous 12 months. The applicant assures that it will not exceed the maximum number of beds specified in federal regulations for participation in the swing-bed program. The applicant further assures that it will meet all federal requirements for participation in the swing-bed program, and that upon meeting these requirements it shall render services provided under the swing-bed concept to any patient eligible for Medicare who is certified by a physician to need such services. The applicant affirms that it will not permit a patient who is eligible for both Medicaid and Medicare or is eligible only for Medicaid to stay in the swing-beds of the hospital for more than 30 days per admission unless the hospital receives prior approval for such patient from the Division of Medicaid, Office of the Governor.

B. General Review (GR) Criteria

Chapter 8 of the **Mississippi Certificate of Need Review Manual, 2000 Revision**, addresses general criteria by which all CON applications are reviewed. The applicable criteria are discussed below:

GR Criterion 1 – Consistency with the State Health Plan

This application is not consistent with the **FY 2005 State Health Plan**. The **Plan** lists Tunica County as a county without a hospital, and the beds proposed to be relocated/replaced have not been reported as licensed since 1991 and have not been included in the **State Health Plan** since 1997. Therefore, this project is considered a project for the establishment of a hospital within a county without a hospital. The **FY 2005 State Health Plan** contains a formula by which the need for a hospital in a county without a hospital is calculated. The **Plan** states that “A hospital with a maximum of 100 beds may be considered for approval if: (a) the number of beds needed is 100 or more; (b) if there is strong community support for a hospital; and (c) a hospital can be determined economically feasible.” Based on the formula in the **Plan**, Tunica County has a need for 18 beds. The 18 bed estimate of need does not meet or exceed the requirement that the number of beds needed be 100 or more in order that a request be considered for approval. Therefore, the project is not in compliance with the Plan.

GR Criterion 2 – Long Range Plan

The applicant states that the Tunica County Board of Supervisors has secured a comprehensive health plan to identify specific health care needs, accessibility challenges/barriers, and the impact of healthcare on the overall quality of life in Tunica County. Specifically, the applicant submits that the relocation of the 22 licensed acute beds to Robinsonville will serve as the catalyst for the county to establish emergency services, correct its documented ambulance problems, establish enhanced therapy and diagnostic services, and support primary care and prevention services through an affiliated hospital-based rural health center. The applicant proposes to secure Medicare certification as a Critical Access Hospital. The applicant contends that related favorable reimbursement will serve to support recruitment and retention of required nurses, allied health professionals, and physicians to address its status as a Health Professional Shortage Area (HPSA).

GR Criterion 3 – Availability of Alternatives

The applicant states that due consideration was given to alternative approaches to address the healthcare challenges of Tunica County. Consideration was given to the following: freestanding emergency room to serve the average of 50,000 people who live, work, and visit Tunica

County on a daily basis; freestanding rural health center; and individual contract services. The applicant submits that on analyses of these options, it was determined that these approaches have not been deemed feasible or successful under the 10-year contract with Methodist Healthcare of Memphis, Tennessee. According to the applicant, these options do not support a reimbursement formula for the Tunica County characteristics of low patient volume, sparse population, as well as avenues to address the documented health status indicators. The applicant did not consider the researched alternatives to be clinically or financially viable.

The applicant asserts that the regulations defining a Critical Access Hospital (CAH) do provide the necessary reimbursement to support the defined challenges for Tunica County. And, it is for this reason that the replacement hospital in Robinsonville has been proposed in the belief that it may qualify as a certified Critical Access Hospital and serve as the catalyst for a coordinated health care delivery system for Tunica residents.

GR Criterion 4 – Economic Viability

Tunica County submits that Charge Master will be developed with appropriate/compliant input from accounting firms, the Mississippi Hospital Association, and designated management in relation to its competition, cost to charge ratios, and the financial requirement appropriate for good stewardship. The Three Year Projected Operating Statement contained in the application indicates that the applicant will sustain a loss of \$111,587 the first year and will realize gains of \$111,602 and \$569,074 the second and third years, respectively. The application contains a feasibility study from the Comptroller of Tunica County attesting to the financial viability of the project.

Patient origin data indicate that occupancy rates for many of the 14 facilities located in GHSA 2 declined from calendar year 2002 to calendar year 2003. Furthermore, updated statistics for the three Critical Access Hospitals located in GHSA 2 indicate that the hospitals experienced a decline from an average occupancy rate of 33 percent in calendar year 2003 to an average 19 percent in calendar year 2004. Given the low occupancy rates for CAHs in GHSA 2, staff is concerned that the approval of this project may further jeopardize the viability of the existing CAHs in the area.

GR Criterion 5 – Need for the Project

The need that the population served or to be served has for the services proposed to be offered or expanded and the extent to which all residents of the area – in particular low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups, and the elderly – are likely to have access to those services.

The Admissions Policy of the facility provides that the Tunica County Hospital and associated clinics and all services will be provided without distinction to race, creed, sex, national origin, disability, or age and without regard to whether the individual has financial coverage through insurance, Medicaid, Medicare, or self-pay.

The application includes discussion on the socio-economic/population profile and Tunica County's health profiles/chronic disease. The applicant points out that although the county has experienced an economic miracle and transformation as a casino gambling national mecca, the historical health care problems have remained unchanged. The applicant expects that the availability of a 22-bed Critical Access Hospital will serve as a catalyst to a coordinated health delivery system that will serve and benefit all residents of the county, including low income persons, minorities, women, handicapped persons, underserved groups, and the elderly.

Current and projected utilization of like facilities or services within the proposed service area will be considered in determining the need for additional facilities or services.

The applicant submits that the Tunica County Board of Supervisors secured a comprehensive health plan and analysis of similar Critical Access Hospitals in Mississippi before making a decision to proceed with this CON proposal. Particular attention was given to the Critical Access Hospitals in Marks, Belzoni, and Ruleville. Staff's research of hospitals noted by the applicant revealed that for FY 2004, Quitman County Hospital, Marks, had an occupancy rate of 27.11 percent; Humphreys County Memorial Hospital, Belzoni, had an occupancy rate of 13.18 percent; and North Sunflower County Hospital, Ruleville, had a FY 2004 occupancy rate of 17.76 percent. The applicant states that the success of these hospitals and their operational focus served as the basis for the operational assumptions in this project.

The probable effect of the proposed facility or service on existing facilities providing similar services to those proposed will be considered.

The applicant submits that the operational assumptions for the proposed project are specific to Tunica County, including emergency services, primary care, prevention, post acute swing-bed, and ambulatory services, with a focus on therapy/diagnostics. The applicant expects that community health education efforts will be funded and developed, and ambulance response times can be expected to improve through a cooperative system with hospitals in contiguous counties, transfer agreement, and trauma system cooperation. The applicant also expects that the proposed hospital will serve in a complementary fashion with those currently licensed hospitals.

There are 14 facilities located within GHSA 2, none of which submitted letters of opposition to this project. However, Baptist Memorial Hospital, DeSoto, submitted comments and questioned the legality of the project.

GR Criterion 6 – Access to Facility or Services

Tunica County submits that one of the prime reasons for proceeding with the proposed replacement hospital to be relocated in Robinsonville is to address the underserved needs of the resident population. The applicant states that active efforts will be initiated to assure that primary and preventive services are initiated through community health education and targeted outreach programs throughout the county in the available community centers. According to the applicant, the unmet needs of Medicare, Medicaid, and medically indigent patients are fundamental to this project.

GR Criterion 7 – Information Requirement

The Tunica County Board of Supervisors affirmed that it will record and maintain the required information and make it available to the Mississippi State Department of Health within 15 days of request.

GR Criterion 8 – Relationship to Existing Health Care System

The applicant expects that the proposed project will have a positive effect on existing healthcare providers. The applicant believes that the proposed hospital will serve as a nucleus for an enhanced and coordinated health delivery system for Tunica County that will directly benefit the

underserved resident population, the commuting employees, and the daily influx of visitors.

For other hospitals in GHSA 2, the Department notes that the occupancy rate averages 43.7 percent overall. Thirteen hospitals have occupancy rates less than 47 percent, with only Baptist Memorial Hospital – DeSoto operating at near an optimum level at 80 percent. Additionally, Baptist Memorial Hospital – DeSoto is currently constructing 140 additional beds authorized by CON that are projected to be licensed in 2006. The addition of these 140 beds to the hospital’s inventory will likely significantly lower occupancy of the facility, and add to the excess bed capacity of the planning area.

GR Criterion 9 – Availability of Resources

The applicant recognizes that Tunica County is a Medically Underserved Area. However, applicant believes that through advantages of a certified Critical Access Hospital, progress can be made in attracting appropriate numbers of health professionals to serve the documented underserved needs of Tunica residents.

GR Criterion 10 – Relationship to Ancillary or Support Services

According to the applicant, the favorable reimbursement of a Critical Access Hospital will undoubtedly enhance the ancillary and support services available in Tunica County and thus support the objectives of primary care, prevention, emergency services, acute care, and post acute care.

GR Criterion 16 – Quality of Care

Tunica County Hospital closed in January 1991, and was subsequently demolished. The applicant asserts that with minor modifications, the Robinsonville Clinic can be modified to meet the **Minimum Standards of Operation for Mississippi Hospitals.**

IV. Financial Feasibility

A. Capital Expenditure Summary

Construction Cost – New	\$6,317,360
Capital Improvements	400,000
Total Fixed Equipment	1,285,000
Site Preparation Cost	376,000
Fees (Architectural, Consultant, Etc.)	614,362
Contingency Reserve	155,000
Capitalized Interest	68,555
Other Cost (Land)	50,000
Total Proposed Capital Expenditure	\$9,266,277

The above capital expenditure is proposed for the construction/establishment of a replacement facility for Tunica County Hospital. The project will be implemented in four phases: Phase I – 7,728 sq. feet of capital improvements and addition of 1 acute care bed; Phase II – a 21-bed patient wing consisting of 17,187 square feet at \$235.64 per square foot; Phase III – physician office/clinic consisting of 4,072 square feet at \$130 per square foot; and Phase IV – minor/ambulatory surgery center consisting of 8,690 square feet of space at \$200 per square foot. The total project consists of 29,949 square feet of new construction at an estimated cost of \$294 per square foot. The high range for construction costs of new hospitals listed in the **Means Construction Cost Data, 2005 Edition**, is \$275 per square foot.

B. Method of Financing

The applicant proposes that the project will be financed through the resources of Tunica County and a loan through the USDA or other financing sources. A Worksheet for Depreciation and Interest Expense Estimates, included in the application, suggests a 5.25 percent rate of interest with payments of \$701,000 per year for 20 years.

C. Effect on Operating Cost

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

Three Year Projected Operating Statement

	First Year	Second Year	Third Year
Revenue			
Gross Revenue	\$4,628,576	\$6,807,595	\$9,036,491
Deductions	628,667	1,391,438	2,477,254
Net Revenue	\$3,999,909	\$5,416,157	\$6,559,237
Other Income/Property Tax	702,000	702,000	702,000
Less Medicaid UPL Payment	(98,550)	(134,028)	(160,834)
Total Net Revenue	\$4,603,359	\$5,984,129	\$7,100,403
Expenses			
Salaries	\$2,253,500	\$2,933,175	\$3,195,675
Contract Services/Pro Fees	792,000	831,600	873,180
Supplies/Services	379,176	565,244	621,768
Insurance/Other	300,000	315,000	330,750
Bad Debt	368,269	598,413	710,040
Interest	333,533	314,255	407,456
Depreciation	288,468	314,839	392,460
Total Expenses	\$4,714,946	\$5,872,526	\$6,531,329
Net Profit/ (loss) from Operations	\$(111,587)	\$ 111,603	\$ 569,074
Stats**			
Adjusted Patient Days(APD)	3,767	5,348	6,709
Operating Cost/APD - BD	\$1,153.94	\$ 966.19	\$ 857.65
Net Patient Rev./APD	\$1,061.85	\$1,012.75	\$ 977.64
Net Medicare Rev./APD	\$1,105.90	\$1,035.52	\$ 967.62
Supplies/Service Cost/APD	\$ 100.66	\$ 105.69	\$ 116.26

**Data may not calculate due to adjustments. Calculations are based on applicants projections of net revenue expected from various sources.

D. Cost to Third Party Payors

The cost of the project to third party payors is as follows:

Patient Mix	Utilization Rate	First Year Cost
Medicare	83.00	\$3,840,058
Medicaid	6.00	277,595
Other Payors*	11.00	508,923
Total	100.00	\$4,626,576

*The applicant projects 2 percent care for medically indigent/charity care.

V. Recommendation of Other Affected Agencies

The Division of Medicaid was provided a copy of the application for review and comment. The Division of Medicaid estimates that the increased annual cost to Medicaid for the capital expenditure will be \$342,326 for inpatient hospital services.

VI. Conclusions and Recommendation

This application is not in substantial compliance with the criteria and standards for the construction of a general acute care hospital, as contained in the **FY 2005 State Health Plan**; the **Mississippi Certificate of Need Review Manual, 2000 Revisions**; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Specifically, the applicant proposes to relocate and replace its “historical 22- bed acute care hospital license” with a 22-bed Critical Access Hospital in Robinsonville. The application is not in compliance with the projection of need in the **FY 2005 State Health Plan**. The Department made the following conclusions with respect to this application:

- The hospital was closed in January 1991 and was subsequently demolished. Therefore, there is no facility to relocate/replace.
- The referenced 22 beds have not been licensed for 13 years, have been removed from the **State Health Plan** for 8 years, and are not currently documented as licensed beds.
- Tunica County is recognized in the **FY 2005 State Health Plan** as a “county without a hospital”.

The application does not meet **FY 2005 State Health Plan** criteria for determining need for a hospital in a county without a hospital. The criteria dictate that the county’s population, when multiplied by the average annual occupied beds (1.85 in FY 2005) per 1,000 population, must yield a need for 100 beds or more. The 2005 Projected Population for Tunica County yields a need for only 18 beds, far less than the required number of beds. In addition, given that GHSA 2 is over-bedded by 580 beds; the low occupancy rate of the existing CAHs in GHSA 2; and the declining occupancy rates of other facilities, staff questions the economic viability of this application.

The **Mississippi Certificate of Need Review Manual, 2000 Revisions**, (page 1) states that: “No CON shall be issued unless the action proposed in the application for such Certificate has been reviewed for consistency with the specifications and

criteria established by the Department and substantially complies with the projection of need as reported in the State Health Plan which is in effect at the time the application is received by the Department.”

Consequently, the Division of Health Planning and Resource Development recommends disapproval of this application submitted by the Tunica County Board of Supervisors for the construction/replacement of Tunica County Hospital.

Attachment 1

GHSA 2 Acute Care Bed Need Determination Calendar Year 2003 Data							
County	Hospital	ADC	Licensed/ CON Approved	Beds Needed	Difference	Occupancy Rate	
						2003	2002
Bolivar	Bolivar Med. Center	65.21	165	86	-79	39.52	40.49
Carroll	(No Hospital)						
Coahoma	NW MS Reg. Med.	80.92	175	104	-71	46.24	51.40
DeSoto	BMH-DeSoto	135.39	169/140	165	-4/140	80.11	82.12
Holmes	UMC-Holmes	21.41	49	33	-16	43.69	35.81
Humphreys	Humphreys Co. Mem*	8.40	25	16	-9	33.61	39.49
Leflore	Greenwood Leflore	103.07	228	129	-99	45.21	51.32
Montgomery	Tyler Holmes Mem.	9.66	49	18	-31	19.71	25.58
	Kilmichael Hospital*	4.56	19	10	-9	23.99	24.18
Quitman	Quitman Co. Hospital	13.62	36	23	-13	37.84	28.59
Sunflower	N. Sunflower Co.*	10.85	36	19	-17	30.15	31.20
	S. Sunflower Co.	19.81	49	31	-18	40.44	30.39
Tallahatchie	Tallahatchie General	2.51	9	7	-2	27.88	26.30
Tunica	(No Hospital)						
Washington	Delta Regional	82.10	221	105	-116	40.05	36.30
	King's Daughters	27.13	137	41	-96	19.81	24.62
Total		584.67	1,367/140	787	-580/-140		

Source: **2003 Report on Hospitals**, Mississippi State Department of Health, and staff calculations.

*Critical Access Hospitals

Note: Baptist Memorial Hospital, DeSoto has an outstanding CON for 140 additional acute care beds that are not yet licensed, which will bring the excess bed capacity to 720 beds.

Attachment 2

Computation of Construction Cost

Allocation of Construction Cost

New Construction:

Phase II – 17,187 Square Feet
Phase III – 4,072 Square Feet
Phase IV – 8,690 Square Feet
Total 29,949 Square Feet

New Construction Cost

A.	New Construction	\$6,317,360
C.	Fixed Equipment	1,285,000
D.	Site Preparation	376,000
E.	Fees	614,362
F.	Contingency Reserve	155,000 (2%)
G.	Capitalized Interest	<u>68,555</u>
	Total	\$ 8,816,277 ÷ 29,949 = \$294.38/sq. ft.