

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
MAY 2006**

CON REVIEW: HG-CB-0306-004

**WESLEY HEALTH SYSTEMS, LLC, D/B/A WESLEY MEDICAL CENTER
FACILITIES EXPANSION AND ADDITION OF 100 ACUTE CARE BEDS**

CAPITAL EXPENDITURE (EXPANSION ONLY): \$45,482,000

CAPITAL EXPENDITURE (INCLUDING 100 BEDS): \$58,531,500

LOCATION: HATTIESBURG, LAMAR COUNTY, MISSISSIPPI

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Wesley Health System, LLC is a Delaware limited liability corporation authorized to do business in the state of Mississippi. The entity, whose sole member is Triad Hospitals, Inc., owns Wesley Medical Center, a 211-bed short term acute care proprietary hospital located in Hattiesburg, Lamar County, Mississippi. The hospital is governed by a 14-member Board of Trustees, accredited by the Joint Commission on the Accreditation of Healthcare Organizations, and licensed by the Mississippi Department of Health (MDH).

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for Wesley Medical Center are as follows for the years 2002 through 2004:

**Wesley Medical Center
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2002	48.23	4.75	11.11
2003	47.90	4.40	12.50
2004	53.72	4.55	14.00

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

B. Project Description

Wesley Medical Center (Wesley) is requesting Certificate of Need (CON) authority to construct a four-story addition to the east side of the existing patient tower. The applicant states that this tower will be designed and constructed to support two additional levels in the future. The scope of the project includes 129,000 square feet (sq. ft.) of new construction on the first through the fourth floors, 7,500 sq. ft. of renovation, the addition of 100 acute care beds, the purchase of a 64 slice CT

scanner, and the addition of 100 parking spaces. The applicant requests that its proposed project for facility expansion be considered in two parts: Phase 1 consists of the new construction of a four-story 67,000 square foot tower, renovation of 7,500 square feet of space, the purchase of a 64-slice CT scanner and various other pieces of equipment, and the shell-in of space on the third and fourth floors for future expansion. Phase 2 consists of 62,000 square feet of new construction including the build-out of shelled space stated in Phase 1, and the addition of 100 acute care beds. Ninety six of the new beds will be located in the new tower and the four remaining beds will be located in the existing medical/surgical unit.

A description of the project by floor space is as follows:

- **First Floor:** New construction will consist of the expansion of staging areas for both Same Day Surgery and the Cardiac Catheterization (cardiac cath) laboratories (labs); two new endoscopy procedure rooms; an 8-10 bed Observation unit constructed adjacent to the Emergency Room; a new entry for outpatients; a new outpatient registration area; and waiting areas for Cardiac Cath and circulation tying back to the old lobby of the hospital, as well as some shell space for future diagnostic and outpatient waiting expansion. Renovation consists of 600 gross square feet (gsf) required to add a new 64 slice CT scanner to the existing Diagnostic Imaging Department and 5,900 gsf of minor renovation required to upgrade finishes in the existing corridor network of the existing hospital.
- **Second Floor:** New construction consists of the build-out for a 12-bed Intensive Care Unit (ICU), a 12 bed Critical Care Unit (CCU) and a new Respiratory Therapy department. All ICU and CCU patient rooms will be private and equipped with a handicapped toilet and wall hung lavatories with cubical curtains for patient privacy and fitted with dialysis boxes. Major renovation of 500 gsf is required in the area where the new tower ties into the existing tower.
- **Third Floor:** This floor will be finished out to provide services to a new 36-bed Medical/Surgical Unit and to tie a new patient transport elevator into the existing third floor. Major renovation of 500 gsf is required in the area where the new tower ties into the existing tower.
- **Fourth Floor:** This floor will be finished out to provide services to a new 36-bed Medical/Surgical Unit.

A breakdown of the square footage requirements for new construction and renovation is as follows:

Floor Level	New Construction		Renovation Sq. Ft.
	Finished Sq. Ft.	Shelled Sq. Ft.	
First	31,500	4,500	6,500
Second	31,000		500
Third	31,000		500
Fourth	31,000		0

Total	124,500	4,500	7,500
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Wesley Medical Center projects the need for 210.28 full-time equivalent personnel at an annual cost of \$16,319,048.

The MDH Division of Health Facilities Licensure and Certification has approved the site for the proposed expansion project.

The applicant states that there will be a slight increase in ancillary services and support personnel in such areas as cafeteria services and other similar areas; however, Wesley anticipates that the increase in needed ancillary services will be negligible.

The applicant expects that construction will begin within three to six months after the approval of the CON, with completion in approximately two years thereafter.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-191, subparagraph (1)(c), (f), and (j), Mississippi Code of 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 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 on June 5, 2006.

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

A. State Health Plan (SHP)

The *FY 2006 State Health Plan* contains criteria and standards which an applicant is required to meet prior to undertaking major construction, renovation, expansion, capital improvements, replacement of health care facilities, and addition of hospital beds. This application is not in substantial compliance with applicable criteria and standards.

SHP Criterion 1 – Need

Wesley Medical Center proposes to construct a four-story tower adjacent to the east side of the existing patient tower. The applicant submits that it is currently licensed for 211 beds but only 197 are set up and staffed because the current facilities are not able to accommodate all 211 beds.

The plans call for an 8-10 bed observation unit on the first floor next to the emergency department. The applicant states that presently there are no observation beds; if a patient needs to remain at Wesley after presenting to the emergency department, the patient either takes up one of the treatment beds in the emergency department or gets moved to an acute care bed. The applicant determined the number of observation days for 2003 to be 1,692 days; for 2004 to be 1,855 days; and for 2005 to be 1,582 days. The applicant states that these days impact the availability of the current acute care beds, but they are not represented in the reported occupancy rates.

The first floor plans also call for the expansion of staging areas for same day surgery and cardiac catheterization labs, a waiting area for cardiac catheterization, two new endoscopy procedure rooms, and a new entry and waiting area for outpatients. According to the applicant, the plans for these areas/services are necessary because of the patient flow in the current facility. Currently, the outpatient surgery and cardiac catheterization labs do not have adequate space for staging. The applicant states that the plans will add rooms that will serve the dual purpose of pre-op staging and step down recovery for surgery, cardiac catheterization, and endoscopy procedures. The expansion space will include 30 beds which are not included in the acute bed count.

The second floor will include a 12-bed ICU, 12-bed CCU and a relocated respiratory therapy department. The applicant submits that recent census has been averaging above the current 12-bed unit capacity. The applicant states that in January 2006, the average census in the ICU was 12.2 patients - more than 12 patients for 22 days in January, and as a result of the high ICU census, patients in need of intensive care are being disseminated into other units of the hospital. Wesley states that one factor contributing to the high census in ICU is that the facility does not currently have a dedicated CCU. Patients that would be more appropriately treated in a CCU are currently being treated in the ICU, thereby increasing the census in that unit. The plans call for the new ICU to be closer to the surgery suites, which will increase patient flow as well as enhance the safety of transporting patients between the two areas. According to the applicant, 24 of the additional beds requested in this application will be located in the ICU and the CCU on the second floor of the new building.

Wesley Medical Center states that the third and fourth floors will be built out for 72 additional acute care beds (36 on each floor). The four remaining beds will be located in the existing medical/surgical unit of the hospital. The applicant submits that the demand for beds at Wesley has dramatically increased since Hurricane Katrina hit New Orleans and the Mississippi Gulf Coast.

Wesley Medical Center is located in Hattiesburg, Mississippi, which has a population of nearly 50,000 inhabitants. The applicant submits that as the fourth largest city in the state, Hattiesburg is centrally located less than 90 minutes from New Orleans, Mobile, and the Gulf Coast. It further submits that following Hurricane Katrina, the

influx of patients coming from those areas has greatly increased the demand for services in the Hattiesburg area. The applicant reports that in January 2006, the facility had 72% occupancy of its 211 licensed beds. The application also contained a report on the effects of Hurricane Katrina and the needs for additional beds at Wesley Medical Center.

In addition to the documentation of need as required above, the *FY 2006 State Health Plan* requires the applicant to document that the facility in question has maintained an occupancy rate of at least 70% for the most recent two (2) years. As shown on Page 1 of this staff analysis, Wesley Medical Center maintained an occupancy rate of only 47.90% for FY 2003 and 53.72% for FY 2004. In addition, the applicant states that its occupancy rate for FY 2005 was 60%. Therefore, the applicant is not in compliance with this criterion for the addition of acute care beds.

SHP Criterion 2 – Bed Service Transfer/Reallocation/Relocation

This project does not involve the transfer/reallocation or relocation of beds.

SHP Criterion 3 – Uncompensated Care

Wesley Medical Center affirmed that it will provide a reasonable amount of indigent/charity care, as described in the *Plan*. Wesley projects that 10.7% of its net revenue will be bad debt and an additional 3.6% will be indigent care.

SHP Criterion 4 –Cost of Project

- a. **Cost per Square Foot:** Wesley believes this project to be comparable and reasonable to similar projects undertaken in the state in the past 12 months. The cost per square foot of new construction is \$366.91 and the cost of renovation is \$256.17 per square foot for the total project. The cost of the project is above the high end of the range (\$288) for new construction of hospitals listed in the *Means Construction Cost Data 2006 edition*. The applicant submitted two separate budgets for the project. The first budget involves 67,000 square feet of new construction at \$562.36 per square foot and 7,500 square feet of renovation at \$286.29 per square foot (see Attachment 3). Under this proposal the cost per square foot of new construction almost doubles the cost of new construction projects listed in the *Means Construction Cost Data, 2006 edition*. The second proposal involves 62,000 square feet of new construction at a cost of \$152.06 per square foot (see Attachment 4), and the addition of 100 acute care beds.
- b. **Equipment Cost:** The applicant believes the equipment budget to be comparable and reasonable to other projects. It states that the prices are based on similar purchases made for other Triad facilities.

SHP Criterion 5 – Floor Area and Space Requirements

- a. **Gross Square Footage:** The applicant states that the square footage compares favorably with the state and national norms for similar projects.
- b. **Architectural Restraints:** The applicant submits that the existing facility creates numerous logistical problems in providing optimal patient care. The most efficient use of the facility's resources, according to the applicant, is furthered by grouping the services proposed to be located in the expansion area. The applicant states that this will allow staffing to be tailored to those areas and create a higher level of care for the patients.
- c. **Special considerations:** No special considerations were requested with regard to floor area.

SHP Criterion 6 – Renovation versus Replacement

Wesley proposes to construct a 4-story addition to the east side of the existing patient tower. No substantial renovation or replacement will take place.

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. This application is not in substantial compliance with general review criteria.

GR Criterion 1 – Consistency with the State Health Plan

The *State Health Plan* lists the following purposes of health planning and health regulatory activities in Mississippi:

- To prevent unnecessary duplication of health resources
- To provide cost containment
- To improve the health of Mississippi residents
- To Increase the accessibility, acceptability, continuity, and quality of health services.

The Plan further states that: "While all of the stated purposes of health planning and health regulatory activities are important, cost containment and the prevention of unnecessary duplication of health resources are the primary purposes and shall be given primary emphasis in the Certificate of Need process."

Given the high cost of new construction stated in the staff analysis, the application fails to provide cost containment and is not consistent with this purpose.

The *State Health Plan* also requires that an applicant document that the facility has

maintained an occupancy rate of at least 70% for the most recent two years. Wesley's occupancy rates have been less than the required level for the addition of acute care beds.

Therefore, the application submitted by Wesley Medical Center for Facilities Expansion and Addition of 100 Acute Care Beds is not consistent with the *State Health Plan*.

GR Criterion 2 - Long Range Plan

The applicant states that Wesley has a vision of providing high quality health care in the most cost efficient manner possible to all residents of southern Mississippi. This expansion project, according to the applicant, is an essential part of this vision.

GR Criterion 3 – Availability of Alternatives

Wesley believes that this project for expansion and addition of beds is necessary to provide the highest level of care to its patients. The applicant states that it considered maintaining the status quo or renovating the current facility, but neither of these alternatives would accomplish the goals of this expansion. The applicant states that it also considered doing the expansion without the addition of acute care beds, but rejected this alternative because of the increased number of patients from the hurricane ravaged areas of New Orleans and the Mississippi Gulf Coast.

GR Criterion 4 - Economic Viability

Wesley Medical Center submits that the proposed expansion and addition of 100 beds will be economically viable on its own. Financial projections indicate net incomes of \$5,848,000 for the first year, \$6,480,000 for the second year, and \$7,026,000 for the third year after completion of the project.

The charges proposed will be consist with those charges in Wesley's current facility and will be in conformity with similar facilities in the General Hospital Service Area.

The application contained a letter signed by the hospital's chief financial officer attesting to the financial feasibility of the project.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The applicant asserts 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. The applicant states that the final objective of this overall project is to provide quality healthcare services to southern Mississippi residents, including those people from the coastal counties without access to care due to Hurricane Katrina.

- b. **Relocation of Services:** This application proposes only the relocation of services within the facility.
- c. **Current and Projected Utilization of Like Facilities in the Area:** The average occupancy rate of facilities in General Hospital Service Area (GHSA) 6, wherein Wesley is located, is 51% for FY 2004. Therefore, it is expected that sufficient capacity is currently present to accommodate any influx of patients from Hurricane Katrina affected areas.
- d. **Probable Effect on Existing Facilities in the Area:** The project proposes to add 100 acute care beds to the area. Given the current occupancy rate stated above for GHSA 6, wherein the applicant is located, the addition of 100 beds in the area is expected to have an adverse impact on the existing facilities.
- e. **Community Reaction:** The application contains six letters of support for the project from physicians and community organizations and leaders.

Letters of opposition were received from Covington County Hospital, Forrest General Hospital, and Marion General Hospital, within the applicant's service area, expressing concern that the project will have an adverse effect on the existing facilities. In addition, Memorial Hospital at Gulfport and Walthall County General Hospital submitted letters expressing concern that the addition of beds will also have an impact on surrounding hospital service areas.

GR Criterion 6 - Access to the Facility or Service

- a. **Medically Underserved Population:** Wesley Medical Center submits that all residents of the patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services of the proposed expansion.
- b. **Performance in Meeting Federal Obligations:** The applicant submits that Wesley has no obligations under any federal regulations requiring uncompensated care, community service, or access by minority/handicapped persons. The applicant states that it is in compliance with all applicable requirements of Section 504 of the Rehabilitation Act and all applicable requirements of the Americans with Disabilities Act.
- c. **Unmet Needs to be Served by Applicant:** Wesley Medical Center states that it is a Medicare and Medicaid provider. The applicant reports that in FY 2004, 17.08% of its gross patient charges resulted in uncompensated care, and in FY 2005, 19.54% of its gross patient charges resulted in

uncompensated care. The applicant further projects that 3.6% of its services will be utilized by medically indigent patients.

GR Criterion 7 - Information Requirement

Wesley Medical Center affirmed that it will record and maintain the information required by this criterion and make it available to the Mississippi Department of Health within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

The applicant states that it currently cooperates fully with other healthcare providers in the southern Mississippi region. It does not anticipate that the approval of this application will have an adverse impact on other providers.

GR Criterion 9 - Availability of Resources

Wesley Medical Center states that it will use its existing staff to support operation of this project. In addition, because of the high unemployment rate on the Mississippi Gulf Coast, the applicant believes it will be able to employ healthcare professionals who were previously working on the Coast.

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant states that Wesley will have all necessary ancillary and support services available for the proposed expansion and addition of beds.

GR Criterion 14 - Construction Projects

- a. **Cost Estimate:** The application contains a cost estimate prepared by Earl Swensson Associates, Inc.
- b. **Schematic Drawing:** The application contains a schematic drawing of the proposed renovated project.
- c. **Space allocations:** The applicant submits that space will conform to applicable local and state licensing standards.
- d. **New Construction Projects:** This project includes the construction of a four-story patient tower. The applicant stated that renovation of the facility would not accomplish the goals intended for the project.
- e. **Cost per square foot:** The total project will cost \$366.91 per square foot for new construction and \$256.17 per square foot of renovation (see Attachment 2). The cost of the project is high when compared to similar projects listed in the *Means Construction Cost Data, 2006*. The applicant submits two

separate budgets outlining two different phases of the project. Phase 1, which does not include the addition of beds, will consist of 67,000 square feet of new construction at a cost of \$562.36 per square foot, and renovation of 7,500 square feet of space at a cost of \$286.29 per square foot (see Attachment 3). Based on these cost estimates, the project fails to provide cost containment.

GR Criterion 16 - Quality of Care

Wesley Medical Center is in compliance with the *Minimum Standards for the Operation of Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification, MDH. The facility is accredited by the Joint Commission on Accreditation of Health Care Organizations.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

		Phase 1	Phase 2	Total
a.	Construction Cost -- New	\$27,236,963	\$7,525,000	\$34,761,963
b.	Construction Cost -- Renovation	1,533,037	0	1,533,037
c.	Capital Improvements	0	0	00
d.	Total Fixed Equipment Cost	1,903,679	0	1,903,679
e.	Total Non-Fixed Equipment Cost	3,876,321	2,705,000	6,581,319
f.	Land Cost	0	0	0
g.	Site Preparation Cost	3,010,000	280,000	3,290,000
h.	Fees (Architectural, Consultant, etc.)	2,301,600	677,250	2,978,851
i.	Contingency Reserve	2,301,600	752,500	3,054,101
j.	Capitalized Interest	1,538,300	193,250	1,731,550
k.	Other Costs:			
	Development	120,000	30,000	150,000
	Environmental	100,000	18,000	118,000
	Testing and Construction Misc.	332,800	75,250	408,050
	Information Systems	160,000	103,000	263,000
	Telecommunications	780,000	615,000	1,395,000
	Other	<u>287,700</u>	<u>75,250</u>	<u>362,950</u>
l.	Total Proposed Capital Expenditure	<u>\$45,482,556</u>	<u>\$13,049,500</u>	<u>\$58,531,500</u>

The applicant prepared two separate budgets for this project. The first budget is for the construction of the four-story building without finishing out the top two floors for the acute care units. The budget involves new construction of 67,000 square feet at a cost of \$562.36 and renovation of 7,500 at a cost of \$286.29 per square foot. The

second budget is for the build-out of the two top floors and equipping of those floors for a 36-bed acute care unit per floor. The second budget involves 62,000 square feet of new construction at a cost of \$152.06 per square foot. The total project, if approved, proposes new construction of approximately 129,000 square feet of space at a cost of \$366.81 per square foot, and the renovation of 7,500 square feet at an estimated cost of \$256.17 per square foot (See Attachments 2-4). The cost of new construction projects listed in *Means Construction Cost Data, 2006* range from \$155 to \$288 per square foot for hospitals. The applicant submits that the cost for new construction is slightly higher than the high range listed in the *Means* index due to a normal inflation factor in addition to an increase in the cost of labor and materials because of the 2005 hurricane season. The *Means Construction Cost Data, 2006* does not compare costs of renovation projects in the state.

B. Method of Financing

The applicant submits that the project is being funded by Triad Hospitals, Inc., the sole member of Wesley Health Systems, LLC, with operating capital being generated by Wesley Medical Center's current operations.

C. Effect on Operating Cost

Wesley Medical Center's three-year projected operating statement (entire facility with project) is presented at Attachment 1.

D. Cost to Medicaid/Medicare

Based on the applicant's projections, the cost to third party payors the first year of operation is as follows:

Patient Mix by Type Payer	Utilization Percentage	First Year Expenses
Medicaid	12	\$ 6,782,880
Medicare	60	33,914,400
Other	28	15,826,720
Total	<u>100</u>	<u>\$56,524,000</u>

Wesley Medical Center projects 10.7% for bad debt patients and 3.6% for medically indigent patients.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. However, no comments were received from the Division.

VI. CONCLUSION AND RECOMMENDATION

This project is not in substantial compliance with the criteria and standards for construction, renovation, expansion, capital improvements, replacement, and the addition of hospital beds as contained in the *FY 2006 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised 2000*; and duly adopted rules, procedures and plans of the Mississippi Department of Health. Specifically,

- The *FY 2006 State Health Plan* requires that an applicant demonstrate that the facility has maintained an occupancy rate of at least 70% for the most recent two years. The applicant failed to meet this requirement.
- Given the FY 2004 average occupancy rate of 51% for facilities located in General Hospital Service Area 6, the addition of 100 beds in the area is expected to have an adverse impact on the existing facilities.
- The Plan states cost containment is one of the primary purposes of health planning and health regulatory activities in the State and shall be given primary emphasis in the Certificate of Need process. The applicant's cost per square foot fails to provide cost containment as required by the Certificate of Need process.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of this application submitted by Wesley Medical Center for Facilities Expansion and Addition of 100 Acute Care Beds.

Attachment 1

Wesley Medical Center Three-Year Operating Statement			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$ 40,542,000	\$ 43,214,000	\$ 46,264,000
Outpatient	21,830,000	23,269,000	24,911,000
Total Net Revenue	<u>\$ 62,372,000</u>	<u>\$ 66,483,000</u>	<u>\$ 71,175,000</u>
Expenses			
Operating Expenses:			
Salaries and Benefits	\$20,236,000	\$21,610,000	\$23,371,000
Supplies	14,034,000	14,959,000	16,014,000
Rental and leases	225,000	227,000	229,000
Other Operating Expenses	8,108,000	8,643,000	9,253,000
Provision for Doubtful Accounts	6,674,000	7,114,000	7,616,000
Total Operating Expense	49,277,000	52,553,000	56,483,000
Other Expenses			
Depreciation	2,500,000	2,550,000	2,601,000
Management Fees	1,247,000	1,330,000	1,424,000
Interest	3,500,000	3,570,000	3,641,000
Total Expenses	<u>\$ 56,524,000</u>	<u>\$ 60,003,000</u>	<u>\$ 64,149,000</u>
Net Income (Loss)	<u>\$ 5,848,000</u>	<u>\$ 6,480,000</u>	<u>\$ 7,026,000</u>
Assumptions			
Occupancy Rate	60%	62%	65%
Patient Days	21,900	22,706	23,841
Charge per patient day	\$ 2,848	\$ 2,928	\$ 2,985
Cost per patient day	\$ 2,581	\$ 2,643	\$ 2,691

Wesley Medical Center

Attachment 2

Computation of Construction Cost (Total Project)

<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>	<u>Renovation</u>
New Construction Cost	\$34,761,963	\$34,761,963	
Renovation Cost			\$1,533,037
Total Fixed Equipment Cost	\$1,903,679	\$1,903,679	
Total Non-Fixed Equipment Cost	\$6,581,319	\$6,581,319	
Land Cost	\$0	\$0	
Site Preparation Cost	\$3,290,000	\$3,290,000	
Fees (Architectural, Consultant, etc.)	\$2,978,851	\$2,829,908	\$148,943
Contingency Reserve	\$3,054,101	\$2,901,396	\$152,705
Capitalized Interest	\$1,731,550	\$1,644,973	\$86,578
Total Proposed Capital Expenditure	\$54,301,463	\$53,913,238	\$1,921,262

Square Footage	136,500	129,000	7,500
<i>Allocation Percent</i>		95.00%	5.00%

Costs Less Land, Non-Fixed Eqt.	\$47,720,144	\$47,331,919	\$1,921,262
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Cost Per Square Foot	\$349.60	\$366.91	\$256.17
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Cost per Bed (n=100)	\$477,201
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*Source: FY 2006 State Health Plan

Note: Total project cost does not equal the total project cost (\$58,531,500) stated in the capital expenditure summary due to exclusion of other costs that are not included in the square foot calculation.

Attachment 3

Computation of Construction and Renovation Costs (Phase 1)

<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>	<u>Renovation</u>
New Construction Cost	\$27,236,963	\$27,236,963	
Renovation Cost	\$1,533,037		\$1,533,037
Total Fixed Equipment Cost	\$1,903,679	\$1,903,679	
Total Non-Fixed Equipment Cost	\$3,876,877	\$3,876,877	
Land Cost	\$0	\$0	
Site Preparation Cost	\$3,010,000	\$3,010,000	
Fees (Architectural, Consultant, etc.)	\$2,301,600	\$2,071,440	\$230,160
Contingency Reserve	\$2,301,600	\$2,071,440	\$230,160
Capitalized Interest	\$1,538,300	\$1,384,470	\$153,830
Total Proposed Capital Expenditure	\$43,698,056	\$41,550,869	\$2,147,187

Square Footage	74,500	67,000	7,500
Allocation Percent		90.00%	10.00%

Costs Less Land, Non-Fixed Eqt.	\$39,825,179	\$37,677,992	\$2,147,187
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Cost Per Square Foot	\$534.57	\$562.36	\$286.29
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Note: Total project cost does not equal the total project cost (\$45,482,000) stated in the capital expenditure summary due to exclusion of other costs that are not included in the square foot calculation.

Attachment 4

Computation of Construction and Renovation Costs (Phase 2)

<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>	<u>Renovation</u>
New Construction Cost	\$7,525,000	\$7,525,000	
Renovation Cost			
Total Fixed Equipment Cost			
Total Non-Fixed Equipment Cost	\$2,705,000	\$2,705,000	
Land Cost	\$0	\$0	
Site Preparation Cost	\$280,000	\$280,000	
<i>Fees (Architectural, Consultant, etc.)</i>	\$677,250	\$677,250	\$0
<i>Contingency Reserve</i>	\$752,500	\$752,500	\$0
<i>Capitalized Interest</i>	\$193,250	\$193,250	\$0
Total Proposed Capital Expenditure	\$12,133,000	\$12,133,000	\$0

Square Footage	62,000	62,000	
<i>Allocation Percent</i>		100.00%	

Costs Less Land, Non-Fixed Eqt.	\$9,352,750	\$9,352,750	\$0
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Cost Per Square Foot	\$152.06	\$152.06	
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Note: Total project cost does not equal the total project cost (\$13,049,500) stated in the capital expenditure summary due to exclusion of other costs that are not included in the square foot calculation.