

**DIVISION OF HEALTH PLANNING AND
RESOURCE DEVELOPMENT
JUNE 2010**

**CON REVIEW: HP-RLS-0410-020
ALLIANCE HEALTH PARTNERS, LLC, D/B/A TRI-LAKES
MEDICAL CENTER
RELOCATION/ADDITION OF TEN ADULT ACUTE PSYCHIATRIC BEDS
CAPITAL EXPENDITURE: \$10,000
LOCATION: BATESVILLE, PANOLA COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Alliance Health Partners, LLC is a non-profit Mississippi Limited Liability Company formed May 18, 2004 that owns Tri-Lakes Medical Center. The registered office of said Limited Liability Company is located at: 600 Concourse, 1076 Highland Colony Parkway, Ridgeland, Mississippi. Tri-Lakes Medical Center (Tri-Lakes) is a short term acute care hospital located in Batesville, Mississippi. Tri-Lakes' licensed capacity includes 77 acute care hospital beds (including 22 inpatient geriatric psychiatric beds), 20 adult chemical dependency beds, and 15 adult psychiatric beds.

Horizon Mental Health Management, Inc. manages the mental health services provided at Tri-Lakes and will continue to manage the adult psychiatric beds sought to be increased with the proposed project.

The occupancy rates, average lengths of stay (ALOS), and the Medicaid utilization rates for the three most recent fiscal years for Tri-Lakes Medical Center (medical/surgical beds only) are shown below.

Tri-Lakes Medical Center Utilization Data			
FISCAL YEAR	OCCUPANCY RATE (%)	ALOS (DAYS)	MEDICAID UTILIZATION RATE (%)
2006	87.76	5.90	28.89
2007	45.97	5.38	33.28
2008	47.22	5.01	34.67

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

B. Project Description

Tri-Lakes Medical Center requests Certificate of Need (CON) authority to expand its adult psychiatric unit bed capacity from the present 15 to 25 beds. Tri-Lakes asserts that the proposed ten (10) acute adult psychiatric beds are already licensed. The proposed project does not seek additional beds as it will not increase the number of acute adult psychiatric beds in the State. This project only seeks to relocate existing, licensed beds to an existing provider of psychiatric services. The applicant states that it already has existing space within its facility to house these additional beds, and therefore, there will be no construction involved with this project. According to the applicant, the final objectives of this project are to increase the number of acute adult psychiatric beds operated by Tri-Lakes so that it can adequately meet the need for such services.

The applicant asserts that it has entered into a lease service agreement with Brentwood Behavioral HealthCare for a lease of ten adult psychiatric beds. Lease payments are estimated to be \$16,666 per month which will be paid from cash reserves. The application contains a lease service agreement between Tri-Lakes and Brentwood Behavioral HealthCare regarding the options of the lease. The project requires no capital expenditure; however, the applicant anticipates paying \$10,000 in legal and accounting fees.

The applicant submits that 12 additional FTE personnel are projected for the proposed project at an estimated annual cost of \$407,680.

The MSDH Division of Health Facilities Licensure and Certification found the site for the project acceptable for the proposed stated activity.

The applicant anticipates that the capital expenditure will be obligated within 90 days upon CON approval and the project will be complete within one year after CON approval.

II. TYPE OF REVIEW REQUIRED

Projects which propose the lease and relocation of adult psychiatric beds are reviewed in accordance with Section 41-7-191, subparagraphs (1)(b), (c), and (g), 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 public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on July 11, 2010.

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

A. State Health Plan (SHP) Criteria

The *FY 2010 State Health Plan* contains policy statements, criteria, and standards which an applicant is required to meet before receiving CON authority for the expansion of an existing adult psychiatric service. This application is in substantial compliance with applicable policy statements, criteria, and standards.

General Criteria and Standards

SHP General Criterion 1 - Need

The *FY 2010 State Health Plan* indicates that the state as a whole is over-bedded by 96 adult psychiatric beds. However, the applicant is requesting to lease and relocate existing adult psychiatric beds from a current provider. The Department may approve additional beds for existing facilities which have maintained an occupancy rate of at least 80 percent for the most recent 12-month licensure reporting period or at least 70 percent for the most recent two (2) years.

In accordance with a recent Mississippi Supreme Court ruling [No. 2004-SA-02468-SCT [(Biloxi Regional Medical Center vs. Singing River Hospital Systems, March 30, 2006)], the court opined that the relocation of beds from one facility to another must meet existing standards for addition of beds.

According to the applicant, the project does not involve the addition of acute psychiatric beds as these beds are already licensed as such. The need for this project is best demonstrated by Tri-Lakes' current occupancy rate and the present demand for these services at Tri-Lakes. The applicant asserts that the demand at Tri-Lakes is higher than at Brentwood Behavioral Health Care, as evidenced by the facilities' occupancy rates shown in the *FY 2010 State Health Plan*. According to Tri-Lakes, it would better serve the public to relocate these ten (10) beds to Tri-Lakes where there is a significant need than to leave these beds at Brentwood.

Tri-Lakes began offering adult psychiatric services on November 14, 2006, and had an occupancy rate of 105.90 percent for FY 2008, for acute adult psychiatric services, according to the *Plan*. Brentwood Behavioral Health Care had an occupancy rate of 39.62 percent for FY 2008. According to the *FY 2010 State Health Plan*, Brentwood had 48 licensed acute adult psychiatric beds and 15 acute adult psychiatric beds held in abeyance by the Department.

This application is in compliance with this criterion.

SHP General Criterion 2 -Information Recording/Maintenance

Tri-Lakes affirmed that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

SHP General Criterion 3 - Memoranda of Understanding

The applicant proposes to expand an existing adult psychiatric unit. The application contains a Memorandum of Understanding between Tri-Lakes and Communicare, Region II Mental Health Center, which indicates that they have worked together to ensure all patients, including medically indigent, receive their necessary psychiatric services and is committed to continue to work with Communicare, Region II Mental Health Center to ensure all patients, including medically indigent, receive their necessary psychiatric services after implementation of this project.

SHP General Criterion 4 - Letters of Comment

The application contains seven letters of support from community leaders, and no letters of opposition have been received.

SHP General Criterion 5 - Scope of Services

Tri-Lakes is in compliances with this criterion for the proposed project.

SHP General Criterion 6 - Charity/Indigent Care

The applicant submits that it will provide a reasonable amount of indigent/charity care.

Service Specific (SS) Criteria And Standards

SHP SS Criterion 1 – Need

The Department bases the statistical need for adult psychiatric beds on a ratio of 0.21 beds per 1,000 population aged 18 and older for 2010 in the state as a whole. The current SHP indicates that the state is over-bedded by 96 adult psychiatric beds. However, this Plan allows an existing program to increase its bed capacity if it has maintained an occupancy rate of at least 80% for the most recent 12 month period, or 70 percent for the most recent two-year period. Tri-Lakes began offering adult psychiatric services on November 14, 2006, and had an occupancy rate of 105.90 percent for FY 2008, for acute adult psychiatric services, according to the *Plan*.

SHP SS Criterion 2 – Size/Location of Unit

The applicant proposes to expand its existing 15-bed adult psychiatric unit by 10 beds, thereby creating a 25-bed adult unit, which is less than the 30 bed maximum for hospital based adult psychiatric units. The applicant meets this criterion.

SHP SS Criterion 3- Staffing

The applicant currently provides adult psychiatric services utilizing 15 beds. Tri-Lakes asserts that the staff which provides psychiatric services are specially trained to provide such services. The staff includes both psychiatrists and psychologists and provides a multi-discipline psychosocial medical approach to treatment.

The applicant submits that twelve (12) additional staff is projected for the project.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual*, revised 2009 addresses general criteria by which all CON applications are reviewed. The applicable criteria are as follows:

GR Criterion 2 – Long Range Plan

The applicant submits that Tri-Lakes Medical Center has always been committed to serving the needs of the Batesville, Panola County community. The hospital is committed to ensuring it has sufficient capacity to meet its psychiatric patients' needs. The demand for acute adult psychiatric services is extremely high at Tri-Lakes and has been for some time. This is best evidenced by its occupancy rate of 105.90 percent for FY 2008 for acute adult psychiatric services. The applicant believes that this project will help the hospital ensure it can continue to best serve its patients at the present time and in the future.

GR Criterion 3 – Availability of Alternatives

The applicant states that the only alternative available to Tri-Lakes was to do nothing and to continue to operate with only fifteen (15) acute adult psychiatric beds. Tri-Lakes believes that there are really no advantages to this alternative as it would mean Tri-Lakes would not have sufficient bed capacity to meet the need for these services at its facility. For this reason, Tri-Lakes selected to move forward with this project.

GR Criterion 4 - Economic Viability

The project appears to be economically viable. The three-year operating projections reflect a net income from operations of \$11,025 for the first year, \$581,173 for the second year, and \$561,318 for the third year.

GR Criteria 5 – Need for the Project

Tri-Lakes asserts that the service area for mental health is the entire State. However, the two (2) closest providers of acute adult psychiatric services to Tri-Lakes - Parkwood Behavioral Health System, DeSoto County (105.69 percent) and North Mississippi Medical Center, Lee County (108.70 percent), both had occupancy rates in excess of 100 percent according to the *FY 2010 Plan*. With Tri-Lakes and the closest two (2) providers all having occupancy rates in excess of 100 percent, Tri-Lakes believes the need for this project is justified.

According to the applicant, Tri-Lakes has an extremely high occupancy rate for its acute adult psychiatric beds which is an indication of the need for these services. Tri-Lakes currently treats underserved patients and do not discriminate against potential patients. Therefore, these beds will be available to all residents of the area.

Tri-Lakes asserts that the proposed project only contemplates relocating beds and not services. After the relocation, Brentwood will remain a provider of psychiatric services, and thus, the services provided are not being relocated.

Under this proposal, the beds will be relocated from Brentwood Behavioral Healthcare of Mississippi, located in Rankin County, which according to the *2010 State Health Plan*, had an occupancy rate of 39.62 percent for FY 2008 for its adult psychiatric beds.

The application contained seven letters of support from community leaders.

GR Criterion 6- Accessibility

The applicant affirmed that Tri-Lakes is accessible to all residents of the health planning service area, hospital service area, or patient service area.

The applicant submits the following percentages of historical/projected gross patient revenue provided or to be provided to the medically indigent/charity care patients for the past two years and for the first two years of this project:

Gross Patient Revenue Amount

	Medically Indigent (%)	Charity Care (%)
Historical Year 2008	5	5
Historical Year 2009	5	5
Projected Year 1	5	5
Projected Year 2	5	5

The applicant states that Tri-Lakes has no existing obligations under any federal regulation requiring provision of uncompensated care, community services, or access by minority/handicapped persons.

Tri-Lakes assert that the hospital will make these services available to all patients including, but not limited to, Medicare, Medicaid, and medically indigent patients.

GR Criterion 7- Information Requirement

Tri-Lakes affirmed that it will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

According to the applicant, this project will not add new adult psychiatric beds within the state. Tri-Lakes asserts that local residents currently come to its facility to receive adult psychiatric services; however, if all of Tri-Lakes' acute adult psychiatric beds are occupied, as is frequently the case, these patients have to drive great distances to receive these services.

The applicant believes that failure to implement this project will restrict the ability of the growing adult population in need of acute psychiatric services from being able to obtain these services.

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 and or statewide.

GR Criterion 9 – Availability of Resources

According to the applicant, Tri-Lakes currently have sufficient staff in place to operate its 15 acute adult psychiatric beds, and the number of physicians on its staff is sufficient to handle the relocation of the proposed ten (10) beds. The remaining support staff already in place at Tri-Lakes is sufficient to handle most of the additional workload with the proposed project. The applicant asserts that it will require approximately 12 additional FTEs with this project. The applicant states that it has been successful in finding staff through traditional methods of advertising, and it will obtain any additional staff in this same manner.

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant submits all ancillary services are available through its acute care services.

GR Criterion 16 - Quality of Care

Tri-Lakes is in compliance with the *Minimum Standards of Operation for Mississippi Hospitals*, according to the Division of Health Facilities Licensure and Certification.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The project requires no capital expenditure; however, the applicant projects \$10,000 in legal and accounting fees.

B. Method of Financing

The applicant has entered into a lease agreement with Brentwood Behavioral HealthCare for lease of ten adult psychiatric beds. Lease payments are estimated to be \$16,666.58 (\$199,999 annual) per month which will be paid from cash reserves. The application contains correspondences between Tri-Lakes and Brentwood regarding the terms of the lease agreement.

C. Effects on Operating Cost

The applicant projects the following expenses, utilization, and results from operation for the first three years of operation for the ten additional beds:

Tri-Lakes Medical Center Adult Psychiatric Unit (10 Additional beds) Three-Year Projected Operating Statement			
	First Year	Second Year	Third Year
<u>Revenue</u>			
Gross Patient Revenue	\$2,190,000	\$4,380,000	\$4,380,000
Deductions	<u>(1,358,976)</u>	<u>(2,718,228)</u>	<u>(2,718,228)</u>
Net Revenue	\$ 831,024	\$1,661,772	\$1,661,772
<u>Operating Expenses</u>			
Salaries	\$ 407,680	\$615,680	\$ 631,072
Benefits	101,920	153,920	157,768
Supplies	24,000	24,000	25,215
Services	86,400	86,400	86,400
Lease	199,999	199,999	199,999
Depreciation	0	0	0
Interest	0	0	0
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>\$819,999</u>	<u>\$1,080,599</u>	<u>\$1,100,454</u>
Net Income	<u>\$ 11,025</u>	<u>\$ 581,173</u>	<u>\$ 561,318</u>
<u>Assumptions</u>			
No. of Beds	10	10	10
Occupancy Rate	80%	100%	100%
Inpatient Days	1,825	3,650	3,650
Cost/Inpatient Day	\$ 449	\$ 296	\$ 301
Charge/Inpatient Day	\$ 1,200	\$ 1,200	\$ 1,200

D. Cost to Medicaid/Medicare

The cost of the project to third party payors is as follows (based on gross patient revenue):

Patient Mix	Utilization Percentage	First Year Cost
Medicaid	40	\$876,000
Medicare	40	876,000
Other	<u>20</u>	<u>438,000</u>
Total	<u>100</u>	<u>\$2,190,000</u>

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 estimates the increased annual cost to Medicaid to be \$161,307 in inpatient hospital services and that any portion of the cost which may relate to outpatient services will be paid as outlined in the *Medicaid State Plan*. The Division of Medicaid opposes this project.

The Department of Mental Health was also provided a copy of the application for comment; however, no comments were received.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the addition of acute adult psychiatric beds as contained in the *FY 2010 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual*, Revised 2009; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by Alliance Health Partners, LLC d/b/a Tri-Lakes Medical Center for the lease and relocation of ten acute adult psychiatric beds from Brentwood Behavioral Healthcare in Flowood to Tri-Lakes Medical Center in Batesville, Mississippi.