

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
SEPTEMBER 2012**

**CON REVIEW HG-CRF-0612-015  
BAPTIST MEMORIAL HOSPITAL-NORTH MISSISSIPPI, INC.  
d/b/a BAPTIST MEMORIAL HOSPITAL-NORTH MISSISSIPPI  
CONSTRUCTION/RELOCATION AND REPLACEMENT  
OF 217-BED HOSPITAL/SERVICES  
LOCATION: OXFORD, LAFAYETTE COUNTY, MISSISSIPPI  
CAPITAL EXPENDITURE: \$313,508,083**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

Baptist Memorial Hospital-North Mississippi, Incorporated (BMH-NMS, Inc.) d/b/a Baptist Memorial Hospital-North Mississippi (BMH-NMS) is a 217-bed acute care, non-profit hospital located in Oxford, Lafayette County, Mississippi (MS). The parent company is Baptist Memorial Healthcare Care Corporation and the company entered into a partnership with the City of Oxford, Lafayette County and the North Mississippi community (residents) in 1989. Since May 31, 1989, Baptist Memorial Hospital-North Mississippi, Incorporated has had a long-term lease agreement with the City of Oxford and Lafayette County. In turn, Baptist Memorial Hospital-North Mississippi, Inc. leases and operates Baptist Memorial Hospital-North Mississippi in Oxford, MS. The hospital is presently governed by nine officers, is accredited by the Joint Commission, and is certified to participate in the Medicaid and Medicare programs.

On June 14, 2012, the Secretary of State's Office certified that BMH-NMS of Lafayette County received a non-profit Charter of Incorporation/Certificate of Authority on May 5, 1989 and indicated that the facility is in good standing with the State of Mississippi.

Baptist Memorial Hospital-North Mississippi consists of 204 short-term, general acute care beds and 13 rehabilitation beds. The occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years for Baptist Memorial Hospital-North Mississippi are shown below:

<b>Fiscal Year</b>	<b>Occupancy Rate (%)</b>	<b>ALOS (DAYS)</b>	<b>Medicaid Utilization Rate</b>
<b>2009</b>	57.86	4.81	14.92
<b>2010</b>	51.95	4.58	12.21
<b>2011</b>	48.81	4.79	12.12

Source: Division of Health Facilities Licensure and Certification, MSDH

**B. PROJECT DESCRIPTION**

Baptist Memorial Hospital-North Mississippi, Incorporated d/b/a Baptist Memorial Hospital-North Mississippi requests CON authority to relocate/replace its 217 licensed hospital facility from Oxford, Lafayette County to 1 mile away from their present location in Oxford, Lafayette County, Mississippi. The proposed replacement hospital facility will be constructed and consist of 680,000 square feet of space. The applicant asserts that the current address of the facility is 2301 South Lamar Boulevard (Blvd.), Oxford, MS and the proposed site will be located south of Highway 6, west of South Lamar Blvd. and east of Old Taylor Road in Oxford, MS.

Historically, the applicant indicates in the application that during BMH-NMS, Inc. leasing the existing hospital facility, BMH-NMS completed various renovation and expansion projects between FY 1989 through FY 2004 with costs that range from \$40 million to \$64 million. The applicant states that the completion of the projects also expanded/increased the facility's medical staff from 32 to 88 physicians as well as establishing several new health services at the hospital (a list of services is referenced in the CON application). Since 1989, the applicant asserts that BMH-NMS has invested over \$165 million into the facility and the capital improvements resulted in the hospital becoming a major regional referral center. As a note, BMH-NMS offers radiation therapy services in a freestanding dwelling near the hospital's present campus.

After all the modifications to the hospital facility, BMH-NMS asserts that the campus sits on 13 acres of land and the current facility is confined to the perimeter of the property. The applicant points out that for a hospital that is considered to be a major referral center, the campus is not as large as its 56 acre sister facility, Baptist Memorial Hospital-Golden Triangle. The applicant also reports that the BMH-NMS is land-locked and cannot expand horizontally or vertically based on the following reasons: the hospital facility is surrounded by streets on three sides and new seismic (earthquake) codes will limit any type of expansion. In addition, BMH-NMS states the hospital facility has interior structural limitations and asserts that any other small scale renovations or expansion projects

would not be feasible or cost efficient. If future projects can be done, BMH-NMS believes that any expansion process would impede the hospital's operations. Any interference would not be suitable for the hospital because the campus has no staging areas for projects and no construction/access points available. The relocated acute-care facility will still be known as Baptist Memorial Hospital-North Mississippi, Incorporated d/b/a Baptist Memorial Hospital-North Mississippi.

Baptist Memorial Hospital-North Mississippi affirms that Baptist Memorial Hospital-North Mississippi, Incorporated agreed to purchase the facility through a buy-out of the of the parties' long-term lease as well as construct the new replacement facility at a cost of \$250 million. The applicant asserts that the hospital facility, BMH-NMS was purchased by BMH-NMS, Inc. on July 29, 2011. Thereafter, the appropriate hospital staff, key local officials and medical staff began the planning process for the proposed project. As a result, Baptist Memorial Hospital-North Mississippi states that the submittal of the CON application for the proposed project is the single largest healthcare investment in the history of Mississippi.

The applicant proposes to construct 680,000 square feet (sq. ft.) of space for a new 650,000 square feet, six story, acute care, hospital tower. The remaining 30,000 square feet will be designated for two adjoining professional office buildings (POBs). Also, 1,830 square feet of space will be allocated for surface parking spaces and construction access points to certain major intersections. Although the proposed property will be 150 acres, the hospital and the two POBs will be situated on 45 acres and the remaining land will be used to develop the property and green space (natural environment) at a later time.

The layout of the proposed hospital relocation/replacement project is as follows:

- BMH-NMS- six (6) story tower
- Connection of two (2), three (3) level POBs (smaller buildings) (-will house certain ambulatory patient services, administrative hospital offices, and medical offices)
- BMH-NMS' will provide space on the lower levels for core services (laboratory, imaging, pharmacy, and dietary).
- Higher levels will be designated for patient rooms (50% larger and more private than existing rooms).
- The emergency department (ER) will be expanded to from 12,570 sq. ft. to 25,675 square feet.
- The emergency treatment rooms will be expanded from 22 beds to 35 beds.

A brief description of what each hospital floor and the two POBs will consist of is listed below:

- **1<sup>st</sup> Floor** - major clinical and diagnostic departments; ER and imaging departments (located on exterior walls to expand at a later date due to possible growth); and two POBS for outpatient services and a discharge area for easy, discrete exits by patients.
- **2<sup>nd</sup> Floor** – surgery, endoscopy, catheterization labs and interventional radiology  
(-spaces will be near patient preparation and recovery area(s) and access to anesthesia and back-up area (s) for ER situations.
- **3<sup>rd</sup> Floor** – larger, 24 ICU rooms (with capabilities to expand to add 12 ICU rooms in the future based on need); a 36 –bed step down unit close to ICU to enhance the patient transfer process and response for nursing backup.
- **4<sup>th</sup> and 5<sup>th</sup> Floors** – a larger, 36-bed nursing unit in 12-bed pods (for staffing efficiency)
- **6<sup>th</sup> Floor** – a 13-bed rehabilitation unit with capabilities to add/expand the number of beds to accommodate for future growth.
- **Adjoining Buildings: 2 Professional Office Buildings (POBs)** – space for outpatient services, easy hospital access, and offices for 25-30 additional physicians located on the campus of BMH-NMS.

*Note: A detail summary of space allocation is listed in the CON application.*

The proposed project will entail designing and constructing the building; preparing, improving, and landscaping the site; installing new mechanical, plumbing, and electrical systems; purchasing new fixed and non-fixed equipment. As stated above, the applicant asserts that BMH-NMS, Inc. has purchased the land for the proposed site and the Warranty deeds are included in the CON application.

The total proposed project cost is \$313,508,083. The project will entail approximately 680,000 square feet of space at an estimated cost of \$393.56 per square foot. Baptist Memorial Hospital-North Mississippi estimates that the total cost for fixed and non-fixed equipment will be \$64,889,660 (See Attachment 2).

The applicant includes a capital expenditure summary, a three-year projected operating statement, a financial feasibility study, and financial statements for the last three fiscal years and current year. The applicant anticipates the facility will be able to employ health manpower. As a result of this project, the applicant projects that 1,013.3 full-time equivalents (FTEs) will be required to operate the facility at a cost of \$5,290,321.63. The applicant asserts that staff will increase from 917 FTEs to 1,013.3 (FTEs) and the increase will not be a direct result of the proposed project; however, the increase will be considered an incremental growth during the five years it will take to complete the project.

The applicant includes a list of transfer, referral and affiliation agreements with hospital/nursing/student/clinical facilities as well as clinically related agreements.

The applicant states that the proposed project will not involve renovation; however, BMH-NMS provided documentation to show the allocation of space by square footage and schematic drawings to reflect new construction. The applicant received site approval for the proposed facility from the Mississippi State Department of Health, Division of Licensure and Certification. To fund the project, Baptist Memorial Hospital-North Mississippi will use cash reserves in the amount of \$313,508,083. Upon CON approval, the applicant anticipates that the capital expenditure will be obligated by January 2013 and the proposed project to be complete by December 2018.

## II. TYPE OF REVIEW REQUIRED

The Mississippi Department of Health reviews applications for the construction, renovation, replacement, development/relocation, expansion, or capital improvement of a healthcare facility or portion thereof, involving a capital expenditure in excess of \$2,000,000, under the applicable statutory requirements of Section 41-7-191, subparagraph (1)(b), (e), and (j) of the Mississippi Code of 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 October 17, 2012.

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

### A. State Health Plan (SHP)

The *FY 2012 Mississippi State Health Plan (MSHP)* does not contain criteria and standards for construction/replacement and relocation of beds as proposed by this application. The *Plan* gives guidelines for all health planning in Mississippi. The *Plan* states that: Mississippi's planning and health regulatory activities have the following purposes:

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

This project is consistent with the above stated goals of health planning.

The facility is not requesting to add any beds or convert any beds to another category of beds nor establish a general acute care hospital. In addition, the applicant states that the proposed project is not seeking to transfer/reallocate/relocate a specific category of beds or services. The hospital is proposing the relocation of a healthcare facility and will offer the same health services that BMH-NMS is currently providing.

The applicant asserts that the proposed replacement/relocation project for BMH-NMS has strong community support and will be economically viable by the third year of operation.

### **Establishment of a General Acute Care Hospital**

#### **SHP Criterion 1- Need for a General Acute Care Hospital**

The application submitted by the BMH-NMS only seeks to relocate/replace its acute care facility/beds one mile from its existing hospital facility in Oxford, Lafayette County, Mississippi. The existing facility and the proposed site for the new replacement facility for the relocation project are located in GHSA 4.

Since BMH-NMS is presently open and it has never closed, the applicant proposes to relocate to the same area with the same need. Thus, the residents of the City of Oxford or Lafayette County will not experience the closing of a healthcare facility or a loss in healthcare services due to the relocation of the hospital facility.

Baptist Memorial Hospital-North Mississippi is the only acute care facility in Lafayette County and is the only existing hospital facility in the county; however, it is one of 16 acute care facilities in GHSA 4.

In the *FY 2012 MSHP*, Lafayette County is listed under GHSA 4 in Table 5-1. The following table in the *MSHP* displays the number of *Licensed Short-Term Acute Care Hospital Beds by Service Area* their locations, and reports utilization data for each hospital:

**Table 5-1**  
**Licensed Short-Term Acute Care Hospital Beds by Service Area**  
**FY 2010 \***

Facility	Licensed Beds	Abeyance Beds	Average Daily Census	Occupancy Rate	Average Length of Stay
<b>General Hospital Service Area 4</b>	<b>1,233</b>	<b>35</b>	<b>416.93</b>	<b>33.81</b>	<b>4.44</b>
Baptist Memorial Hospital - North Miss - Oxford	204	0	105.99	51.95	4.65
Baptist Memorial Hospital-Golden Triangle	285	0	93.43	32.78	4.99
Calhoun Health Services - Calhoun City	30	0	8.30	27.65	5.39
Choctaw County Medical Center	25	0	0.01	0.03	3.00
Gilmore Memorial Hospital, Inc.	95	0	38.75	40.79	3.71
Grenada Lake Medical Center	156	0	43.06	27.60	4.87
Kilmichael Hospital	19	0	3.07	16.15	3.15
North Mississippi Medical Center-West Point	60	0	21.72	36.20	3.42
Noxubee General Critical Access Hospital	25	0	7.37	29.47	3.48
Oktibbeha County Hospital	96	0	31.78	33.10	3.62
Pioneer Community Hospital of Aberdeen	35	0	8.28	23.65	6.15
Trace Regional Hospital	84	0	14.58	17.35	4.95
Tyler Holmes Memorial Hospital	25	0	4.95	19.79	3.38
Webster Health Services	38	0	18.37	48.35	4.71
Winston Medical Center	30	35	11.52	38.39	6.66
Yalobusha General Hospital	26	0	5.77	22.20	2.84

Occupancy rate is calculated based on total number of licensed beds and excludes beds in abeyance. As a result, the occupancy rate may not equal the occupancy rate published in the 2010 Mississippi Hospital Report.

Source: Application for Renewal of Hospital License for Calendar Year 2011 and FY 2010 Annual Hospital Report; Division of Health Planning and Resource Development, Office of Health Policy and Planning. \*FY 2010 (10/01/09 to 09/30/2010)

### **SHP Criterion 2- Indigent/Charity Care**

Although the proposed project does not seek to establish a new hospital facility in a county with a hospital or in a county without a hospital, BMH-NMS addresses indigent/charity care below under SHP Criterion 5 relating to its request to relocate and replace an existing hospital facility.

### **Construction, Renovation, Expansion, Capital Improvements, Replacement of Health Care Facilities, and Addition of Hospital Beds**

### **SHP Criterion 3 - Need Criterion**

The proposed project does not seek to add any acute care beds. The applicant is not requesting to add any beds or convert any beds to another category of beds nor establish a general acute care hospital.

Although BMH-NMS is not adding any beds of any type, the applicant believes there are deficiencies relating to the existing hospital structure. The applicant indicates there is a direct correlation to hospital operations and the location as to where its health services are being provided (clinical setting). The applicant states that the hospital's clinical setting is the nucleus of the hospital and in this case, BMH-NMS believes the

existing hospital structure is not allowing the facility to meet its goal to provide the highest level of efficient, high-quality patient care.

The following are some examples as to why the applicant believes the facility is not meeting their intended patient care goal:

- ⊕ **Patient Rooms** – space and bedside clearances do not meet current standards.
- ⊕ **Isolation Rooms** – the number of isolation rooms are less than the number requirement.
- ⊕ **Critical Care Units** – units are undersized and the current 12-bed ICU on the first floor cannot be expanded.
- ⊕ **Ceilings** – the floor to the top limit of the hospital's areas are too low for "top of the line" mechanical and Information Technology Systems.
- ⊕ **Restrictions on Expansions** – clinical departments (ER, imaging, and surgery) are blocked-in and cannot be expanded due to a lack of land to expand.
- ⊕ **Patient Room Toilets** - BMH-NMS cannot renovate rooms to meet accessibility standards set by the Americans with Disabilities Act (ADA).
- ⊕ **Land Restraints** – BMH-NMS is on 13 acres and the hospital cannot expand; there are no construction access points available.

If the proposed replacement/relocation project is CON Approved, BMH-NMS believes the new replacement hospital facility will address any space limitations the hospital is currently experiencing; improve clinical services and patient care; and enhance operational efficiency through the best hospital design (dedicated floors for various acute care categories).

Also, the proposed project will allow BMH-NMS to provide adequate space for outpatient/ambulatory services; increase the size of the ER department from 12,570 sq. ft. to 25, 675 sq. ft. with 35 treatment spaces, install a dedicated CT scanner, and constructing a Radiology Room. The applicant indicates that the new ER department will improve access to patients and transportation vehicles as well as fund/enhance the transportation system in the city and county.

The applicant states that the square footage and diagnostic rooms for the Imaging Department will increase from 15,350 sq. ft. to 18,985 sq. ft. and 17 to 20 rooms, respectively.

Baptist Memorial Hospital-North Mississippi contends that the two professional medical office buildings will allow physicians to have better access to patients who will be utilizing the services at the replacement facility. Also, the office space will enable the hospital to recruit more medical specialists and physicians while using the building/hospital as a positive method to sustain current physicians.



The applicant considers the relocation/replacement project as vital to their present and upcoming role as a referral center. Since Baptist Memorial Hospital-North Mississippi is located in Oxford (Lafayette County), MS and its sister facility, Baptist Memorial Hospital-Golden Triangle (BMH-GT) is in Columbus (Lowndes County), MS, the applicant states that both hospitals serve as a foundation for GHSA 4 and are considered major regional referral centers in the north and northwestern area as well as the southeast area of the service area. The applicant lists specific services both hospitals offer and assert that BMH-NMS and BMH-GT are Level III and Level II trauma centers, respectively.

In BMH-NMS evaluating the need for the proposed project, the applicant determined that as rural hospitals in the area encounter high technology and operating costs, reduced reimbursement amounts, financial constraints, the rural facilities will focus on providing primary, critical access/emergency care and will rely on BMH-NMS to handle more complicated procedures and services through referrals. As stated previously, since the existing hospital has structural limitations and insufficient acreage to expand, the applicant points out that the need for the new, larger replacement facility will allow BMH-NMS to accommodate more patients while addressing their healthcare needs.

In this case, the applicant provided growth projections for the next 10 years and reports the following growth percentages for four areas of service: 18%-ER Department, 37%-Cardiac Catheterization Laboratory, 25%-Diagnostics, and 15%-Surgery. The applicant also indicates that the hospital's medical staff will grow if the proposed project is CON approved.

There were several sites assessed for the relocation site; however, the proposed location was agreed upon by BMH-NMS and the property was chosen for the following reasons: the site is close to existing medical infrastructure, nursing homes, assisted living facilities, and North MS Regional Center; will allow southern Oxford to continue to be the medical community; will increase South Lamar's economy; will offer enough acreage to allow for future growth to establish new services; and has several access points for medical services and emergency services.

Therefore, this project does promote accessibility, continuity, and quality of health services for the patients of Lafayette County.

#### **SHP Criterion 4 - Bed Service Transfer/Reallocation/Relocation**

The CON application shows that the proposed project is not seeking to transfer/reallocate/relocate a specific category of beds or services from another facility. The proposed project is for the relocation/replacement of a hospital facility (204 short-term, general acute care beds and 13 rehabilitation beds). The applicant asserts that the proposed project will meet all regulatory/licensure requirements.

### **SHP Criterion 5 - Charity/Indigent Care**

The applicant states BMH-NMS presently provides in an excess of \$16 million in indigent and uncompensated care annually and asserts that if the proposed project is CON approved, all GHSA 4 residents will have access to the facility regardless of their ability to pay. Baptist Memorial Hospital-North Mississippi affirms that the proposed replacement /relocation hospital will adhere to Chapter I of the FY 2012 MSHP by providing a reasonable amount of charity/indigent care.

### **SHP Criterion 6 - Cost of Proposed Project/Equipment**

The applicant compared the cost of the proposed project to similar projects and found that the replacement/relocation project (for construction) was in line with the mean project cost per bed for similar projects completed in 2008, 2009, and 2010. The applicant lists the comparable projects completed between 2008 through 2010 and their cost per square foot.

Gene Burton Associates was obtained by BMH-NMS to provide Medical Equipment and Information Technology planning services. The proposed equipment costs were submitted by BMH-NMS and the applicant indicates that the consultant used Healthcare Technology Planning software to determine cost estimates for major equipment. These cost estimates are based on healthcare technology specifications, pricing from recognized vendors and previous year costs. The applicant indicates the costs projected for the proposed project are consistent with industry pricing; however, price negotiations have not been finalized and other discounts may be applied before prices are concluded.

Thus, BMH-NMS affirms that the projected equipment cost is comparable to the mean equipment cost per bed for similar projects.

### **SHP Criterion 7 – Floor Areas and Space Requirements**

Based on a letter from the architect, the applicant documents/compares the proposed square footage to state and national norms for similar projects and the architect determined that 680,000 square feet per bed is within the range of state and national norms for similar projects. Baptist Memorial Hospital-North Mississippi asserts through the architect's findings that that the replacement hospital design is in compliance with all state and local building codes with national standards, including the guidelines set forth by the American Institute of Architects.

As mentioned in SHP Criterion 3, BMH-NMS reported that the existing facility has structural and land limitations which will not allow the facility to be expanded. To address growth in future health services and to meet current hospital design standards and state/federal requirements, BMH-NMS asserts that the proposed project is an efficient and cost-effective method to solve its existing architectural design and space issues.

The applicants provides a statement indicating that the proposed site for the proposed project will require a considerable amount of earth work and preparation due to existing soil and terrain conditions.

### **SHP Criterion 8 – Renovation or Expansion Costs**

Given the factors previously mentioned in SHP Criterion 3, the cost to renovate the existing hospital would not be feasible or cost effective. Thus, BMH-NMS rejected the option to renovate or expand the current facility.

### **SHP Criterion 9 – Specific Service Criteria**

Baptist Memorial Hospital-North Mississippi is proposing to replace/relocate its existing hospital facility along with the health services the facility currently offers. The applicant states that the proposed project is not requesting to establish new institutional health services thus, compliance to document the need for a service-specific (i.e. perinatal, ambulatory care, psychiatric care, etc) using the appropriate service-specific criteria is not required within this section or the next sections of this analysis.

## **B. General Review (GR) Criteria**

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 Revision*, addresses general criteria by which all CON applications are reviewed.

### **GR Criterion 1 - State Health Plan (SHP)**

The *State Health Plan* contains criteria and standards for the following regarding the proposed project of BMH-NMS to replace and relocate its existing facility/current health services in Oxford, Lafayette County, Mississippi.

Staff contends that the replacement of an acute care facility and relocating 217 licensed beds within Lafayette County, 1 mile away, does foster the health planning purpose of increasing the accessibility, acceptability, continuity, and quality of health services.

### **GR Criterion 2 - Long Range Plan**

The applicant states that Baptist Memorial Hospital-North Mississippi and its parent corporation, Baptist Memorial Health Care Corporation's (BMHC Corp.) long range plans for BMH-NMS focused on developing a health center beyond the standard of care by constructing a state of the art, highly advanced and technologically superior health center in order to provide the highest level of patient care in an accessible location. To

develop the hospital's plan, the applicant asserts that the hospital officials gathered input from the community and frequently met with various people (local, public officials, the hospital's medical staff, and other interested parties) to inform the public on the facility's healthcare and community objectives.

In addition, BMH-NMS states it completed an extensive analysis and research on the following: the facility's history in developing a replacement hospital, future needs in healthcare, technology, and examined medical industry trends. The applicant also reports BMH-NMS explored and evaluated property to determine the best location for the proposed relocation project. As part of the planning process, the applicant provided details relating to the construction of the replacement facility, costs associated with the proposed project, designs by the architect, estimated the cost for equipment, construction, site development, and other categories.

The proposed project seeks to relocate BMH-NMS' hospital facility from the same city and county to serve the same residents in Oxford, Lafayette County. The proposed facility will be within close proximity of its existing location, current patients served, and other populations within Lafayette County. Thus, the proposed project appears to be in compliance with the applicant's long range development plan.

### **GR Criterion 3- Availability of Alternatives**

The applicant states that BMH-NMS considered the following alternatives before deciding to relocate 217 licensed beds: (1) continue to operate the existing hospital facility at its current location; (2) renovate the existing facility; (3) construct smaller facilities for specific services close to the hospital; and (4) relocate/replace the existing hospital facility by constructing a new facility at a location close to the existing hospital facility.

As mentioned in previous sections of the analysis, the current hospital is experiencing structural and property limitations. If the existing hospital continues to operate, the applicant states the first alternative would result in BMH-NMS not being able to expand the current hospital in order to accommodate the future healthcare needs of the community and residents of GHSA 4. The applicant asserts that this alternative was rejected.

The second option is dependent upon the details listed in the first alternative regarding limitations on space, land and access points to renovate the facility. If BMH-NMS could modernize the existing building, the applicant contends it could only be a limited renovation project; however, any renovations would disrupt hospital operations and areas for patient care, the cost would be significant, and the capital investments for BMH-NMS would not be financially feasible. The applicant reports that the only renovation project that could be done is expanding the parking

lot; however, this idea would present parking and patient access problems. In this case, if BMH-NMS is left to expand the parking lot, the applicant believes that the second alternative would not solve BMH-NMS current structural and land limitation issues nor assist in addressing the hospital's future healthcare needs.

The applicant considered the third alternative of constructing smaller facilities for specific services; however, the option was rejected because the service configuration would prove to be ineffective, expensive, troublesome, and lack flexibility to accommodate future healthcare needs.

In this case, the applicant believes the fourth alternative to replace BMH-NMS within one mile of the existing hospital facility will be the best immediate method to continue to provide healthcare to the residents of Oxford, Lafayette County while supplying the community with long-term benefits from the proposed project.

To examine the second alternative and give reasons as to why renovating or modernizing the existing facility is not an option, the applicant cites and explains the following in the application relating to *The International Building Code (IBC)*, *Americans with Disabilities Act (ADA) Requirements*, and other code requirements:

- ⊕ **Vertical expansion** - could be an option; however, to meet the current IBC and seismic (earthquake) standards, the cost would be enormous. The structural engineer provides reasons as to why constructing a new replacement facility is the best option.
- ⊕ **Isolation Rooms** – an ante room and monitoring air flow are required for isolation rooms. The current hospital does not meet this standard.
- ⊕ **Critical Care Unit Patient Rooms (CCUPR)** – it is required that these rooms have access to an enclosed bathroom or soiled room to dispose of body waste and the CCUPRs consist of 200 square feet. The CCUs are located in an older section of the hospital and cannot be renovated to meet new standards.
- ⊕ **Toilets in Rooms** – ADA requires that 10% of all rooms must have access to an ADA accessible toilet. The current hospital does not meet this standard.
- ⊕ **Patient Rooms** – room requirements are a minimum of 160 sq. ft. and some rooms are being built to consist of 250 sq. ft. to center around caring for patients through their family and hospital staff. Also, bathroom sinks and sinks for hand washing must be separate. The patient rooms in the current hospital are 132 sq. ft. and are less than the minimum of 160 sq. ft.

**GR Criterion 4 - Economic Viability**

The applicant provided a three-year projected operating statement. Attachment 1 of this document displays the total operating revenue over a projected three year period, any increases or decreases, net profits or net losses, etc.

To determine the projected charges for a replacement facility, BMH-NMS asserts that it analyzed the charges provided by BMH-NMS and other BMH facilities. The applicant asserts that the charges were calculated based on the cost of providing the services and the evaluation of BMHC Corp. experiences.

Based on BMH-NMS’s assessment, the applicant affirms that proposed costs and charges associated with the project are comparable to similar acute care facilities in the state.

Baptist Memorial Hospital-North Mississippi’s projected levels of utilization for the 217 licensed bed replacement hospital are shown in the table below:

Projected Years ♦	Occupancy Rate (%)	ALOS (DAYS)	Average Daily Census
Year 1	60.43	5.09	121.0
Year 2	61.66	5.09	123.0
Year 3	62.89	5.09	125.1

♦ Three years following the completion of the proposed project

The applicant asserts that the proposed hospital replacement facility will be considered an upgrade from the existing facility to improve access and address growth. Thus, BMH-NMS contends that the levels of utilization are based on current and historical experience and calculations of need from internal corporate resources and external consultants. Staff reviewed Table 5-1 *Licensed Short-Term Acute Care Hospital Beds by Service Area* shown under SHP Criterion 1- Need for a General Acute Care Hospital and the table below.

It is mentioned in the analysis that BMH-NMS is a referral center for GHSA 4 and it offers more services. Based on that fact, the applicant asserts that the facility has the highest inpatient occupancy in the service area and points out that there are several rural facilities in the service area, which serve a smaller population base and provide less specialty service. With this in mind, the utilization percentages for the smaller facilities are lower than BMH-NMS. After review of GHSA 4 in Table 5-1 and BMH-NMS’ utilization, it appears that the projected levels of utilization will be consistent with those experienced by similar facilities in GHSA 4.

Since the capital expenditure for this project is \$313,508,083 and does exceed \$2,000,000, the applicant provided a feasibility study indicating that the proposed project will be financially viable. The applicant also asserts that the facility does not anticipate failing to meet revenue projections; however, BMH-NMS' parent company, BMHC Corp. has adequate financial resources to cover any unexpected costs.

**GR Criterion 5 - Need for the Project**

The applicant affirms that the population in Oxford, Lafayette County and GHSA 4 residents, including low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly will have access to acute care services. As stated above under SHP Criterion 5 - Charity/Indigent Care, BMH-NMS provides in an excess of \$16 million in indigent and uncompensated care annually and states that if the proposed project is CON approved, all GHSA 4 residents will have access to the facility regardless of their ability to pay.

Again, the proposed project does not seek to add any acute care beds, not requesting to add any beds or convert any beds to another category of beds nor establish a general acute care hospital. The applicant only requests CON authority to relocate/replace a 217-licensed bed hospital facility. The need for the proposed relocation facility, the need that the population presently served has for the replacement facility/service, and the effect of the relocation of the facility/service on the ability of various populations to obtain needed health care are addressed above in SHP-Criterion 3 – Need.

The applicant states that BMH-NMS has not decided how the current building will be utilized or what will take place once the replacement/relocation project is complete; however, the applicant affirms that BMH-NMS will evaluate alternatives for the existing building during the construction phase of the proposed replacement hospital. The former hospital will not have a financial effect on the proposed project.

As previously mentioned, the proposed facility is not an establishment of a new facility or services. Baptist Memorial Hospital-North Mississippi current utilization is listed in Table 5-1 under SHP Criterion 1-Need. Utilization by bed category is shown in the CON application for the proposed replacement facility and utilization for the proposed 217-bed facility is referenced in GR Criterion 4 - Economic Viability. The proposed facility's remaining utilization is listed below:

Projected Years ♦	Admissions	Inpatient Days	Outpatient Days	Discharges	Discharge Days
Year 1	8,635	44,845	3,511	8,675	44,157
Year 2	8,776	45,597	3,687	8,816	44,897
Year 3	8,919	46,361	3,871	8,960	45,650

♦ Three years following the completion of the proposed project.

The applicant believes that BMH-NMS's 217 licensed beds relocated at the proposed new site would best be utilized in the same city as the existing facility, Oxford, Lafayette County.

Based on the Mississippi Population Projections for 2015, 2025, and 2025<sup>1</sup>, the overall population for Lafayette County is expected to increase from 43,750 in 2015, 45,273 in 2025, and 46,858 in 2025. The applicant's projected utilization for BMH-NMS for three years is listed above in GR Criterion 4 - Economic Viability. The licensed bed complement of BMH-NMS will consist of a total of 217 licensed beds. The breakdown is as follows: 204 short-term, general acute care beds, 13 rehabilitation beds.

Without a physical address for the proposed facility, staff finds that BMH-NMS in Oxford may be located approximately 1.10 miles from the proposed location in Oxford. The relocation of this facility within Lafayette County is not likely to create a hardship on families of the residents currently serves or will serve. The relocation of this facility from its current location does promote accessibility or continuity of care to the patients that Baptist Memorial Hospital-North MS is serving or will serve. It appears transportation will not become an issue for family members to visit their loved ones at the distance listed. The applicant states that there should be no adverse effect on the utilization of any area hospitals and BMH-NMS expects hospitals in GHSA 4 to continue to operate at or near their utilization levels.

There were no letters of opposition received by the Department from the Oxford, Lafayette County community or area hospital facilities. However, over 17 endorsement letters were received from Lafayette County residents, community leaders, elected officials, and others. Staff contends that the relocation of beds from Lafayette County to Oxford, Lafayette County will not have an adverse impact on residents and other acute care providers in Lafayette County.

#### **GR Criterion 6- Accessibility**

Baptist Memorial Hospital-North MS affirms that the proposed facility will be in compliance with federal and state regulations in regard to serving all patients in GHSA 4 regardless of race, creed, sex, or ability to pay.

For projected years one and two, the applicant projects that 4.46% and 4.52% of the patients served at BMH-NMS will be medically indigent patients and Charity Care will be the same percentages. The applicant indicates that the expected payor mix by type payor will be as follows: Medicaid, 11%, Medicare, 53%, Commercial, 25%, Self Pay, 10%, and other, 0%.

<sup>1</sup>Population projections were calculated by the Center for Policy Research and Planning, Mississippi Institutions of Higher Learning, as published in MISSISSIPPI, Population Projections for 2015, 2020, and 2025, September 2008



The applicant asserts that BMH-NMS staff will provide acute care and services 365 days per year, 24 hours per day. Specifics on transportation improvements are listed in the application and modifications to the roads around the proposed site will enhance traffic flow and increase accessibility to the hospital.

#### **GR Criterion 7- Information Requirement**

The applicant affirms that BMH-NMS will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

#### **GR Criterion 8 - Relationship to Existing Health Care System**

Staff asserts that there are 16 acute care facilities located in GSHA 4; however, BMH-NMS is the only one in Oxford. The applicant states that the BMH-NMS is currently a referral center and complements existing health services on GHSA 4 by providing several specialty services that are not available at other hospitals in the service area. If CON approved, BMH-NMS asserts the current, full service hospital facility will become a modern referral center through the proposed relocation/replacement project. Thus, the applicant states the proposed project will have the population base and medical staff to support the facility's current comprehensive programs/specialties and future health services.

Services are presently being offered in a facility with structural constrictions and lack of land to further develop the existing facility. Thus, BMH-NMS documents that the facility cannot renovate the facility to add new services to meet current and future healthcare needs. The proposed project will address those issues. The applicant affirms that BMH-NMS is an existing hospital in GHSA 4 and is not establishing a new hospital or proposing new services or expanding services. Thus, the applicant asserts the proposed project will allow BMH-NMS to accommodate future growth and continue providing service in the GHSA4 in an enhanced referral center. If the proposed project is not CON approved, BMH-NMS states the space constraint problems will cause the BMH-NMS not to execute its long-range goals of becoming a highly developed regional referral center in GHSA 4.

The applicant affirms that the proposed project will not have an adverse effect on the existing facilities in GHSA 4. The applicant provided a list of transfer/referral/affiliation agreements the existing facility currently has and BMH-NMS will enter into other agreements upon the completion of the proposed project.

### **GR Criterion 9 - Availability of Resources**

Through BMH-NMS' accreditation with the Joint Commission, the applicant asserts that BMH-NMS has demonstrated a successful staffing history and asserts that sufficient personnel will be available to ensure proper implementation of the proposed project. To staff the proposed relocation to Oxford, Lafayette County, the applicant projects that 1,0313.3 full-time equivalents (FTEs) will be required to operate the facility. The applicant indicates that training and new personnel will be recruited by BMH-NMHC Corp.

The applicant submitted a current list of clinically-related contractual services BMH-NMS presently has and anticipates the same agreements will continue after the proposed project is complete.

### **GR Criterion 10 - Relationship to Ancillary or Support Services**

The applicant affirms that BMH-NMS' current ancillary and support services will be transferred to the replacement hospital and will be supplemented and expanded as health services growth. Based on the financial analysis the applicant submitted for the proposed project, BMH-NMS states there will not be any material change in costs or charges and if there any changes occur, they are projected to be immaterial.

### **GR Criterion 11- Health Professional Training Programs**

The applicant states that BMH-NMS' proposed project will provide an enhanced facility for the clinical needs of health professional training programs in GHSA 4. Thus, staff believes it appears that the proposed relocation of BMH-NMS will not have an adverse effect upon the health professional training programs in the service area.

### **GR Criterion 12- Access by Health Professional Schools**

The applicant affirms that BMH-NMS will work with health professional training schools to grant proper access to the proposed replacement facility for health professional training programs.

### **GR Criterion 14 - Construction Projects**

The applicant contends that BMH-NMS and its parent corporation; BMHC Corp. developed plans to relocate/replace BMH-NMS. In turn, BMH-NMS, Inc. took appropriate action to purchase BMH-NMS and apply for a CON in the amount of \$313,508,083 to relocate and construct a new replacement facility one mile from BMH-NMS' existing facility in Oxford, Lafayette County, Mississippi.

The architect submitted a cost estimate to verify the proposed capital expenditure and the application includes a site approval letter from the Division of Health Facilities Licensure and Certification. The applicant provided several schematic drawings to illustrate how the new hospital will look after the project is complete.

In addition, the applicant states that the project complies with state and local building codes, zoning ordinances, and all appropriate regulatory authorities. The applicant has provided written assurance that BMH-NMS will comply with state statutes and regulations for the protection of the environment.

Since the entities referenced above opted to construct a replacement acute care facility, the applicant used the formula listed in this criterion to show how much the proposed project will cost per square foot. The applicant indicates that the cost to construct a 680,000 square foot replacement hospital will be \$393.56 per square foot. Staff determined it would cost the same amount per square foot to complete the project (see Attachment 2).

#### **GR Criterion 15 – Competing Applications**

Since there are no competing applications, no additional information is required to adhere to this criterion.

#### **GR Criterion 16 - Quality of Care**

By relocating 217 licensed beds from BMH-NMS' existing location to the proposed replacement site (one mile from the existing hospital), the applicant believes that this proposed project will improve/enhance the delivery of health services and allow BMH-NMS to address future healthcare needs while creating a paramount regional referral center for GHSA 4.

#### IV. FINANCIAL FEASIBILITY

##### A. Capital Expenditure Summary

Cost Item	Estimated Cost	% of the Total
Construction Cost -New	\$188,765,000	60.21%
Construction Cost-Renovation		0.00%
Capital Improvements, i.e. (minor painting and repairs, refurbishing)		0.00%
Total Fixed Equipment Cost	37,588,620	11.99%
Total Non-Fixed Equipment Cost	27,301,040	8.71%
Land Cost	11,272,923	3.60%
Site Preparation Cost	11,270,500	3.59%
Fees (Architectural and Consultant Fees )	13,797,817	4.40%
Fees (Legal and Accounting )	0	0.00%
Contingency Reserve	16,200,558	5.17%
Capitalized Interest	0	0.00%
Other Cost (Road Way Improvements)	7,311,625	2.33%
Other Cost	-	0.00%
<b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>	<b>\$313,508,083</b>	<b>100%</b>

To construct a 680,000 square foot hospital facility, BMH-NMS, states it will cost \$393.56 per square foot. According to the *figures in the 2012 RSMMeans Construction Cost publication*, the median and high range cost for an acute care facility of this size is \$240 and \$325 per square foot, respectively. Based on the numbers provided by the applicant and the new construction formula listed in the CON Manual, staff contends it will cost \$393.56 per square foot to complete the project (see Attachment 2). The cost of \$393.56 is above the high range of \$325 for construction costs associated with an acute care facility.

##### B. Method of Financing

To fund the project, Baptist Memorial Hospital-North Mississippi, will cash reserves in the amount of \$313,508,083.

##### C. Effects on Operating Costs

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses, and net income are shown in Attachment 1. Utilization, cost, and charges are also included in the applicant's Three-Year Projected Operating Statement (See Attachment 1).

**D. Cost to Medicaid/Medicare**

Based on Tables 4A and 4C in the financial section of the CON application, BMH-NMS provides the following revenue source projections for each payor category listed below:

<b>Baptist Memorial Hospital-North MS Inc. d/b/a Baptist Memorial Hospital-North MS</b>		
<b>Payor</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
<b>Medicaid</b>	11.00%	\$ 61, 904,383.00
<b>Medicare</b>	53.00%	\$ 288,913,217.00
<b>Self Pay</b>	10.0%	\$ 52,744,281.00
<b>Commercial</b>	25.00%	\$ 137,669,423.00
<b>Other</b>	0.00%	\$ 0.00
<b>Total</b>	<b>99.00% or 100%</b>	<b>\$ 541,231,304.00</b>
BMH-NMS reports that Medically indigent and charity care have the same percentages are approximately 4.46% of gross patient revenue, respectively. Bad debt will be 5.50% of gross patient revenue.		

Note: Applicant's utilization percentage shows 99% and does not show the remaining 1%.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application; however, however, no written comments were received from the Division.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the overall objectives of the *2012 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 Revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

Consequently, the Division of Health Planning and Resource Development recommends approval of this application submitted by Baptist Memorial Hospital-North Mississippi, Inc. d/b/a Baptist Memorial Hospital-North Mississippi for the following: replacement and relocation of Baptist Memorial Hospital-North Mississippi, consisting of 217 licensed beds (204 short-term, general acute care beds and 13 rehabilitation beds) and health services the hospital currently offers. As a note, the replacement facility, BMH-NMS will be relocated from Oxford, Lafayette County, Mississippi to Oxford, Lafayette County, Mississippi (1 mile from BMH-NMS' current location). Thus, the replacement facility above will remain in its existing service area, GHSA 4.

## Attachment 1

### Baptist Memorial Hospital-North MS, Inc. d/b/a Baptist Memorial Hospital-North MS Construction/Relocation and Replacement Oxford, Lafayette County, Mississippi

#### Three-Year Projected Operating Statement (With Project)

	First Year	Second Year	Third Year
<b>Revenue</b>			
Inpatient Care Revenue	\$ 288,097,411	\$ 307,419,033	\$ 316,907,152
Outpatient Care Revenue	\$ 253,133,893	\$ 271,106,399	\$ 289,696,553
<b>Gross Patient Care Revenue</b>	<b>\$ 541,231,304</b>	<b>\$ 578,525,432</b>	<b>\$ 606,603,705</b>
Charity Care	\$ 24,122,337	\$ 26,144,092	\$ 27,572,815
Deductions from Revenue	\$ 333,082,215	\$ 360,998,701	\$ 380,726,560
<b>Net Patient Care Revenue</b>	<b>\$ 184,026,752</b>	<b>\$ 191,382,639</b>	<b>\$ 198,304,330</b>
Other Operating Revenue	\$ 3,483,775	\$ 3,657,964	\$ 3,840,862
<b>Total Operating Revenue</b>	<b>\$ 187,510,527</b>	<b>\$ 195,040,603</b>	<b>\$ 202,145,192</b>
<b>Operating Expense</b>			
Salaries	\$ 55,691,070	\$ 58,485,049	\$ 59,420,533
Benefits	\$ 15,593,500	\$ 16,375,814	\$ 16,637,749
Supplies	\$ 32,183,297	\$ 33,946,417	\$ 35,654,614
Services	\$ 5,686,234	\$ 5,970,545	\$ 6,269,073
Lease	\$ -	\$ -	\$ -
Depreciation	\$ 7,897,674	\$ 15,795,348	\$ 15,795,348
Interest	\$ -	\$ -	\$ -
Other	\$ 59,126,299	\$ 61,337,879	\$ 63,463,724
<b>Total Operating Expense</b>	<b>\$ 176,178,074</b>	<b>\$ 191,911,052</b>	<b>\$ 197,241,041</b>
<b>Net Operating Income (Loss)</b>	<b>\$ 11,332,453</b>	<b>\$ 3,129,551</b>	<b>\$ 4,904,151</b>
Inpatient days	44,157	44,897	45,650
Outpatient days	69,039	70,420	71,829
Procedures	77,714	79,236	80,504
Charge per outpatient day	\$ 3,667	\$ 3,850	\$ 4,033
Charge per inpatient day	\$ 6,524	\$ 6,847	\$ 6,942
Charge per procedure	\$ 6,964	\$ 7,301	\$ 7,535
Cost per inpatient day	\$ 3,990	\$ 4,274	\$ 4,321
Cost per outpatient day	\$ 2,552	\$ 2,725	\$ 2,746
Cost per procedure	\$ 2,267	\$ 2,422	\$ 2,450

ATTACHMENT 2

BAPTIST MEMORIAL HOSPITAL-NORTH MS, INC.  
 d/b/a BAPTIST MEMORIAL HOSPITAL-NORTH MS  
 CONSTRUCTION/RELOCATION AND REPLACEMENT

COMPUTATION OF CONSTRUCTION AND/OR RENOVATION COST

		<u>Total</u>	<u>New Construction</u>
<u>Cost Component</u>			
A	New Construction Cost	\$188,765,000	\$188,765,000
B	Renovation Cost	\$0	\$0
C	Total Fixed Equipment Cost	\$37,588,620	\$37,588,620
	Total Non-Fixed Equipment Cost	\$27,301,040	\$0
	Capital Improvement	\$0	\$0
	Land Cost	\$11,272,923	\$0
D	Site Preparation Cost	\$11,270,500	\$11,270,500
E	<i>Fees (Architectural, Consultant, etc.)</i>	\$13,797,817	\$13,797,817
F	<i>Contingency Reserve</i>	\$16,200,558	\$16,200,558
G	<i>Capitalized Interest</i>	\$0	\$0
	<i>Legal and Accounting Fees</i>	\$0	
	<i>Other (Roadway Improvements)</i>	\$7,311,625	
	<i>Other</i>	\$0	
	<b>Total Proposed Capital Expenditure</b>	<b>\$313,508,083</b>	<b>\$267,622,495</b>
	Square Footage	<b>680,000</b>	680,000
	<i>Allocation Percent</i>		100.00%
	<b>Costs Less Land &amp; Non-Fixed Equip.</b>	<b>\$274,934,120</b>	<b>\$267,622,495</b>
	<b>Cost Per Square Foot</b>	<b>\$404.31</b>	<b>\$393.56</b>

Source: Mississippi Certificate of Need Review Manual, 2011 Revision