

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
MAY 15, 2025**

CON REVIEW: NH-CO-0425-001

UNIVERSITY OF MISSISSIPPI MEDICAL CENTER

COST OVERRUN TO CON # R – 0944 (NH-CNF-0618-007)

MISSISSIPPI CENTER FOR MEDICALLY FRAGILE CHILDREN, INC.)

CONSTRUCTION OF PEDIATRIC SKILLED NURSING FACILITY AND

ESTABLISHMENT OF PEDIATRIC SKILLED NURSING SERVICES AND

LIMITED WAIVER FOR TREATMENT OF INDIVIDUALS OVER AGE 21

ORIGINAL CAPITAL EXPENDITURE: \$12,844,240.00

ADDITIONAL CAPITAL EXPENDITURE: \$3,055,760.00

REVISED CAPITAL EXPENDITURE: \$15,900,000.00

LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

University of Mississippi Medical Center (“UMMC” or the “Applicant”) is a state-owned academic medical center, teaching hospital, and not-for-profit acute care hospital operated by a public university (University of Mississippi), pursuant to Chapter 115, Title 37, Mississippi Code of 1972, and is governed by the Board of Trustees of the Institutions of Higher Learning (“IHL”).

B. Project Background

On August 17, 2018, the Mississippi State Department of Health (“MSDH” or the “Department”) issued Certificate of Need (“CON”) Number R-0944 to The Mississippi Center for Medically Fragile Children, Inc. (“MCMFC”). The CON authorized MCMFC to construct a thirty (30) bed, 35,329 square feet Pediatric Skilled Nursing Facility and to Establish Pediatric Skilled Nursing Services and provide a Limited Waiver for Treatment of Individuals over Age 21.

House Bill 559, signed by the governor on March 15, 2018, authorized the Department of Finance and Administration (DFA) to enter into an agreement to lease no more than seven (7) acres of state-owned real property in the City of Jackson, Hinds County, Mississippi, to a nonprofit entity for the purpose of creating a pediatric skilled nursing, palliative care and respite facility for the severely disabled and for the use of associated administrative office space for an initial term of no more than forty (40) years and one (1) additional ten (10) year renewal period at the discretion of DFA. In accordance with House Bill 559, MCMFC entered into a lease agreement with DFA for seven (7) acres of real property.

The Applicant submits that on or about August 19, 2019, the original CON holder, MCMFC, and the UMMC filed with the Department a notice of intent to change

ownership of the Mississippi Center for Medically Fragile Children (the "Project"), and the Department approved the notice on or about September 17, 2019. The Applicant further states that MCMFC assigned to UMMC all rights, titles, and interest in the Project through an Assignment, Conveyance, and Transfer Agreement on or about September 20, 2019. In addition, UMMC states that on August 15, 2024, the Board of Trustees of the IHL approved the renaming of the facility, as the Alyce G. Clark Center for Medically Fragile Children.

According to the application, the Alyce G. Clark Center for Medically Fragile Children, formally known as Mississippi Centers for Medically Fragile Children, is located at 3850 Eastwood Drive, Jackson Mississippi, 39211.

C. Project Description

UMMC requests a cost overrun to CON No. R-0944 to increase the capital expenditure from \$12,844,340.00 to \$15,900,000.00, an increase of \$3,055,640.00.

1. Provide a photocopy of the original Certificate of Need.

The application includes a copy of the original Certificate of Need.

2. Describe all proposed changes, not approved, in the original CON application (e.g. changes in square footage, construction, or renovation; changes in range, facilities served, or types of services, bed changes; equipment changes; etc.)

According to the Applicant, this item is not applicable as there have been no changes in the project since the original approval.

a. Transfer of CON:

The CON was transferred from MCMFC to UMMC on August 20, 2019; however, this Cost Overrun project does not involve a transfer of the CON.

b. Change of Site:

The Applicant affirms the proposed project does not involve a site change.

3. If project is related in whole or in part to compliance with requirements of the Licensure and Certification Division of the MSDH, or any other certification or licensing authority, provide documentation.

The Applicant submits this item is not applicable to their proposed cost overrun request.

- 4. If the project is related to a construction/expansion project, enclose a copy of the revised cost estimate signed by a licensed architect or licensed Mississippi building contractor.**

The application includes a letter summarizing the component of the revised capital expenditure executed by the architect, AIA Change Order executed by the architect and contractor, and an AIA form G703, containing a line-item description of all work, as revised.

The Applicant states the lowest combined bid submitted by Mid-State Construction of Mississippi, LLC, was accepted.

- 5. If actual construction has not begun, give date it will begin and the reasons for the delay.**

The Applicant affirms UMMC has successfully bid and awarded the contract for construction and plans and blueprints have been submitted to Health Facilities Licensure and Certification, Division of Fire Safety for review. The Applicant further submitted the following progress on the project:

- Site clearing and grading are completed.
- Deep foundations for the building were completed on July 16, 2024.
- Hollow core plank base has been set with top slab poured.
- Walls are standing with Dens Board on sides.
- Sub-roof is complete, waiting on top roof.
- Mechanical sub-contractors installing plumbing and HVAC.
- Electrical sub-contractors have electrical in progress.
- Interior walls are standing.
- Roof has been installed and waterproofing the exterior is complete.
- Windows are being installed along with exterior doors.
- Hardy board and batt siding are underway.
- The Applicant states additional work on the project is underway, with approximately 53% of the construction project completed.

- 6. Provide evidence that the Division of Radiological Health has approved the plans for the provision of radiation therapy services, if applicable.**

The Applicant states this item is not applicable to the proposed project.

7. **If the project involves the purchase/lease/change in vendor or manufacturer of major medical equipment, not included in the originally approved certificate of need project, provide the following:**
- a. **Type of equipment, capacity, and manufacturer**
 - b. **Purchase price of equipment**
 - c. **Purchase and installation date(s) of equipment; and**
 - d. **Explanation of cost variance from original quotes.**

The Applicant affirms this item is not applicable for the proposed project.

8. **Will the amendment require any change in facility staffing? If so, identify changes in terms of personnel skills, number of personnel and indicate your recruitment plan which will obtain the services of these personnel.**

The Applicant states the cost overrun will not require change in staffing.

9. **List all transfer/referral/affiliation agreements between your facility and other providers of health care within your service area, which have changed since the original application was submitted or will change as a result of this amendment.**

The Applicant states this item is not applicable to the proposed project.

10. **Provide the estimated date this project will be implemented/completed if the amendment/cost overrun is granted.**

The Applicant estimates the proposed project will be completed in August of 2025.

II. TYPE OF REVIEW REQUIRED

The original project was reviewed in accordance with Section 41-7-173, 41-7-191 1(a) and (d)(viii), and 41-7-193 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.

The governing legislation and the Mississippi State Department of Health rules provide that any person directly affected by the proposal may request a public hearing during the course of review. However, in accordance with Miss. Code Ann. 41-7-191(2)(u), the provisions of Section 41-7-193 requiring a formal certificate of need hearing process are waived.

III. FINANCIAL ANALYSIS

A. Capital Expenditure Summary

1. Complete the Capital Expenditure Summary.

Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase or (Decrease)
New Construction	\$ 3,450,476.00	\$12,322,721.35	\$ 8,872,245.35
Const./Renovation	0.00	0.00	0.00
Land	0.00	0.00	0.00
Site Work	904,727.00	29,000.00	(875,727.00)
Fixed Equipment	0.00	767,000.00	767,000.00
Non-fixed Equip.	115,879.00	350,000.00	234,121.00
Contingency	951,433.00	832,957.55	(118,475.45)
Fees (Architectural, Consultant, etc.)	2,378,582.00	1,598,321.10	(780,260.90)
Capitalized Interest	0.00	0.00	0.00
Capital Improvement	5,043,143.00	0.00	5,043,143.00
Total Capital Expenditure	\$12,844,240.00	\$15,900,000.00	\$3,055,760.00

The above capital expenditure table represents approximately a 23% increase over the original capital expenditure. Staff's calculation of Original Amount and Increase/Decrease differ from Applicant's by \$100.

2. Provide line-item justification for each increase (or decrease) in capital expenditure.

a. Document capital expenditure made to date and the percentage of completion.

The Applicant affirms that UMMC has expended \$7,639,713.96 of the approved capital expenditure and the project is approximately

fifty-three percent (53%) complete.

- 3. Enclose a revised projected operating statement for the first full year of operation after completion of the project (for the proposed project/service only); include increased or decreased cost per day/procedure and charges per day/procedure.**

The Applicant's revised projected operating statement is included as Attachment 1 of this Staff Analysis.

- 4. Disclose source of all financing (if debt, attach creditor's letter).**

- a. Provide amount of loan/lease, interest rate, term of loan and payment/lease amount.**

The Applicant submits the project is being financed through the following funding sources:

- State appropriation HB 1160, Laws of 2019 - \$12,500,000 (original funding source)
- State appropriation HB 1730, Laws of 2020 - \$2,000,000
- Children's of Mississippi Philanthropy - \$1.400,000

- b. Enclose a loan amortization schedule for all loans.**

The Applicant submits this item is not applicable to the proposed project.

- 5. Provide audited or un-audited financial statements for the past year.**

The application contains UMMC's Annual Report for 2023-2024 and proposed Financial Results for the Children's long-term care facility.

- 6. Enclose a revised depreciation schedule for all assets.**

The Applicant's application included a revised depreciation schedule.

- 7. Show effect of project on Medicaid patients, Medicare patients and other payers.**

See Item D below.

B. Method of Financing

See item 4(a) above.

C. Effect on Operating Cost

The Applicant's projections of gross revenues for the first year of operation are shown in Attachment 1.

D. Cost to Medicaid/Medicare

The proposed project will affect Medicaid patients, Medicare patients and other payers as follows:

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	0.00%	\$ 0.00
Medicaid	85.00%	6,478,862.35
Commercial	10.00%	762,219.10
Self-Pay	0.00%	0.00
Charity Care	5.00%	381,109.55
Other	0.00%	0.00
Total	100.00%	\$ 7,622,192.00

IV. COMPLIANCE WITH STATE HEALTH PLAN, POLICIES AND PROCEDURES

A. State Health Plan (SHP)

The FY 2015 Mississippi State Health Plan (the "FY 2015 MSHP") was in effect at the time the original CON application was submitted; however, the FY 2015 MSHP did not contain criteria and standards for a Pediatric Skilled Nursing Facility. The original application was found to be in substantial compliance with the guidelines for all health planning in Mississippi as contained in the FY 2015 MSHP and continues to be in compliance.

B. General Review (GR) Criteria

The Original project was in substantial compliance with General Considerations contained in the *Mississippi Certificate of Need Review Manual, Revised, April 9, 2017*; and the duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Cost Overrun Application complies with Chapter 6 (Subsequent Review) of the CON Review Manual, revised November 11, 2023, and the duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid (“DOM”) was provided a copy of this application for review and comment. In a letter received and dated April 17, 2025; indicates DOM has no opinion on this request.

VI. CONCLUSION AND RECOMMENDATION

The original project was found to be in substantial compliance with the guidelines for all health planning in Mississippi, as *contained in the Mississippi State Health Plan, Mississippi Certificate of Need Review Manual, Revised November 11, 2023*, and all adopted rules, procedures, and plans of the Mississippi State Department of Health. The Cost Overrun Application continues to comply with all the adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by the University of Mississippi Medical Center for a Cost Overrun on CON No. R-0944, originally issued to the Mississippi Center for Medically Fragile Children, Inc. The cost overrun will allow UMMC to increase the authorized capital expenditure for the Construction of a Pediatric Nursing Facility, the Establishment of Pediatric Nursing Services and a Limited waiver for Treatment of Individuals Over Age 21, from \$12,844,240.00 to \$15,900,000.00, an increase of \$3,055,760.00.

Attachment 1
University of Mississippi Medical Center
Cost Overrun on CON No. R-0944; MS Center for Medically Fragile Children, Inc
Construction of Pediatric Skilled Nursing Facility & Establishment of
Pediatric Skilled Nursing Services & Limited Waiver for Over Aged 21
One-Year Projected Operating Statement

Revenue and Expenses	Year I
Patient Revenue:	
Inpatient	\$ 7,622,192.00
Outpatient	-
Gross Patient Care Revenue	\$ 7,622,192.00
Charity Care	
Deductions from Revenue	399,806.00
Net Patient Care Revenue	\$7,222,386.00
Other Operating Revenue	0.00
Total Operating Revenue	\$7,222,386.00
Expenses	
Operating Expenses:	
Salaries	\$ 5,863,274.00
Rentals	20,148.00
Repairs & Maintenance	21,000.00
Utilities	108,528.00
Other Contractual Services	128,255.00
Commodities	382,441.00
Insurance	64,000.00
Depreciation	754,702.00
Overhead Allocation	653,765.00
Total Expense	*\$ 7,996,113.00
Net Operating Income (Loss)	* \$ (773,727.00)
Assumptions	
Inpatient days	5,840
Outpatient days	0
Procedures	0
Charge/inpatient day	\$ 1,305.17
Charge per outpatient day	\$ 0.00
Charge per procedure	\$ 0.0 0
Cost per inpatient day	\$ 1,459.14
Cost per outpatient day	\$ 0.00
Cost per procedure	\$ 0.00

*Staff's calculations differs from Applicant's by \$1.00 due to rounding.