

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
SEPTEMBER 16, 2019**

**CON REVIEW NUMBER: HR-RB-0819-009  
ENCOMPASS HEALTH REHABILITATION HOSPITAL OF GULFPORT,  
LLC D/B/A ENCOMPASS HEALTH REHABILITATION HOSPITAL, A  
PARTNER OF MEMORIAL HOSPITAL AT GULFPORT  
EXPANSION AND RENOVATION PROJECT FOR ENCOMPASS  
HEALTH REHABILITATION HOSPITAL OF GULFPORT, LLC  
LOCATION: GULFPORT, HARRISON COUNTY, MISSISSIPPI  
CAPITAL EXPENDITURE: \$5,822,056.00**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Encompass Health Rehabilitation Hospital of Gulfport, LLC (“EHRH”), d/b/a Encompass Health Rehabilitation Hospital, a partner of Memorial Hospital at Gulfport (“Memorial”) is an existing provider of comprehensive medical rehabilitation (“CMR”) services in Gulfport located within Memorial Hospital. Memorial is a not-for-profit healthcare system in Gulfport, Mississippi, jointly owned by the City of Gulfport and Harrison County and governed by five (5) Board of Managers. Memorial consist of a hospital licensed for 303 beds, a state-designated Level II Trauma Center, two (2) outpatient surgery centers, and satellite outpatient diagnostic and rehabilitation centers. Encompass Health provides facility-based and home-based patient care through its network of inpatient rehabilitation hospitals, home health agencies, and hospice agencies that consists of 130 hospitals, 221 home health locations, and fifty-nine (59) hospice locations in thirty-two (32) states and Puerto Rico. Encompass Health Rehabilitation Hospital participates in the Medicare and Medicaid programs.

**B. Project Description**

Encompass Health Rehabilitation Hospital requests Certificate of Need (CON) authority to add ten (10) Level II Comprehensive Medical Rehabilitation (“CMR”) beds to its existing complement of thirty-three (33) Level I CMR beds. The applicant states CMR services are intensive post-acute care services that treat patients with severe physical disabilities with a coordinated multidisciplinary approach. The applicant further states CMR

providers in Mississippi with Level I beds offer CMR services to treat all diagnostic categories including spinal cord injury, brain injury, stroke, congenital deformity, amputations, major multiple trauma, polyarthritis, fractures of the femur, and neurological disorders. The applicant also states providers with Level II CMR beds treat patients with diagnoses other than spinal cord injury, congenital deformity, and brain injury.

EHRH states the thirty-three (33) licensed Level I CMR beds are currently located on the second floor of the East Tower of Memorial. The proposed project is a renovation of the third floor East Tower (approximately 8,478 square feet) at Memorial. The renovation consists of adding ten (10) Level II CMR beds, a 1,820 square foot therapy gym, and support spaces. The applicant states the third floor is currently occupied with the administrative department and the EHRH pharmacy. The applicant states the pharmacy will relocate elsewhere on the third floor to space consisting of 400 square feet, and the administrative office will move to the fifth floor East Tower (approximately 2,416 square feet). The expansion of EHRH to the third floor of the East Tower will allow EHRH to accommodate a second therapy gym for additional patients. The applicant confirms the total square footage of the proposed project will consist of approximately 10,894 square feet, but there will be no renovation of the existing thirty-three (33) bed CMR unit on the second floor. EHRH further states that they plan to add a second Vital Stim to the second therapy gym. EHRH affirms that the facility will have a total of forty-three (43) CMR beds: (thirty-three (33) Level I CMR beds and ten (10) Level II CMR beds). Once the project is completed, EHRH will have expanded therapy and support spaces for the increased patient census.

According to the applicant, EHRH will be able to staff the expansion of the Level II CMR services with existing personnel; however, 7.0 FTEs (Full-Time Equivalents) will be hired during the first year of the project at an estimated annual cost of \$544,428.74.

The applicant's final objectives for the project are to increase EHRH's capacity to provide inpatient CMR services to accommodate growing CMR admissions at EHRH and to partially meet the need for 103 additional Level II CMR beds identified in Chapter six (6) of the State Health Plan (SHP).

The Fire Safety and Construction Bureau of Health Facilities Licensure and Certification has approved the site for the ten (10) Level II CMR beds.

The applicant expects the proposed project will be completed within one

(1) year of project starting date.

## II. TYPE OF REVIEW REQUESTED

The Mississippi State Department of Health will review applications for a Certificate of Need (CON) to add comprehensive medical rehabilitation beds under the requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code of 1972 Annotated, as amended. MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revision*; all adopted rules, procedures, and plans of the MSDH; and the specific criteria and standards listed below.

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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on September 26, 2019.

## III. CERTIFICATE OF NEED CRITERIA AND STANDARDS

### A. State Health Plan (SHP)

The *FY 2018 Mississippi State Health Plan (MSHP)* contains policy statements, and criteria and standards, which the applicant is required to meet before receiving CON authority for the addition of Level II CMR beds. This application complies with applicable policy statements, criteria and standards.

#### State Health Plan Policy Statements

##### **SHP Policy Statement 1 –Definition**

The applicant asserts Encompass Health Rehabilitation Hospital of Gulfport, LLC currently has thirty-three (33) licensed Level I CMR beds. The applicant currently provides intensive care CMR services as a coordinated multidisciplinary approach to patients with severe physical disabilities that require an organized program of integrated services in thirty-three (33) Level I CMR beds at EHRH. These disabilities include stroke, spinal cord injury, congenital deformity, amputation, major multiple trauma, fractures of the femur (hip fracture), brain injury, polyarthritis, including rheumatoid arthritis, or neurological disorders, including multiple sclerosis, motor

neuron disease, polyneuropathy, muscular dystrophy, and Parkinson's Disease. According to the applicant, the additional ten (10) Level II CMR beds would operate similar to the existing thirty-three (33) Level I CMR beds. The applicant further confirms, the proposed Level II CMR beds will provide the same CMR services currently offered to all diagnoses except: one (1) spinal cord injuries, two (2) congenital deformity, and three (3) brain injury at the Rehab Center and as defined in the *FY 2018 State Health Plan*.

### **SHP Policy Statement 2 – Planning Areas**

The applicant acknowledges the state as a whole serves as a single planning area for determining the need for CMR beds/services. Therefore, the applicant has provided demographic and existing provider data for the state.

### **SHP Policy Statement 3 – CMR Services**

The applicant states EHRH currently operates thirty-three (33) Level I CMR beds. EHRH states the proposed ten (10) Level II CMR beds will not provide treatment services for spinal cord injury, congenital deformity, and brain injury.

### **SHP Policy Statement 4 – CMR Need Determination**

The applicant states EHRH reviewed Table 6.3 contained in Chapter 6 of the *FY 2018 State Health Plan*, where it shows the need for 196 Level II CMR beds to serve the estimated Mississippi population of 3,138,145 in FY 2023. Currently, there are only ninety-three (93) licensed Level II CMR beds, as indicated in Table 6.2. Based on the formula of .0623 beds per 1,000 population, the applicant states this leaves a shortfall of 103 Level II CMR beds to serve the estimated Mississippi population. The applicant also noted that in August 2018, Singing River Hospital received CON authority to convert eight (8) Level II CMR beds to Level I status. As a result of the Singing River Hospital approval, the applicant states there is a current need for 103 additional Level II CMR beds.

### **SHP Policy Statement 5 – Present Utilization of Rehabilitation Services**

The applicant asserts that EHRH has a high and rising occupancy rate of ninety percent (90%) in each of the last nine (9) months, and as of February 2018, the occupancy rate has not been below eighty percent (80%). The

applicant further states this high utilization of existing CMR services is evidence of the need for the proposed Level II CMR beds proposed.

#### **SHP Policy Statement 6 – Minimum Sized Facilities/Units**

The applicant states, as a joint venture between Encompass Health and Memorial, EHRH currently operates thirty-three (33) licensed Level I CMR beds as a “hospital within a hospital”, which meets the minimum size requirements for a hospital-based Level I provider. This request for ten (10) additional licensed Level II CMR beds would expand the total number of licensed CMR beds to forty-three (43). The applicant states the addition of beds within the same facility is allowable, since EHRH is not new, is not a unit, and is not creating a unit.

#### **SHP Policy Statement 7 – Expansion of Existing CMR Beds**

The applicant states that for the most recent twelve (12) month period, EHRH has maintained an occupancy rate of at least eighty percent (80%), meeting the requirement for an expansion of the applicant’s existing CMR beds.

#### **SHP Policy Statement 8 – Priority Consideration**

The applicant submits that Policy Statement 8 is not applicable as there are no competing applications for the additional CMR beds requested by EHRH.

#### **SHP Policy Statement 9 – Children’s Beds/Services**

The applicant states EHRH does not intend to serve children in its Rehab Center.

#### **SHP Policy Statement 10 – Other Requirements**

EHRH states the hospital’s Rehab Center currently meets all requirements set forth in the CMS regulations, as applicable.

#### **SHP Policy Statement 11 – Enforcement**

The applicant states EHRH is a current provider of CMR services and the proposed ten (10) Level II beds will not provide treatment services for the for rehabilitation diagnostic categories: one (1) spinal cord injury, two (2)

congenital deformity, and three (3) brain injury.

### **SHP Policy Statement 12 – Addition/Conversion of Beds**

The applicant asserts that Policy Statement 12 is not applicable as EHRH has not added or converted any beds of another category to CMR beds without a CON.

### **SHP Policy Statement 13– Delicensed Beds**

The applicant states EHRH does not have any voluntary delicensed beds.

### **State Health Plan Certificate of Need Criteria and Standards for Comprehensive Medical Rehabilitation Beds/Services**

#### **SHP Need Criterion 1- Projected Need**

- a. **New/Existing CMR Beds/Services:** The applicant states EHRH reviewed Table 6.3 contained in Chapter 6 of the *FY 2018 State Health Plan*, where it shows the need for 103 Level II CMR beds to serve the estimated Mississippi population of 3,138,145 in FY 2023. Currently, there are only 93 licensed Level II CMR beds, as indicated in Table 6.2. Based on the formula of 0.0623 beds per 1,000 population, the applicant states this leaves a shortfall 103 Level II CMR beds to serve the estimated Mississippi population. The applicant also noted Singing River Health System was recently approved to convert eight (8) Level II CMR beds to Level I beds.

As results of this approval, there is a current need for 103 Level II CMR beds.

- b. **Projects that do not Involve the Addition of CMR Beds:** The applicant states SHP Need Criterion 1(b) is not applicable to this project and the proposed project seeks to add ten (10) Level II CMR beds.

- c. **Projects that Involve the Addition of CMR Beds:**

The applicant affirms the need for the proposed additional inpatient rehabilitation beds is supported by: the 2018 Mississippi SHP need determination for Level II CMR beds; the occupancy trend of

EHRH's existing thirty-three (33) CMR beds; increased referrals from partnering hospitals; new insurance contracts; projected population growth in the service area; and projected aging of the population in the service area.

EHRH submits for the most recent twelve (12) month period, EHRH has maintained an occupancy rate of at least eighty percent (80%), meeting the requirement for an expansion of EHRH's existing CMR beds.

- d. **Level II Trauma Centers:** The applicant affirms that SHP Need Criterion 1(d) is not applicable to the proposed project.
  
- e. **Conversion of Level II CMR Beds to Level I CMR Beds:** The applicant affirms that SHP Need Criterion 1(e) is not applicable to the proposed project.

### **SHP Need Criterion 2 – Level I CMR Services**

The applicant asserts Need Criterion 2 is not applicable to their proposed project. However, the applicant acknowledges the proposed ten (10) Level II beds will not provide treatment services for the following rehabilitation diagnostic categories: (1) spinal cord injury, (2) congenital deformity, and (3) brain injury.

The applicant affirms EHRH will include on *its Annual Report of Hospitals* submitted to MSDH the following: total admissions, average length of stay by diagnosis, patient age, sex, race, zip code, payor source, and length of stay by diagnosis.

### **SHP Need Criterion 3 – Staffing and Services**

#### **a. Free Standing Level I Facilities**

The applicant states that SHP Need Criterion 3(a) is not applicable to the proposed project. The applicant further states Encompass Health Rehabilitation Hospital of Gulfport, LLC is an existing provider of Level I CMR services and complies with the standards on services and staffing set forth in Need Criteria 3. The applicant also states Dr. Lee Vouters, MD, a neurologist practicing at Memorial, is the Medical Director of EHRH and is licensed to practice medicine in

Mississippi. Dr. Voulters submitted a letter of support for the proposed project.

**b. Hospital-Based Units**

i. Both Level I and Level II hospital-based units shall have a Director of Rehabilitation who:

(1) Is a Doctor of Medicine or Osteopathy licensed under state law to practice medicine or surgery;

The applicant affirms Dr. Lee Voulters, MD, a neurologist practicing at Memorial, is the Medical Director of EHRH and licensed to practice in Mississippi.

(2) Has had, after completing a one (1) year hospital internship, at least two (2) years of training or experience in the medical management of inpatients requiring rehabilitation services.

The applicant states Dr. Lee Voulters training included serving as house physician and later house surgeon at the Royal Free Hospital in London and as chief resident in neurology at the University of Western Ontario in Canada. The applicant further states Dr. Voulters completed his fellowship in movement disorders at the Neurological Institute, College of Physicians and Surgeons at Columbia University.

(3) Provides services to the unit and its inpatients for at least twenty (20) hours per week.

The applicant states Dr. Voulters currently provides and will continue to provide services to EHRH and its inpatients at EHRH for at least twenty (20) hours per week.

ii. The following services shall be available full time by designated staff:

(1) Physical therapy

(2) Occupational therapy

(3) Social services



EHRH states physical therapy, occupational therapy, and social services are currently and will continue to be available full-time by designated staff.

- iii. Other services shall be provided as required but may be provided by a consultant or on a contractual basis.

The applicant affirms speech therapy is also available and will continue to be available full-time by designated staff.

2. **New Institutional Service:** The applicant states this requirement is not applicable to the proposed project for the addition of ten (10) Level II beds.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with the general review criteria.

### **GR Criterion 1 – State Health Plan**

The application is in compliance with the policy statements, certificate of need criteria and standards contained in the *FY 2018 State Health Plan* as discussed above.

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

The applicant submits over the past two (2) years, Encompass Health's JV partnership board has considered possibilities for expansion. The board also met with internal and external legal counsel to review the plans for the project. The applicant states over the last six (6) months, the board has worked with internal design and construction departments, external architectural and engineering firms to establish the viability of the project. The applicant affirms the proposed project is consistent with the applicant's long range plans to meet current and future demand for CMR services.

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

The applicant states EHRH evaluated four (4) alternatives to the proposed

project that would meet the health care needs of the community served. The applicant states the four (4) alternatives considered, were maintaining a status quo, developing a freestanding rehabilitation facility, apply for additional Level I beds, and applying for more than ten (10) additional Level II beds. According to EHRH, the Rehab Center currently operates at a level that justifies additional bed capacity, which involves the renovation of the third and fifth floor. The applicant believes that the proposed project is the only viable way for EHRH to address a clear community health need for additional Level II CMR beds in its facility.

- a. **Advantages and Disadvantages of Alternatives:** The applicant states the advantage of the proposed project is to increase the capacity of CMR services at EHRH through the addition of ten (10) CMR beds, given the demand for CMR services within the planning horizon. The applicant further states that the proposed project is quicker and more cost efficient than the other alternatives considered.
- b. **New Construction Projects:** The applicant states the proposed project involves the renovation of existing space on the third and fifth floor, and it is the most efficient and cost effective approach to increasing the availability of CMR services.
- c. **Beneficial Effects to the Health Care System:** According to the applicant, the proposed project is the least costly and quickest way to expand EHRH capacity to accommodate increased referrals of stroke patients and other patients from Memorial. The applicant states additional Level II CMR beds will decrease delays in admission to EHRH and the increase in bed capacity will allow patients with qualifying conditions to be admitted to therapy sooner, thereby improving patient outcomes and satisfaction.
- d. **Effective and Less Costly Alternatives:** The applicant states there is no less costly alternative to the project.
  - i. **Unnecessary Duplication of Services:** The applicant states the proposed project is not a duplication of existing services, only an expansion of CMR services at EHRH in response to consistent high utilization of the Level I beds in the Rehab Center.

- ii. Efficient Solution:** The applicant states the addition of Level II CMR beds is the only appropriate response to the demonstrated need for additional CMR service capacity at EHRH and the demonstrated need per the State Health Plan.
- e. Improvements and Innovations:** The applicant asserts the proposed project will promote and enhance quality assurance by increasing the availability of CMR services at the Rehab Center. The applicant also states rehabilitation is more cost-effective than long-term care for avoidable disabilities.
- f. Relevancy:** EHRH projects the improvements in acute care for trauma and strokes will increase survival rates and the number of patients who need CMR services. The applicant states Memorial's stroke center certification means EHRH will receive more direct admissions and transfers from other hospitals. EHRH states it should increase their capacity to make CMR services promptly available to appropriate patients. The applicant further states the location of EHRH in Memorial makes it feasible for the physicians who provide acute care to follow the patients during and after rehabilitation. The applicant believes the project will improve continuity of care and reduce the probability of the patient being readmitted.

#### **GR Criterion 4 - Economic Viability**

Based on the applicant's three-year projections, this project will have a net income (loss) of (\$312,203.00) the first year, \$370,375.00 second year, and \$1,199,306.00 the third year of operation, respectively.

- a. Proposed Charge:** The applicant states the proposed charges are based on EHRH's existing charge structure for CMR services. The applicant's financial analysis tables demonstrate economic viability in each year following the implementation of the project.
- b. Projected Levels of Utilization:** The applicant asserts that the consistently high utilization of Level I CMR services in EHRH demonstrates the need for additional CMR beds. The applicant further asserts that based on available data for competitors and their historical utilization, the allocated estimates are consistent with the service area need level.

- c. **Financial Feasibility Study.** The applicant affirms submission of a financial feasibility study prepared by the facility's financial officer for the proposed project.
- d. **Financial Forecasts:** The applicant affirms that EHRH does not project any significant deviations from its financial forecasts.
- e. **Covered Expenses:** The applicant states EHRH would rely on working capital and financial resources available through Encompass Health and Memorial to cover any revenue shortfall.
- f. **Impact of Proposed Project on Health Care Cost:** The applicant states Encompass Health is a national leader in cost effectiveness. The EHRH anticipates no significant impact on the cost of CMR services because of the proposed project. EHRH expects the cost of the increased number of CMR patient days to be offset by: reduction in unnecessary acute care days due to delays in admission to CMR, reduction in cost for other rehabilitation services, reduction in future acute care and long-term care costs and successful rehabilitation outcomes that reduce use of nursing homes. The applicant suggests that the notated offsets should positively impact Medicaid costs. The applicant states the financial analysis tables accompanying the application show the proposed project's impact on third-party payors, including Medicaid.

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

- a. **Access by Population Served:** The applicant submits services offered at EHRH are available to all residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups. The applicant states EHRH will treat all appropriate patients in need of its services regardless of ability to pay. The application contained a copy of EHRH's Indigent and Charity Care Policy and Non-Discrimination Policy,
- b. **Relocation of Services:** GR Criterion 5 is not applicable.
  - i. **Replacement Facility:** The applicant affirms this criterion is not applicable for the proposed project.

**ii. Utilization of Existing Space Post Relocation of Services:**

The applicant affirms this criterion is not applicable for the proposed project.

**c. Current and Projected Utilization of Comparable Facilities:**

The applicant asserts the proposed project complies with the specific criterion in the State Health Plan governing the expansion of CMR services by an existing provider. The applicant further asserts that it is clear that the consistently high utilization of the existing Level I CMR beds at the EHRH justifies additional capacity.

**d. Probable Effect on Existing Facilities in the Area:**

EHRH asserts the proposed project will not adversely impact existing providers. According to the applicant, the closest CMR facilities are located forty-four (44) miles away (Singing River Hospital) and seventy (70) miles away (Forrest General Hospital). The applicant notes that Forrest General Hospital received CON authority for the addition of two (2) Level I CMR Beds in 2019.

The applicant states the proposed project will be an expansion of EHRH's Joint Commission and CARF-accredited CMR program. The applicant also states an increase in bed capacity will enhance accessibility to services, and allow patients with qualifying conditions to be admitted to therapy sooner, thereby accelerating recovery. In addition, the applicant states the proposal is submitted in direct response to an institutional need demonstrated by the high utilization of CMR services at EHRH.

**e. Community Reaction to Service:** The application contained fifteen (15) letters of support for the proposed project.

**GR Criterion 6 - Access to the Facility or Service**

**a. Access to Services:** The applicant submits that Encompass Health Rehabilitation Hospital of Gulfport, LLC currently provides services to traditionally underserved populations and will continue to do so.

The applicant presents the following percentage of gross patient revenue and actual dollar amount of healthcare provided to

medically indigent and charity care patients for FY 2016 and FY 2017:

**Gross Patient Revenue**

	Medically Indigent (%)	Charity Care (%)	Medically Indigent (\$)	Charity Care (\$)
Historical Year 1 (June 1, 2017-May 31, 2018)	0.52%	0.00%	\$101,926.00	0.00%
Historical Year 2 (June 1, 2018-May 31, 2019)	0.21%	0.00%	\$51,869.00	\$105
Projected Year 1	0.35%	-	\$105,409.00	-
Projected Year 2	0.35%	-	\$116,082.00	-

**b. Existing Obligations:** The applicant indicates that it has no existing obligations under federal regulation requiring provision of uncompensated care, community service, or access by minority or handicapped persons.

**i. Remaining Obligations:** The applicant affirms that there are no remaining obligations. Therefore, GR Criterion 6 (b) is not applicable to the proposed project.

**c. Unmet Needs of Medicare, Medicaid, and Medically Indigent Patients:** The applicant asserts that EHRH is fully accessible to Medicare, Medicaid and medically indigent patients. The applicant also states the proposed project will improve access by medically underserved groups through an increase capacity of CMR beds and services. EHRH affirms all appropriate patients in need of its services will receive treatment regardless of ability to pay.

**d. Access to the Proposed Facility:** The applicant submits EHRH accepts all residents of its service area, regardless of payor status or financial ability to pay. The applicant confirms patients must be referred by a physician and are evaluated for clinical appropriateness before admission by EHRH nurses and physicians. The applicant also states the patient does not need to have received acute care at Memorial to be treated at EHRH,

**e. Access Issues:**

- i. Transportation and Travel:** The applicant states that EHRH is accessible by U.S. Highways 49 and 90.
- ii. Restrictive Admission Policy:** The application included a copy of the current admissions policy for Encompass Health Rehabilitation Hospital of Gulfport, LLC.
- iii. Access to Care by Medically Indigent Patients:** The applicant confirms the Hospital will treat all appropriate patients in need of its services regardless of ability to pay.
- iv. Operational Hours of Service:** The applicant states that its regular and emergency operating hours are twenty-four (24) hours a day, seven (7) days a week.

**GR Criterion 7- Information Requirement**

EHRH affirms 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**

- a. Comparable Services:** The applicant submits since opening in April 2017, eighty-six percent (86%) of EHRH's patients have been residents of Harrison County. EHRH considers its primary service area to be Harrison County. EHRH affirms there are no other CMR providers in Harrison County. As previously stated above the closest CMR facilities are located forty-four (44) miles away (Singing River Hospital) and seventy (70) miles away (Forrest General Hospital). The applicant notes that Forrest General Hospital received CON authority for the addition of two (2) Level I CMR Beds in 2019.
- b. Effects on Existing Health Services:**
  - i. Complement Existing Services:** The applicant indicates

the additional CMR beds will expand the existing services at EHRH, currently constrained by bed capacity.

- ii. **Provide Alternative or Unique Services:** The applicant affirms the proposed project will expand its CMR capacity and improve the availability of Level II CMR services in Harrison County.
  - iii. **Provide a Service for a Specific Target Population:** The applicant states the additional Level II CMR beds will provide CMR services for clinically appropriate patients other than spinal cord injury, congenital deformity, and brain injury. The applicant further states comprehensive medical rehabilitation services will be provided in a coordinated, individualized, goal-oriented manner to maximize the recovery of each patient in his or her activities of daily living and vocational activities. The applicant affirms patients and their caregivers will be involved in individual planning, decision-making, implementation, and evaluation of the service they receive.
  - iv. **Provide Services for Which There is an Unmet Need:** The applicant believes the addition of the proposed project will help expand bed capacity for growing CMR admissions at EHRH. The applicant states the thirty-three (33) beds at EHRH are currently at ninety-six point four percent (96.4%) occupancy in 2019. The applicant believes the additional beds will partially address the statewide need for 103 additional Level II CMR beds identified in Chapter 6 in the FY 2018 State Health Plan.
- c. **Adverse Impact:** The applicant states if this project is not implemented, the greatest adverse impact would be to patients in need of CMR services. The applicant states patients who need CMR services may be pushed to less appropriate treatment at a Skilled Nursing Facility (SNF), home health agencies, or in some cases no rehabilitation treatment. The applicant believes patients who are appropriate for CMR services but are redirected to a SNF may have worse outcomes that impact their future medical expenses, earning capacity, and quality of life.



- d. Transfer/Referral/Affiliation Agreements:** The application included the transfer/referral/affiliation agreement.

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

- a. New Personnel:** The applicant states EHRH will recruit new personnel, if needed through its current process of recruitment.
- b. Contractual Services:** The applicant states the contractual services purchased for EHRH as of May 30, 2019 are:
- Mobile One Non-Emergency Transport Service, LLC
  - Mobile Medic Ambulance Service, Inc. d/b/a American Medical Response
  - Memorial Hospital at Gulfport
  - Crown Health Care Laundry Services, LLC
  - Dr. Stephen Paul Johns, M.D.
  - Dr. Lee Voulters, M.D.
  - Mississippi Organ Recovery Agency (MORA), Inc.
  - One Source, Inc.
  - Kenneth James Leonard, Pianist
  - Midsouth PICCs, LLC
  - Dr. Nathan D. Boles, M.D.
  - Express Services, Inc. d/b/a Express Employment Professionals
  - Advanced Clinical Employment Staffing, LLC
  - Fresenius and Compass (dietary and FNS provider)
- c. Existing Facilities or Services:** The applicant states EHRH is an accredited institution with a satisfactory staffing history, as evidenced by its accreditation by the Joint Commission.
- d. Alternative Uses of Resources:** The applicant affirms EHRH exclusively provides CMR services and did not consider providing other health services.

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

- a. Support and Ancillary Services:** EHRH asserts the current ancillary and support services for the existing thirty-three (33) bed

unit will also provide services for the proposed project. EHRH also states all necessary support an ancillary services needed for the proposed project are available through existing contractual services or existing services provided by EHRH.

- b. **Changes in Costs or Charges:** The applicant anticipates no material changes in unit costs or unit charges because of the proposed project. However, the applicant notes the total costs and charges will increase in proportion to the increase in patient days.
- c. **Accommodation Costs or Charges:** EHRH anticipates no material change in unit costs or unit charges because of the proposed project.

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

The applicant states EHRH has clinical affiliations with Pearl River Community College, University of Arkansas for Medical Sciences, MS Gulf Coast Community College, and William Carey University. The applicant further states the affiliations are to allow the students of these institutions to participate in clinical rotations at EHRH of Gulfport, LLC with possible rotations in nursing, therapy, pharmacy, or other clinical care and treatment fields.

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

The applicant states the proposed project will serve the clinical needs of EHRH's Family Medicine Residency Program.

#### **GR Criterion 13 – Access to Individuals Outside Service Area**

The applicant states from its prospective of the State Health Plan, the entire state is the service area for comprehensive medical rehabilitation beds/services. EHRH states they do not anticipate serving many patients that do not reside in Mississippi. The applicant confirms since April 2017, less than one percent of EHRH's patients were out-of-state residents.

### **GR Criterion 14– Construction Projects**

The applicant states that the project does not involve any construction, but the renovation area consists of 10,894 square feet and the cost per renovated square foot is four \$441.26.

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

There are no competing applications on file with the Mississippi State Department of Health for the addition of CMR beds.

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

- a. **Past Quality of Care:** The applicant states EHRH is accredited by The Joint Commission and by the Commission on Accreditation for Rehabilitation Facilities (CARF) International. EHRH feels these accreditations demonstrate their high quality care.
- b. **Improvement of Quality of Care:** The applicant states adding CMR beds will alleviate bed capacity constraints that result in delays in patient admission or referral to less appropriate types of providers, thereby, improving quality of care. The applicant also states increased capacity will enable EHRH to both accept more referrals from Memorial and other hospitals to provide timely rehabilitation services.
- c. **Accreditation and/or Certificates:** The applicant affirms that EHRH is accredited by The Joint Commission and by the Commission on Accreditation for Rehabilitation Facilities (CARF) International.

## **IV. FINANCIAL FEASIBILITY**

### **A. Capital Expenditure Summary**

The applicant affirms that the proposed capital expenditure for this project is \$5,822,056.00.

### **B. Method of Financing**

The applicant states EHRH would rely on working capital and financial resources available through Encompass Health and Memorial to cover any revenue shortfall.

**C. Effect on Operating Cost**

The applicant's Three-Year Projected Operating Statement, which includes gross revenues for the first, second and third years of operation, expenses, and net income, is presented in Attachment 1.

**D. Cost to Medicaid/Medicare**

The applicant's projections of gross patient revenue percentage and actual dollar amount to Medicaid and Medicare payor sources for the first year of operation is presented below (Project Only):

<b>Payor Mix</b>	<b>Utilization Percentage (%)</b>	<b>First Year Revenue (\$)</b>
<b>Medicare</b>	80.00%	\$ 1,712,618.00
<b>Medicaid</b>	4.00%	85,513.00
<b>Commercial</b>	12.0 %	258,978.00
<b>Self- Pay</b>	0.00%	0.00
<b>Charity Care</b>	0.00%	7,507.00
<b>Other</b>	4.00%	80,444.00
<b>Total</b>	<b>100.00%</b>	<b>\$2,145,060.00</b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. In a letter dated August 09, 2019, the Division stated that due to a change in reimbursement methodology, the Division could not estimate the increase in cost outlier payment resulting from this CON; therefore, the Division of Medicaid had no opinion on this project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the addition of CMR beds as contained in the *FY 2018 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017*,

*Revised;* and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Encompass Health Rehabilitation Hospital of Gulfport, LLC d/b/a Encompass Health Rehabilitation Hospital, a partner of Memorial Hospital at Gulfport for the addition of ten (10) Level II CMR beds.

**ATTACHMENT 1**  
**Encompass Health Rehabilitation Hospital of Gulfport, LLC**  
**D/B/A Encompass Health Rehabilitation Hospital, a partner of Memorial Hospital at**  
**Gulfport**  
**Addition of Ten (10) Level II CMR Beds**  
**Three-Year Projected Operating Statement**  
**(Project Only)**

	Year 1	Year 2	Year 3
<b>Revenue</b>			
<b>Patient Revenue:</b>			
Inpatient	\$2,145,060.00	\$4,495,243.00	\$7,146,109.00
Outpatient	-	-	-
Gross Patient Revenue	2,145,060.00	4,495,243.00	7,146,109.00
Charity Care	7,507.00	15,732.00	25,010.00
Deductions from Revenue	705,375.00	1,543,609.00	2,525,902.00
<b>Net Patient Revenue</b>	<b>\$ 1,432,178.00</b>	<b>\$2,935,902.00</b>	<b>\$ 4,595,197.00</b>
<b>Total Operating Revenue</b>	<b>\$ 1,432,178.00</b>	<b>\$2,935,902.00</b>	<b>\$ 4,595,197.00</b>
<b>Expenses</b>			
<b>Operating Expenses:</b>			
Salaries	\$ 462,636.00	\$ 902,601.00	\$ 1,319,015.00
Benefits	81,793.00	159,578.00	233,199.00
Supplies	35,994.00	75,393.00	119,863.00
Services	242,273.00	504,270.00	798,088.00
Lease	100,000.00	102,000.00	104,040.00
Depreciation	821,686.00	821,686.00	821,686.00
Interest	0.00	0.00	0.00
Other	0.00	0.00	0.00
<b>*Total Expenses</b>	<b>\$ 1,744,382.00</b>	<b>\$ 2,565,528.00</b>	<b>\$ 3,395,891.00</b>
<b>Net Income (Loss)</b>	<b>\$ (312,203.00)</b>	<b>\$ 370,375.00</b>	<b>\$ 1,199,306.00</b>
<b>Assumptions</b>			
Inpatient days	896	1,831	2,840
Outpatient days	0	0	0
Procedures	0	0	0
Charge per outpatient day	0	0	0
Charge per inpatient day	2,394.00	\$ 2,455.00	\$ 2,516.00
Charge per procedure	NA	NA	NA
Cost per inpatient day	\$ 1,947.00	\$ 1,401.00	\$ 1,196.00
Cost per outpatient day	NA	NA	NA
Cost per procedure	NA	NA	NA

\* Staff determined that the applicant's total operating expense for year 1 and 2 is one dollar (\$1.00) less than the computed total listed above.