

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

**CON REVIEW HG-NIS-1111-022  
HARRISON HMA, LLC d/b/a  
GULF COAST MEDICAL CENTER  
CONSTRUCTION/RELOCATION AND REPLACEMENT  
GULF COAST MEDICAL CENTER  
LOCATION: BILOXI, HARRISON COUNTY, MISSISSIPPI  
CAPITAL EXPENDITURE: \$133,322,098**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

Health Management Associates, Incorporated (HMA, Inc.) is a limited liability company whose principal office is located in Naples, Florida. Prior to 2008, HMA owned, operated, and managed a subsidiary company, Harrison HMA Limited Liability Company (LLC) d/b/a Gulf Coast Medical Center (GCMC) in Biloxi, Harrison County, Mississippi.

On August 29, 2005, Hurricane Katrina caused severe, irreversible damage to Gulf Coast Community Hospital d/b/a Gulf Coast Medical Center (GCMC) and the Mississippi State Department of Health (MSDH), Division of Licensure and Certification held 144-acute-care beds in abeyance. Forty-five psychiatric beds were acquired by Biloxi Regional Medical Center and is licensed under BRMC's bed capacity. The psychiatric bed facility is called Gulf Oaks.

On May 22, 2006, GCMC received MSDH approval through a change of ownership to sell its facility to Harrison HMA, Inc. Harrison HMA, Inc. completed change of ownership documents and received MSDH approval on December 20, 2007 to lease Harrison HMA, Inc. dba GCMC to Biloxi HMA, Inc dba Biloxi Regional Medical Center. Gulf Coast Medical Center closed on January 3, 2008. Both acute care facilities are affiliated with Health Management Associates, Incorporated.

Verification provided indicates that Health Management Associates, Incorporated began a restructuring plan in 2008 and a conversion was completed. Harrison HMA, LLC was authorized to act on behalf of Harrison HMA, Inc. through Harrison HMA, LLC's officers. Harrison HMA, Inc. would like to continue with HMA, Inc's plans and at some point, complete the process.

Health Management Associates, Incorporated maintained ownership of Harrison HMA LLC d/b/a GCMC and will continue to own, operate, and manage the 144-bed acute care facility.

On April 4, 2012, Harrison HMA, Inc. received MSDH approval to change ownership to Harrison HMA, LLC if the proposed construction/relocation and replacement project is CON approved.

Before the GCMC closed on January 3, 2008, the facility offered 24-hour care to residents in the area and participated in the Medicaid and Medicare programs. The applicant included a Certificate from the Secretary of State's Office dated December 21, 2011 indicating that Harrison HMA, LLC is a limited liability company incorporated in Mississippi and is in good standing with the State of Mississippi. Harrison HMA, LLC provided an organizational chart to show that the proposed facility will be governed by the Board of Trustees from the Biloxi Regional Medical Center, one president, one vice president, and one chief executive officer.

Before the storm, the licensed bed complement of GCMC consisted of 144 short-term, general acute care beds and 45 psychiatric beds. Since GCMC leased Harrison HMA, Inc. dba GCMC to Biloxi HMA, Inc. dba Biloxi Regional Medical Center, the occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years are not available.

## **B. PROJECT DESCRIPTION**

Gulf Coast Medical Center (Harrison County) is currently located 300 yards from the Gulf of Mexico in General Hospital Service Area (GHSA) 9. In this service area, Health Management Associates, LLC, requests CON authority to relocate its 144 licensed acute care facility from Biloxi, Harrison County to 4 miles north of the coastline in Biloxi, Harrison County, Mississippi. Before Hurricane Katrina 2005, GCMC offered magnetic resonance imaging (MRI) and obstetrical services. The applicant also requests CON Authority to acquire a MRI scanner (Siemens Highfield MRI unit, 3.0 Telsa) and establish MRI services. If approved, the relocated acute-care facility will be known as *The Hospital at Cedar Lake* (THCL).

The applicant proposes to construct a new, five story, acute care, facility consisting of 233,800 square feet of space on land situated in North Biloxi, Mississippi. The land is in the revised flood plain areas south and west of the junction of Interstate Highway 10 and Cedar Lake Road. The proposed project will entail purchasing the land; 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.

The total proposed project cost is \$133,322,098. The project will entail approximately 233,800 square feet of space at an estimated cost of \$345.57 per square foot. Health Management Associates, LLC estimates total cost for fixed and non-fixed equipment will be \$46,895,650 (See Attachment 2).

The applicant includes a capital expenditure summary, a three-year projected operating statement, a financial feasibility study, and a statement of operations for 2010. Although the proposed project will involve relocating a facility from Biloxi, Harrison County to North Biloxi, Harrison County, the applicant anticipates the facility will be able to select and employ health manpower. As a result of this project, the applicant projects that 506.1 full-time equivalents (FTEs) will be required to operate the facility at a cost of \$20,406,738.90.

The applicant states that THCL will seek to enter into transfer agreements with all Mississippi Gulf Coast hospitals. Also, THCL will develop plans and affiliations to implement during emergency situations. The facility will be affiliated with its sister hospital, Biloxi Regional Medical Center.

The applicant states that the proposed project will not involve renovation; however, GCMC provided documentation to show the allocation of space by square footage and a number of 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, Health Management Associates, LLC will use equity contribution in the amount of \$133,322,098. Upon CON approval, the applicant anticipates that the capital expenditure will be obligated by June 2012 and the proposed project to be complete by March 2014.

## **II. TYPE OF REVIEW REQUIRED**

The Mississippi Department of Health reviews applications for the construction, development and relocation of a healthcare facility or portion thereof, or major medical equipment involving a capital expenditure in excess of \$2,000,000, establishment of obstetric services, and offering of magnetic resonance imaging services under the applicable statutory requirements of Sections 41-7-173, 41-7-191 (1)(a),(b),(d)(xii),(f), and (e), 41-7-193 and 41-7-195, Mississippi Code of 1972, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi Department of Health.

In accordance with Section 41-7-197(2) of the Mississippi Code 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 July 5, 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 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 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 to offer obstetrical services and Magnetic Resonance Imaging equipment and service that GCMC offered before the facility closed.

Representatives for GCMC completed delicensing procedures on February 11, 2008 and the facility was approved on April 11, 2008 by MSDH to place 144 acute care beds in abeyance. The approval allowed GCMC's 144 acute care beds to continue to be counted as part of the state's total bed inventory and permit the facility to request/be approved by MSDH to return the beds to service without requesting CON approval.

The applicant asserts that the proposed replacement/relocation project for GCMC has strong community support and will be economically viable by the third year of operation. The facility officials projects that the replacement/relocation project will have a significant impact on the local economy by increasing employment through construction and staffing after the facility opens, increase tax revenue, possible development of new services and businesses surrounding the hospital, and capitalizing on visitors spending money in the area. The former facility and proposed replacement facility was/will be among other existing hospitals in GHSA 9 and both locations are not in an underdeveloped GHSA with a rapidly growing population. However, the area was severely damaged, businesses were closed temporarily, homes destroyed, and portions of the Biloxi-Gulfport population migrated to other cities and areas. Thus, the population declined. The facility will not be relocated to Amite, Benton, Carroll, Issaquena, Itawamba, Kemper or Tunica.

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

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

This application seeks only to replace and relocate acute care facility beds 300 yards from the Gulf of Mexico in Biloxi, Harrison County, Mississippi to North Biloxi in the same county. The existing facility and where the proposed facility will be relocated are in GHSA 9. In order to complete the replacement and relocation process, the applicant will request MSDH to shift 144-acute care beds from abeyance status into operation.

Before the facility was damaged by Hurricane Katrina, GCMC had obstetrical and MRI services. The applicant is also requesting obstetrical and MRI services.

Although GCMC was severely damaged in 2005 due to Hurricane Katrina and had to close in 2008, the applicant proposes to relocate to the same area with the same need, the relocation won't create a void in Harrison County.

The applicant indicates that patients originated from eight zip codes and documents that the following zip codes created the following primary service area for the GCMC: Biloxi (39530, 39531, and 39532), Ocean Springs (39564), Gulfport (39501, 39503, and 39507), and Long Beach (39564). Also, the facility's secondary service area consisted of: Bay St. Louis, Diamond Head, D'Iberville, Vancleave, Pass Christian, and Saucier. The applicant asserts that patients were discharged to Gulfport (39507, 39531, 39532, 39501, and 39503) and Highway 90 was the main transportation route in 2005.

Staff evaluated Harrison County's GHSA before Hurricane Katrina and after the August 29, 2005 hurricane. In the *FY 2007 MSHP*, Harrison County was listed in Table 11-1 under GHSA 9. At some point, the *MSHP* was revamped and the table and GHSA changed to Table 5-2 and GHSA 9. Both tables were inclusive of the number of acute care facilities, their locations, and utilization data for each hospital. The following tables in the *MSHP* display the number of *Licensed Short-Term Acute Care Hospital Beds by Service Area*:

**Table 11 - 1**  
**Licensed Short-Term Acute Care Hospital Beds by Service Area**  
**FY 2005\***

Facility	# Licensed Beds	# Beds in Abeyance	Average Daily Census	Occupancy Rate	Average Length of Stay
<b>General Hospital Service Area 7</b>	<b>1,552</b>	<b>0</b>	<b>683.87</b>	<b>44.06</b>	<b>4.78</b>
Biloxi Regional Medical Center	153	0	84.76	55.40	4.92
Garden Park Medical Center	130	0	58.03	44.64	5.04
George County Hospital	53	0	25.42	47.96	3.73
Gulf Coast Medical Center	144	0	36.17	25.12	4.80
Hancock Medical Center	104	0	48.00	46.15	4.39
L.O. Crosby Memorial Hospital	95	0	18.27	19.23	2.46
Memorial Hospital at Gulfport	303	0	206.64	68.20	5.32
Ocean Springs Hospital	136	0	97.28	71.53	4.81
Pearl River Hospital & NH	24	0	1.36	5.66	5.88
Singing River Hospital	385	0	108.12	28.08	4.89
Stone County Hospital	25	0	3.77	15.10	3.98

Source: Application for Renewal of Hospital License for Calendar Year 2006; Division of Health Planning and Resource Development, Office of Health Policy and Planning.

\*FY 2005 (10/01/04 to 09/30/2005)

**Table 5-2**  
**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 9</b>	<b>1,346</b>	<b>0</b>	<b>565.08</b>	<b>41.98</b>	<b>4.28</b>
Biloxi Regional Medical Center	153	0	75.30	49.21	4.51
Garden Park Medical Center	130	0	47.87	36.83	4.39
George County Hospital	48	0	21.10	43.97	4.63
Hancock Medical Center	47	0	21.85	46.48	3.23
Highland Community Hospital - Picayune	95	0	19.33	20.35	2.80
Memorial Hospital at Gulfport	303	0	182.52	60.24	4.88
Ocean Springs Hospital	136	0	98.61	72.50	4.28
Pearl River Hospital & Nursing Home - Poplarville	24	0	1.21	5.05	6.17
Singing River Hospital	385	0	94.83	24.63	3.82
Stone County Hospital	25	0	2.46	9.84	2.80

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)

The applicant reports that GCMC reopened after the hurricane; however, the facility experienced some of the following drastic changes: risk of patients, staff, and facilities encountering future storms; reduction in patient referrals; loss of staff and medical staff; shift in the population, etc.

Staff evaluated population data before/after the storm and determined that Gulfport-Biloxi's population steadily increased but unfortunately, declined after 2005.

HMA, Inc. assessed GCMC's situation and decided that other major factors relating to the hospital had to be addressed in order to continue its commitment to Harrison County residents. On January 3, 2008, HMA, Inc. closed GCMC; however, still provided health care to the area through its affiliate, Biloxi RMC. Staff determined that Table 5-2 for FY 2010 above shows a decrease of 206 acute-care beds and includes 144 GCMC placed into abeyance.

The primary service area information for GCMC, provided by the applicant, suggests that the population for Biloxi (39532), Gulfport (39503), and Ocean Springs (39564) has increased in areas north of Interstate Highway 10 (I-10); however, areas along the gulf coast (Gulfport-39507, Gulfport-39501, Biloxi-39531, Biloxi-39530, and Waveland-39560) have experienced a decline in population.

It seems that GCMC believed it would be best to relocate the facility south and west of the junction of Interstate Highway 10 (I-HWY 10) and Cedar Lake Road based on the following factors: the increase in population in three north zip codes and in D'Iberville (39540), Vancleave (39565), and Saucier (39574); elevation of land above the mean tide level (37.63) in the revised flood plains, and distance from the Gulf of Mexico and Back Bay.

The applicant indicates Biloxi (39532), Gulfport (39503), D'Iberville (39540), Vancleave (39565), and Saucier (39574) will be designated as GCMC's *New Primary Service Area*; however, residents located in the eight zip codes on the coastline will *still have access* to the proposed facility. The eight zip codes, Diamond Head (39525), Gulfport/Pass Christian (39571), Long Beach (39560), Gulfport (39501), Gulfport (39507), Biloxi (39531), Biloxi (39530), and Ocean Springs (39564) will be considered as GCMC's *New Secondary Service Area*.

The applicant affirms that the facility will participate in the Mississippi Trauma Care System as a Level III facility. Thus, GCMC believes the relocation would provide residents access to 24 hour emergency service located north of the Back Bay through I-10.

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

If the proposed project is approved, the applicant asserts that *The Hospital at Cedar Lake* will adhere to Chapter I of the FY 2012 MSHP by providing a reasonable amount of charity/indigent care.

### **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.

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

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

In addition, the applicant states that the proposed project is not seeking to transfer/reallocate/relocate a specific category of beds or services.

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

A response to SHP Criterion 5 is previously listed above under SHP Criterion 2.

### **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 was less than the mean project cost per bed for similar projects completed in 2007, 2008, and 2009. The applicant states that there were no comparable projects completed in 2010.

The proposed equipment cost was listed in the application and the applicant indicates that it is slightly higher than the mean equipment cost per bed for similar projects due to inflation. The cost difference or increase could be attributed to the type of care/services provided by a comparable hospital as opposed to a community hospital.

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

Also, the applicant documents/compares the proposed square footage to state and national norms for similar projects and determined that 1,624 square feet per bed is within the range of national values and less than the mean and median square footage per bed for similar Mississippi projects.



Gulf Coast Medical Center was built in 1975 and the applicant states that the design precedes 1980 authorizations relating to hospital-based outpatient care and similar cost containment efforts. The facility was grandfathered under regulatory/licensure provisions, allowed to operate, and GCMC asserts that the facility does not meet new requirements pertaining to current hospital design standards and state/federal regulations. Given the factors mentioned above, the cost to renovate the hospital would be enormous and not be financially feasible. Thus, GCMC rejected the option to renovate or expand the current facility.

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

Given the factors previously mentioned, the cost to renovate the hospital would be enormous and not be financially feasible. Thus, GCMC rejected the option to renovate or expand the current facility.

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

The hospital is proposing to offer obstetrical services and Magnetic Resonance Imaging equipment and service that GCMC offered before the facility closed. The need for each service specific criteria is listed within the next section of this analysis.

### **Obstetrical Services**

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

The applicant asserts that GCMC provided obstetrical (OB) services and reported 275 deliveries in 2007 and of the total number of deliveries, GCMC performed 99 caesarian sections. If the proposed project is approved, GCMC states its replacement facility; *The Hospital at Cedar Lake* will comply with the guidelines for perinatal units.

#### **SHP Criterion 2- Provision Perinatal Services:**

Gulf Coast Medical Center states the facility offered Level I-Basic perinatal services and was licensed for a total of four OB beds. Since the hospital did not terminate perinatal services; however, closed the hospital due to experiencing major storm damage, the applicant states the proposed project does not seek to establish new OB services or specialty or subspecialty perinatal services or increase the number of licensed OB beds.

#### **SHP Criterion 3 – Staffing**

The applicant asserts that the appropriate staff listed under this criterion will provide maternity and newborn care and be under the direct supervision of a qualified professional nurse at all times.

#### **SHP Criterion 4 -Policies/ Responsibilities**

Based on the statement of the applicant, the facility will develop written policies delineating responsibility for immediate newborn care, resuscitation, selection and maintenance of necessary equipment, and training of personnel in proper techniques.

#### **SHP Criterion 5 - Required Personnel**

Regarding emergency cesarean delivery, GCMC affirms required personnel relating to a nurse, anesthesia, neonatal resuscitation, and obstetric staff shall be in the hospital or readily available at all times.

#### **SHP Criterion 6 – Accessibility**

The applicant contends that the projected population lives within 30 minutes of the proposed new facility and the majority of residents live within 15 minutes of the proposed location. Thus, the applicant asserts that the proposed services will be available within one (1) hour normal driving time of 95 percent of the population in rural areas and within 30 minutes normal driving time in urban areas.

#### **SHP Criterion 7- Transfer Protocols**

Gulf Coast Medical Center affirms that protocols for the transfer of medical care of the neonate in both routine and emergency circumstances will be provided by GCMC.

#### **SHP Criterion 8- Information Requirement**

The applicant states GCMC will record and maintain information regarding charity care and care to the medically indigent and make it available to the Mississippi State Department of Health within 15 business days of request.

#### **SHP Criterion 9- Policies or Procedures**

Gulf Coast Medical Center asserts that the hospital and its staff will adhere to documented policies or procedures to ensure patients within the available services will not be excluded because of race, age, sex, ethnicity, or ability to pay.

**Acquisition or Otherwise Control of Magnetic Resonance Imaging (MRI) Equipment of MRI Equipment**

**SHP Criterion 1- Need**

An entity desiring to acquire or otherwise control MRI equipment must document that the equipment shall perform a minimum of 2,700 procedures per year by the second year of operation, utilizing the procedures estimation methodology contained in the *Plan*.

Because the procedures estimation methodology was intended for use by hospitals and not clinics, the MSDH allows freestanding applicants to use an alternative method to project the annual patient service volume for the facility. In this case, the proposed project includes a request to acquire a MRI unit and provide MRI service in a hospital-based setting. Thus, the facility will not be a freestanding facility or a clinic and the submission of affidavits will not be applicable.

Before Hurricane Katrina, Gulf Coast Medical Center was CON approved to perform MRI procedures with a fixed MRI unit until the facility closed. At this time, GCMC proposes to acquire and control a MRI unit and provide MRI services at the proposed facility that will be known as *The Hospital at Cedar Lake* (THCL). Prior to the storm, GCMC had a fixed, 1.5 Telsa MRI Unit and many facilities still use a MRI unit with the same strength unit. The applicant points out that the number of MRI scans has steadily increased before/after the storm along with improvements in imaging technology.

According to the *FY 2007 MSHP*, there were 15 providers of MRI services operating 18 units in General Hospital Service Area 7. As reported in the *Plan*, the 18 units performed a total of 33,407 and 33,705 procedures in 2005 and 2004. Respectively, the average number of MRI procedures was 1,855.944 and 1,872.50 procedures per unit. The *FY 2009 MSHP* reports MRI data after the 2005 hurricane and before GCMC closed. In 2007, 13 MRI providers operated 16 units and they performed a total of 36,994 procedures or an average of 2,312.13 procedures per unit (see the following table).

**LOCATION AND NUMBER OF MRI  
PROCEDURES IN GENERAL HOSPITAL SERVICE AREA 7 (NEW 9)**

Facility	Location	Type /No. of Equipment	No. of Proc. 2004	No. Proc. 2005	No. Proc. 2006	No. Proc. 2007
Biloxi Regional Medical Center	Biloxi	F	4,384	5,212	5,005	4,951
Coastal County Imaging Services	Gulfport	F	CON	CON	98	1,414
Coastal MRI-Bienville Orthopedic*	Gautier	M	1,647	0	-	-
Garden Park	Gulfport	F	1,520	1,668	1,569	1,488
George County Hospital	Lucedale	F	598	614	727	684
Gulf Coast Medical Center	Biloxi	F	1,578	1,532	1,051	1,351
Hancock Medical Center	Bay St. Louis	F	2,159	1,943	64	1,486
L.O. Crosby MH (Highland CH)	Picayune	M	964	901	370	805
Memorial Hospital at Gulfport	Gulfport	F(2)	5,961	6,121	5,976	5,243
Memorial Hospital at Gulfport **	Orange Grove	F	CON	CON	-	-
Ocean Springs Hospital	Ocean Springs	F	2,975	3,516	3,888	2,845
Open MRI-Cedar Lake	Gulfport	F/M	2,662	3,373	4,909	5,000
Open MRI-Compass Site	Gulfport	F	3,882	3,182	4,709	5,269
OMRI, Inc. dba Open MRI, Inc.	Gulfport	M (2)	1,240	1,485	2,195	2,051
Singing River Hospital	Pascagoula	F	4,135	3,860	3,922	4,407
<b>Total</b>			<b>33,705</b>	<b>33,407</b>	<b>34,483</b>	<b>36,994</b>

\*Coastal MRI- No longer in existence.

\*\* Memorial Hospital at Gulfport (Orange Grove)-CON for a fixed MRI unit/service expired.

Source: FY 2009 & FY 2007 *State Health Plan*, Applications for Renewal of Hospital License for Calendar Years 2008 and 2007, and Fiscal Years 2006 and 2007 Annual Hospital Reports; FY 2007 MRI Utilization Survey; Calendar Years 2005 and 2006, and Fiscal Years 2004 and 2005 Annual Hospital Reports, CY 2005 MRI Utilization Survey

In the FY 2012 MSHP, there were 13 MRI providers that operated 17 units in GHSA 9 and they performed a total of 36,213 procedures in 2010 or an average of 2,130.18 procedures per unit. The following tables are a historical and current illustration of the number of MRI units and procedures in GHSA 7 (New 9):

**LOCATION AND NUMBER OF MRI  
PROCEDURES IN GENERAL HOSPITAL SERVICE AREA 7 (NEW 9)**

Facility	Location	Type /No. of Equipment	No. of Proc. 2009	No. Proc. 2010	Days of Operation	FTE Unit
Biloxi Regional Medical Center	Biloxi	F	4,951	3,264	M-F, 50+	1
Cedar Lake MRI	Gulfport	F	2,980	2,643	M-F, 45	1
Coastal County Imaging Services	Gulfport	F	1,730	1,744	M-F, 50+	1
Garden Park	Gulfport	F	2,290	2,229	M-F, 45	1
George County Hospital	Lucedale	F	747	791	M-F, 40	1
Gulf Coast Medical Center	Biloxi	F	1,348	1,084	M-F, 80	1
Hancock Med. Ctr.-Imaging Ctr.	Bay St. Louis	F	0	CON	N/A	1
Highland Community Hospital	Picayune	M	1,131	1,024	M-F, 40	1
Memorial Hospital at Gulfport	Gulfport	F(2)	6,024	5,906	M-F, 150	2
Ocean Springs Hospital	Ocean Springs	F(2)	3,860	5,090	M-F, 90	2
Open MRI-Compass Site	Gulfport	F	4,634	4,458	M-F, 80	1
OMRI, Inc. dba Open MRI, Inc.	Gulfport	M (2)	2,610	2,756	M-F, 80	2
Singing River Hospital	Pascagoula	F(1)M(1)	4,798	5,224	M-F, 98+	2
<b>Total</b>			<b>37,103</b>	<b>36,213</b>		<b>17</b>

MRI Units and Procedures for GHSA 7 (NEW 9)							
# of Units	FY 2004	FY 2005	FY 2006	FY 2007	FY 2010	FY 2011	FY 2012 (Estimate) Includes approved CON
Fixed	11	11	12	12	12	12	
Mobile	5	5	4	4	4	4	
<b>Total Operational</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	16	16	
CON Approved*	2	2	0	0	1*	2*	5,400*
Total Operational & CON Approved	18	18	16	16	17	17	
Total Procedures	33,705	33,407	34,483	36,994	36,213	Not Available	36,213+5,400 =41,613
<b>Average # of Procedures</b>	<b>1,873</b>	<b>1,856</b>	<b>2,155</b>	<b>2312</b>	<b>2,130</b>	Not Available	<b>2,448</b>

\*CON authorized: Hancock Medical Center-Imaging Center (fixed unit) and Stone County Hospital dba Stone County Hospital was approved March 2011 to offer MRI service through a mobile MRI vendor. A projection of 2,700 procedures per facility, per year was used to calculate the 2012 Estimate.

## 2015 Projected Population for General Hospital Service Area 9

1	Pearl River County	64,135
2	Stone County	18,356
3	George County	26,047
4	Hancock County	48,103
5	Harrison County	188,335
6	Jackson County	139,937
<b>TOTAL</b>		<b>484,913</b>

Based on population data in Chapter 5 of the *FY 2012 MSHP*, the Mississippi population projection for 2015 is 3,090,895 and 484,913 represents the 2015 projected population for GHSA 9. The 2015 projected population for Harrison and Jackson Counties are 188,335 and 139,937, respectively.

Staff indicates that Table 5-7 in the *FY 2012 MSHP reports that* Mississippi performed 253,823 MRI scans in FY 2010 and based on the Population-Based Formula for Projection of MRI Service Volume; staff submits that the Mississippi Use Rate is 82.12 MRI procedures for every 1,000 population. Also, staff asserts that the expected volume for GHSA 9 will be 39,820.813 MRI procedures for every 1,000 population and 15,466 MRI procedures for every 1,000 population for GCMC's defined service area, Harrison County. If GCMC uses Harrison and Jackson Counties as their target population, the expected volume would be 26,958 MRI procedures for every 1,000 population.

After carefully consideration, GCMC decided that it would be best to seek CON approval for a fixed, 3.0 Telsa MRI unit. The application provides actual imaging comparisons of a 1.5 Telsa unit versus a 3.0 Telsa unit. The applicant discusses how a high field strength MRI unit enhances the resolution and provides more detail of blood vessels, a brain, brain hemorrhages, spine, chest, abdomen, pelvis, vascular and extremities, etc in much less time than a 1.5 Telsa unit.

The applicant discussed the type of MRI units located in Harrison and Jackson Counties and indicate that the *FY 2012 MSHP reports that* 34,414 MRI procedures were performed, averaging 2,647 procedures per unit. Also, GCMC presented a population-based ratio and a MRI use rate calculation specifically for Harrison and Jackson Counties. The applicant used 2010 US Census Bureau figures of 327,483 inhabitants for Harrison and Jackson Counties and a statewide population of 2,970,036 (in thousands) to calculate 105.1 MRI procedures per 1,000 inhabitants and a MRI use rate of 89.1 procedures per 1,000.

Under the SHP Need Criteria for the Establishment of a General Acute Care Hospital, GCMC's new primary service area (five zip codes) and secondary service area (eight zip codes) are previously listed above and were created to capture the population changes north of I-10 and on the coastline.

The applicant provides post Katrina and Rita 2005 zip code data compiled by FEMA (Federal Emergency Management Agency) and the United States Postal Service (U.S. Postal Service) for ESRI. If the project is CON approved, GCMC asserts that patients for the proposed north Biloxi location will originate from the following: Biloxi Regional Medical Center, growth in population, availability/use of a 3.0 Telsa unit in the Gulf Coast area among standard Telsa strength units, and patients who would have used other MRI facilities for service. Using both of GCMC's new service areas, the applicant's calculation of population ratio per inhabitants will result in 27,207 projected MRI procedures during 2010 and 27,772 projected MRI procedures by 2016.

The applicant indicates that the three year operating statement in the financial section of the computerized CON Application Format captured the entire proposed project and calculated incorrect charges/MRI procedure and cost/MRI procedure for years one through three. The applicant provided supplemental information projecting the charges and costs for MRI procedures to ensure accurate projections were provided.

The applicant projects that the following MRI procedures, Charge /Procedure, and Cost/Procedure will be performed during the first three years of operation:

Projected MRI Procedures		
Year 1	Year 2	Year 3
2,587	2,975	3,272
Projected MRI Charge per Procedure		
\$2,500	\$2,625	\$2,756
Projected MRI Cost per Procedure		
\$625	\$630	\$634

Based on the MRI data presented for GCMC to acquire or otherwise control MRI equipment, it appears the facility will perform a minimum of 2,700 procedures per year by the end of the second year of operation for fixed MRI equipment and a minimum of 2,700 procedures will be performed for the proposed MRI unit.

Based on MRI data reported in the *FY 2012 MSHP*, all existing units within the defined service area have performed an average of 1,700 procedures for the most recent 12-month period.

## **SHP Criterion 2 - Assurances**

The application includes specification and description information provided by Siemens on the 3.0 Telsa strength, fixed MRI MAGNETOM Verio System (70 cm Open Bore and Total Imaging Matrix). The applicant provided a preliminary proposal and a typical room plan for the MRI unit. In addition, GCMC states the MRI equipment is FDA approved. The applicant states a radiologist who has experience in MRI will supervise the MRI technician. Also, the MRI technician will be trained and experienced in MRI studies and will adhere to State and professional licensure and certification requirements.

## **SHP Criterion 3 - Information Recording/Maintenance**

Gulf Coast Medical Center affirms that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

## **SHP Criterion 4 - Authorized Entity**

Harrison HMA, LLC filed a Mississippi LLC Certificate of Formation with the Office of the Secretary of State on September 25, 2008 and as of December 21, 2011, the Limited Liability Company was in good standing to do business in Mississippi. It is a Mississippi Limited Liability Company and a wholly owned subsidiary of HMA, Inc. Previous verification provided shows that Harrison HMA, LLC was authorized to act on behalf of Harrison HMA, Inc. through Harrison HMA, LLC's officers.

## **SHP Criterion 5 - Authorization to Provide MRI**

Gulf Coast Medical Center which will be known as *The Hospital at Cedar Lake* (THCL) seeks CON approval from the Mississippi State Department of Health, Division of Health Planning and Resource Development, for the acquisition/establishment of MRI equipment/services in General Hospital Service Area 9.

### **Criteria for Offering of MRI Services**

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

The applicant states the proposed project is not a non-hospital MRI facility and will not require the submission of affidavits from referring physicians. Gulf Coast Medical Center is proposing to acquire a fixed MRI unit and offer MRI service at the replacement facility called *The Hospital at Cedar Lake*. For documentation to justify that the unit will perform 2,700 procedures for the proposed MRI unit and that all existing units within GCMC's defined service area will perform 1,700 procedures for the



most recent 12-months, see SHP Need Criterion 1 under the *Acquisition or Otherwise Control of Magnetic Resonance Imaging (MRI) Equipment*.

Fourteen endorsement letters from various community officials were *included* in the CON application dated November 28, 2011. Various letters of comments were received and more than 10 letters of opposition were submitted to the Department.

The application states that community officials recognize that the GCMC complies with all federal regulations regarding community service and supports GCMC's efforts to serve all patients in GHSA 9 regardless of race, creed, sex, or ability to pay.

### **SHP Criterion 2 - Documentation of Diagnostic Imaging Modalities**

The applicant certifies that a full range of diagnostic imaging modalities for verification and complementary studies will be available at the time MRI services begin, including but not limited to, computed tomography, ultrasound, angiography, nuclear medicine, and conventional radiology.

### **SHP Criterion 3- Accessibility**

Gulf Coast Medical Center states in the CON application that the facility will not have policies or procedures which would exclude patients because of race, color, age, sex, ethnicity or ability to pay.

### **SHP Criterion 4 - Staffing**

The applicant affirms that a Director, Board Certified radiologist or a nuclear medicine imaging physician, or other board eligible licensed physician, and an MRI Technologist/Radiographer will be on site during the hours of operation to ensure the center functions properly and provide interpretation of clinical images.

### **SHP Criterion 5 - Research Staffing**

Gulf Coast Medical Center affirms that the facility does not anticipate using MRI equipment for experimental procedures if the procedures are performed by a formal/approved MRI staff.

### **SHP Criterion 6 -Recording of Data**

Gulf Coast Medical Center affirms that the facility will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health regarding the operation of the MRI equipment. Also, the facility states it will record the source of payment for procedures and the total amounts charged during the fiscal year.

## **SHP Criterion 7 - CON Approval**

The applicant seeks CON approval to acquire an MRI instrument as determined by the Mississippi State Department of Health.

### **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 GCMC project within Harrison County: replacement and relocation of GCMC, offering/establishment of obstetrical services, and acquisition or otherwise control of magnetic resonance imaging (MRI) equipment of MRI equipment/offering of MRI Services.

Staff contends that the replacement of an acute care facility and relocating 144 licensed beds within Harrison County, 4 to 8 miles 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 Long range plans for GCMC were developed by HMA. The company agreed to perform the following actions regarding the proposed project: announce the facility's intent to replace/relocate the facility by applying for a CON through the Department; create a planning team to achieve the goals of GCMC; and analyze the population and patient referrals from independent, state, local, and federal sources to determine a suitable relocation site. While these items were being done, HMA worked on the details relating to the construction of the replacement facility as well as the costs associated with the proposed project. The applicant indicates that HMA's governing board approved the final project and expenditures. Thereafter, the facility developed designs, estimated the cost for the designs, equipment, construction, site development, and other variables.

In the CON application, the applicant cites the development plan established by the City of Biloxi, *Reviving the Renaissance* and lists the following for The Health and Human Services section of the plan:

As Biloxi rebuilds, health care providers will need to keep up the pace to meet the demands of our expanding service area. Prior to the storm, significant growth had been seen in the Biloxi annexed area. The development of additional casinos and tourist destinations, and the increase in the number of condominiums on the Coast, will help fuel increased demand for health care services. With this in mind, we make the following recommendations:

*143. Continued growth in the annexed areas of Biloxi will increase the demand for health care services on the Coast. Additional resources will be needed to meet this demand.*

Based on the contents of that section, GCMC asserts that the proposed project is consistent with Biloxi's long-range recovery plan as well as HMA's long range goals/objectives.

The proposed project seeks to relocate GCMC hospital facility from Harrison County to North Biloxi, Harrison County to serve Harrison County residents within close proximity of its existing location and proposed new location as well as other populations within Harrison 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 HMA considered the following alternatives before deciding to relocate 144 hospital beds: (1) not act on reopening GCMC; (2) establish/adopt a plan to remain at GCMC's existing location in Harrison County (GHSA 9); (3) construct less than 144 acute care beds that GCMC currently has in abeyance; and (4) relocate to a possible location/property site north of Interstate Highway 10 along Highway 67, near the Traditions development/Traditions Parkway.

The applicant believes the first alternative would result in GCMC not reopening and not providing health care services to GHSA 9 and local area residents. The applicant asserts that this alternative would result in a permanent unequal distribution of hospital facilities and services in Harrison County.

The second was taken into consideration; however, GCMC no longer owns the property or building that the facility once was housed in. On the other hand if GCMC could modernize the existing, aged building; investments on an obsolete building would prove not to be feasible and the facility would remain in a location 300 yards from the Gulf of Mexico- an area known for experiencing numerous hurricanes/storms.

The applicant considered the third alternative to be ineffective due to Harrison County's growth in its population and aging population. In addition, the applicant states it would be costly to construct less than 144 acute care beds and at a later date, construct additional beds to accommodate the growth in population.

In this case, the applicant believes the fourth alternative will be the most cost effective method to restore GCMC hospital-based services and provide care to the residents of North Biloxi, Harrison County. The last option would positively impact the area by: providing 24/7 emergency service near I-HWY 10; increasing the number of facilities providing healthcare to accommodate population growth/shifts; increasing the delivery/access to health care services; promoting community interest in healthcare facilities and services; improving economic growth and increasing the number of medical professionals in the community; and conveying an optimistic view about the Mississippi Gulf Coast area.

**GR Criterion 4 - Economic Viability**

The applicant provided a three-year projected operating statement. The total operating revenue over a projected three year period, any income increases or decreases or net losses are shown in Attachment 1 of this document.

To determine the projected charges for a replacement facility, GCMC asserts that it analyzed the average inpatient revenue, charges, patient days, inflation rates, percent occupancy rates, average length of stay, etc for facilities in GHSA 9 and the projected categories listed above for the proposed replacement facility. The applicant found that projected categories for the proposed facility were either slightly higher or lower than the hospitals in GHSA 9 but not significantly elevated or less than hospitals in the area (see below).

<b>Comparison of Inpatient Revenue, Patient Days and Average Charge Per Day - 2010</b>			
	<b>Inpatient Revenue</b>	<b>Patient Days</b>	<b>Average Charge</b>
Biloxi Regional Medical Center	\$271,489,015	32,229	\$8,423.75
Memorial Hospital of Gulfport	\$792,804,217	78,189	\$10,139.59
Hancock Medical Center	\$42,095,251	8,760	\$4,805.39
Singing River Hospital System	\$742,615,638	72,490	\$10,244.39
Garden Park Medical Center	\$205,147,367	16,880	\$12,153.28
<i>The Hospital at Cedar Lake (Y-3)</i>	\$234,298,795	32,719	\$7,160.79
<b>TOTAL</b>	<b>\$2,177,703,597</b>	<b>\$229,311</b>	<b>\$9,496.73</b>

<b>Percent Occupancy and Average Length of Stay (ALOS)</b>		
	Percent Occupancy	ALOS
Biloxi Regional Medical Center	47.5	4.6
Memorial Hospital of Gulfport	52.0	4.8
Hancock Medical Center	51.1	3.5
Singing River Hospital System	59.3	3.8
Garden Park Medical Center	41.4	3.9
Mississippi Gulf Coast Average	51.8	4.2
Mississippi Average	47.4	10
<b><i>The Hospital at Cedar Lake (3rd Year)</i></b>		
	62.2	4.0

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

The applicant indicates that GCMC projected Average Daily Census and occupancy rates by bed type (general acute care beds only) for three years will be: 45.6, 65, and 75.2; and 40%; 57%; and 66.7%, respectively. Thus, the applicant asserts the levels of utilization will be consistent with those experienced by similar facilities in GHSA 9.

Since the capital expenditure for this project is \$133,322,098 and does exceed \$2,000,000, the applicant provided a feasibility study indicating the proposed project will be financially viable.

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

The applicant affirms that the population in North Biloxi, Harrison County and GHSA 9 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 previously mentioned, the proposed facility is not an establishment of a new facility or services. Gulf Coast Medical Center does not have any current utilization; however, provides utilization by bed category in the CON application for the proposed replacement facility.

The applicant evaluated 2010 discharge rates of hospitals in GHSA 9 as well as the discharge rates in GCMC's new Primary and Secondary Service Areas by Zip Code level (see areas listed under the SHP Need Criterion, *Establishment of a General Acute Care Hospital*). Their estimates determined 133.80 discharges per 1,000 for 2010 with a 0.5% increase between 2008 through 2010. The applicant projects that the discharge rate by 2016 for the hospitals and the proposed facility in GHSA 9 will be 137.57 discharges per 1,000 inhabitants.

For 2010 through 2016, Gulf Coast Medical Center anticipates that the proposed facility's Primary Service Areas by Zip Code level will have discharges between 16,704 and 17,175 and the Secondary area will have discharges between 18,651 and 19,176.

The applicant believes that GCMC's 144 hospital beds relocated at the proposed new site would best be utilized in North Biloxi, Harrison County.

In the case of relocation, the Department must consider the need that the population presently served has for the facility/service, the extent to which that need will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the relocation of the facility/service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly, to obtain needed health care.

According to Mississippi Population Projections for 2015, 2025, and 2025, the overall population for Harrison County is expected to increase from 188,335 in 2015 to 3198,716 in 2025. The applicant indicates that GCMC projected Average Daily Census and occupancy rates by acute care bed category (only) for three years will be: 45.6, 65, and 75.2; and 40%, 57%, and 66.7%, respectively. The licensed bed complement of GCMC will consist of a total of 144 acute care beds. The breakdown is as follows: 114 short-term, general acute care beds, 10 Intensive Care Unit (ICU) beds, 16 pediatric beds, and 4 obstetrical beds.

Staff finds that GCMC, in Biloxi, is located approximately 4 to 8 miles from the proposed location in North Biloxi. The relocation of this facility from Harrison County is not likely to create a hardship on families of the residents it once served or will serve. The relocation of this facility from its current location does promote accessibility or continuity of care to the patients that Gulf Coast Medical Center it once served or will serve. The applicant provides a population breakdown by one mile, three miles, and 5 miles of GCMC's former location and proposed new location. It appears transportation will not become an issue for family members to visit their loved ones at the distances listed. The applicant states that there should be no significant decrease in utilization any area hospitals and GCMC expects hospitals in GHSA 9 to continue to operate at or near their utilization levels.

The Department must consider the community reaction to the facility. The *Certificate of Need Review Manual, 2011 Revision*, state that: "If significant opposition to the proposal is expressed in writing or at a public hearing, the opposition may be considered an adverse factor and weighed against endorsements received."

The applicant submitted over 10 letters of opposition from the North Biloxi, Harrison County community and some area hospital facilities. However, over 20 letters of endorsement were received from Harrison County residents, community leaders, business owners, elected officials,

and others. Staff contends that the relocation of beds from Harrison County to North Biloxi, Harrison County will not have an adverse impact on residents and other acute care providers in Harrison County.

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

The applicant states that GCMC's 2008 Medicare Cost Report shows that more than half of GCMC's discharges were Medicare beneficiaries and less than 16 percent were Medicaid enrollees. The applicant indicates that the projected Revenue by Source of Payment will be: 43.0% Medicare, 33.6% Commercial, 14.2% Medicaid, and 9.2% Self Pay.

Gulf Coast Medical Center affirms that the proposed facility will be in compliance with federal and state regulations in regard to serving all patients in GSHA 9 regardless of race, creed, sex, or ability to pay.

The applicant projects that 4.61% of the patients served at GCMC will be medically indigent patients and 1.06% will be Charity Care. The applicant indicates that the expected payor mix by type payor will be as follows: Medicaid, 14%, Medicare, 38%, Commercial, 37%, Self Pay, 12%, and other, 0%.

The applicant asserts that GCMC staff will provide acute care and services 365 days per year, 24 hours per day.

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

The applicant affirms that GCMC 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 10 acute care facilities located in GSHA 9; however, one is in Biloxi and two are located in Gulfport. Regarding the applicant's Primary Service area by Zip Code level, the applicant shows that there are three hospitals in Harrison County and one in Jackson County (Biloxi Regional Medical Center, Memorial Hospital at Gulfport, Garden Park Medical Center, and Oceans Springs Hospital). The applicant states that these hospitals provide comparable or more complex healthcare services. The applicant affirms that GCMC is not proposing new services or expanding services; however, the proposed facility will seek to have transfer agreements with health care providers along the Mississippi Gulf Coast and develop plans and affiliations to deliver needed healthcare services during an emergency situation.

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

The applicant asserts that GCMC demonstrated a successful staffing history before it closed and asserts that sufficient personnel will be available to ensure proper implementation of this project. To staff the proposed relocation to North Biloxi, Harrison County, the applicant projects that 506.1 full-time equivalents (FTEs) will be required to operate the facility.

The applicant indicates that new personnel will be recruited by HMA and area physicians have shown an interest in desiring to work at the proposed facility. The applicant states GCMC will also post jobs, will possibly establish a recruitment program, offer jobs to residents who were displaced by the hurricane and persons who lost their jobs due businesses closing because of permanent storm damage.

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

Due to the severe hurricane and the facility being closed, the applicant asserts GCMC currently does not provide ancillary and support services nor does it have any cost or charges; however, the applicant states that GCMC's ancillary and support services will be in place prior to the initiation of services at the proposed facility. Since there are no services or hospital, GCMC states there are no changes in cost or charges; however, once costs and charges are established, the facility estimates the proposed replacement hospital will result in a positive financial effect by the end of the first year of operation. Once the proposed project is complete, GCMC asserts HMA will fund GCMC's operations to maintain the facility until GCMC becomes self-sustaining. Thus, GCMC will have no increase in the utilization of these services as a result of this project.

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

The applicant states GCMC has no training programs presently; however, GCMC anticipates to have an affiliation with clinical and health professional training programs in the Mississippi Gulf Coast area. Thus, staff believes it appears that the proposed relocation of GCMC will not have an adverse effect upon the health professional training programs in GHSA 9.

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

The applicant affirms that there are no existing plans at this time to meet clinical training programs; however, GCMC asserts it reserves the right to establish an affiliation agreement with health professional training programs in the state and develop programs to meet clinical training purposes.



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

The applicant contends that the HMA Board of Directors took appropriate action to apply for a CON in the amount of \$133,322,098 to construct a new facility in North Biloxi, Harrison County as a replacement facility (*The Hospital at Cedar Lake*) for its acute care hospital, Gulf Coast Medical Center. The architect submitted a cost estimate to show 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 show how the new hospital will look after the construction process has been completed.

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 GCMC will comply with state statutes and regulations for the protection of the environment.

Since the board opted to construct a new 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 233,800 square feet replacement hospital will be \$345.57 per square foot. Staff determined it would cost \$334.27 per square foot to complete the project (see Attachment 2).

### **GR Criterion 16 – Competing Applications**

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

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

Before GCMC closed in January 2008 due to damages caused by Hurricane Katrina of 2005, the facility provided hospital care services to residents of Harrison County. By relocating 144 beds from GCMC to North Biloxi, Harrison County, the applicant believes that this proposed project will improve/enhance the delivery of acute care by providing timely diagnosis and treatment of diseases, injuries, and medical conditions while using a modern-day facility design to create an atmosphere for healing. Gulf Coast Medical Center affirms that the facility will regain its certification to participate in the Medicare and Medicaid programs and will be accredited by The Joint Commission.

#### IV. FINANCIAL FEASIBILITY

##### A. Capital Expenditure Summary

Cost Item	Estimated Cost	% of the Total
Construction Cost -New	\$ 59,859,251	44.90%
Construction Cost-Renovation	-	0.00%
Capital Improvements, i.e. (minor painting and repairs, refurbishing)	-	0.00%
Total Fixed Equipment Cost	2,880,000	2.16%
Total Non-Fixed Equipment Cost	44,015,650	33.01%
Land Cost	8,300,000	6.23%
Site Preparation Cost	7,469,251	5.60%
Fees (architectural, consultant, etc)	4,245,000	3.18%
Fees (Legal and Accounting )	50,000	0.04%
Capitalized Interest	3,346,983	2.51%
Contingency Reserve	2,992,963	2.24%
Other Cost (Consultant Fees)	33,000	0.02%
Other Cost (Surveys, Geo-Technical Services and Related Fees)	130,000	0.10%
<b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>	<b>\$ 133,322,098</b>	<b>100.00%</b>

To construct a 233,800 square foot hospital facility, GCMC, states it will cost \$345.57 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 \$334.27 per square foot to complete the project (see Attachment 2). The cost of \$345.57 and \$334.27 are above the high range of \$325 for construction costs associated with an acute care facility.

##### B. Method of Financing

To fund the project, Health Management Associates, LLC, will use equity contribution in the amount of \$133,322,098.

##### C. Effects on Operating Costs

The applicant' 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 4B and 4C in the financial section of the CON application, GCMC provides the following revenue source projections for each payor category listed below:

<b>Health Management Associates, LLC d/b/a Gulf Coast Medical Center</b>		
<b>Payor</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
<b>Medicaid</b>	14.00%	\$ 40,775,245.06
<b>Medicare</b>	38.00%	\$ 112,726,450.00
<b>Self Pay</b>	12.0%	\$ 35,850,571.00
<b>Commercial</b>	37.00%	\$ 110,172,422.00
<b>Other</b>	0.00%	\$ <u>4,221.00</u>
<b>Total</b>	<b>101.00% or 100%</b>	<b>\$ <u>\$299,528,909.00</u></b>

GCMC states that bad debt and Medicare bad debt are grouped into deductions from revenue. Charity care will be included in the private pay category. Medically indigent and charity care are approximately 4.61% and 1.06% of gross patient revenues, respectively.

Using Tables 4B and 4C in the financial section of the CON application, staff calculated the following based on the revenue source projections GCMC reported for each payor category:

<b>Mississippi State Department of Health</b>		
<b>Payor</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
<b>Medicaid</b>	14.00%	\$ 41,934,047.26
<b>Medicare</b>	38.00%	\$ 113,820,985.42
<b>Self Pay</b>	12.0%	\$ 35,943,469.08
<b>Commercial</b>	37.00%	\$ 110,825,696.33
<b>Other</b>	1.40921E-05%	\$ <u>4,221.00</u>
<b>Total</b>	<b>101.00% or 100%</b>	<b>\$ <u>302,528,419.09</u></b>

GCMC states that bad debt and Medicare bad debt are grouped into deductions from revenue. Charity care will be included in the private pay category. Medically indigent and charity care are approximately 4.61% and 1.06% of gross patient revenues, respectively.

## **V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application and the Department received written comments from the agency. The correspondence indicates that the Division of Medicaid estimates that the increased annual inpatient hospital service cost to Medicaid will be \$4,981,058. Also, the letter states that any portion, which may relate to outpatient services, will be paid as outlined in the State Plan. Thus, the Division opposes the project.

## **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 Health Management Associates, LLC d/b/a Gulf Coast Medical Center for the following: replacement and relocation of Gulf Coast Medical Center, consisting of 144 licensed acute care beds; offering/establishment of obstetrical services; and the acquisition or otherwise control of magnetic resonance imaging (MRI) equipment and/or the offering of MRI Services. As a note, the replacement facility for GCMC, *The Hospital at Cedar Lake* will be relocated from Biloxi, Harrison County, Mississippi to North Biloxi, Harrison County, Mississippi (4 miles inland from GCMC's current location). Thus, the replacement facility along with the MRI and obstetrical services listed above will remain in its existing service area, GHSA 9.

## Attachment 1

### Harrison HMAs, LLC d/b/a Gulf Coast Medical Center Construction/Relocation and Replacement Biloxi, Harrison County, Mississippi

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

		First Year	Second Year	Third Year
<b>Revenue</b>				
Inpatient Care Revenue	\$	159,501,879	\$ 201,809,904	\$ 234,293,795
Outpatient Care Revenue	\$	140,027,029	\$ 171,498,104	\$ 200,910,029
<b>Gross Patient Care Revenue</b>	*	\$ 299,528,908	\$ 373,308,008	\$ 435,203,824
Charity Care	\$	-	\$ -	\$ -
Deductions from Revenue	\$	244,886,994	\$ 306,941,744	\$ 360,995,909
<b>Net Patient Care Revenue</b>	*	\$ 54,641,914	\$ 66,366,264	\$ 74,207,915
Other Operating Revenue	\$	-	\$ -	\$ -
<b>Total Operating Revenue</b>	*	\$ 54,641,914	\$ 66,366,264	\$ 74,207,915
<b>Operating Expense</b>				
Salaries	\$	19,125,077	\$ 23,228,687	\$ 25,973,324
Benefits	\$	4,500,204	\$ 5,465,799	\$ 6,111,622
Supplies	\$	10,158,148	\$ 12,337,751	\$ 13,795,545
Services	\$	5,012,286	\$ 6,087,757	\$ 6,807,069
Lease	\$	-	\$ -	\$ -
Depreciation	\$	4,887,482	\$ 4,887,482	\$ 4,887,482
Interest	\$	-	\$ -	\$ -
Other	\$	7,714,806	\$ 7,714,807	\$ 7,714,808
<b>Total Operating Expense</b>	\$	51,398,003	\$ 59,722,283	\$ 65,289,850
<b>Net Operating Income (Loss)</b>	*	\$ 3,243,911	\$ 6,643,981	\$ 8,918,066
Inpatient days		20,659	28,974	32,719
Outpatient days		57,926	66,615	73,277
◆Procedures				
Charge per outpatient day	\$	2,417	\$ 2,574	\$ 2,742
Charge per inpatient day	\$	7,721	\$ 6,965	\$ 7,161
◆Charge per procedure	\$	-	\$ -	\$ -
Cost per inpatient day	\$	2,488	\$ 2,061	\$ 1,995
Cost per outpatient day	\$	887	\$ 897	\$ 891
Cost per procedure				

**Note:** \*Asterisk and *Italicized* numbers denote that totals are off by \$1 due to rounding.

◆See MRI section of the analysis.

**ATTACHMENT 2  
HARRISON HMAS, LLC D/B/A GULF COAST MEDICAL CENTER  
CONSTRUCTION/RELOCATION AND REPLACEMENT  
COMPUTATION OF CONSTRUCTION AND/OR RENOVATION COST**

<u>Cost Component</u>		<u>Total</u>	<u>New Constructon</u>	<u>Renovation</u>
A	New Construction Cost	\$59,859,251	\$59,859,251	
B	Renovation Cost	\$0	\$0	\$0
C	Total Fixed Equipment Cost	\$2,880,000	\$239,935	
	Total Non-Fixed Equipment Cost	\$44,015,650	\$0	
	Capital Improvement	\$0	\$0	
	Land Cost	\$8,300,000	\$0	
D	Site Preparation Cost	\$7,469,251	\$7,469,251	
E	Fees (Architectural, Consultant, etc.)	\$4,245,000	\$4,245,000	\$0
F	Contingency Reserve	\$2,992,963	\$2,992,963	\$0
G	Capitalized Interest	\$3,346,983	\$3,346,983	\$0
	Legal and Accounting Fees	\$50,000		
	Other	\$33,000		
	Other	\$130,000		
	<b>Total Proposed Capital Expenditure</b>	<b>\$133,322,098</b>	<b>\$78,153,383</b>	<b>\$0</b>
	Square Footage	233,800	233,800	0
	Allocation Percent		100.00%	0.00%
	<b>Costs Less Land, &amp; Non-Fixed Equip.</b>	<b>\$81,006,448</b>	<b>\$78,153,383</b>	<b>\$0</b>
	<b>Cost Per Square Foot</b>	<b>\$346.48</b>	<b>\$334.27</b>	<b>\$0.00</b>