

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT**

DECEMBER 4, 2023

**CON REVIEW NUMBER: HP-NIS-1023-013
OCEANS BEHAVIORAL HOSPITAL OF JACKSON, LLC
D/B/A OCEANS BEHAVIORAL HOSPITAL OF JACKSON
LEASE OF BEDS AND ESTABLISHMENT OF NEW PSYCHIATRIC HOSPITAL
CAPITAL EXPENDITURE: \$2,538,148.00
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Oceans Behavioral Hospital of Jackson, LLC d/b/a Oceans Behavioral Hospital of Jackson is a Mississippi Limited Liability Company, whose parent corporation is Oceans Healthcare, located at 5630 Legacy Drive, Suite 101, Plano, Texas. According to the application, Oceans Healthcare (“Oceans”), a leading provider of behavioral health services, has entered a letter of intent with St. Dominic Memorial Hospital (“St. Dominic”) of Jackson, Mississippi, to operate the St. Dominic behavioral health facility as a separately licensed psychiatric hospital that will be named “Oceans Behavioral Hospital of Jackson” (“Oceans Jackson” or the “Applicant”) to be operated by an Oceans subsidiary. The Applicant states that Oceans Jackson’s sole managing member is Oceans Acquisition, Inc., and it has three officers.

The application contains a Certificate of Good Standing from the Office of the Secretary of State, indicating as of October 17, 2023, Oceans Behavioral Hospital of Jackson, LLC is in good standing with the state of Mississippi.

B. Project Description

Oceans Behavioral Hospital of Jackson, LLC requests certificate of need (“CON”) authority to lease beds and establish a new psychiatric hospital located at 2969 North Curran Drive in Jackson, Mississippi. The Applicant states on June 5, 2023, St. Dominic ceased operating its adult psychiatric behavioral health unit due to financial challenges. Further, the Applicant states that St. Dominic is currently licensed for eighty-three (83) adult psychiatric beds and thirty-five (35) chemical dependency (CDU) beds; however, prior to St. Dominic’s closure of the behavioral health facility, it only had seventy-seven (77) adult inpatient psychiatric beds set up and staffed.

The Applicant affirms the closure of St. Dominic’s behavioral health unit has exacerbated an existing critical shortage of much-needed acute psychiatric services in the Jackson, Mississippi, metropolitan area and the state. The Applicant states Oceans has entered into a letter of intent with St. Dominic to

reopen the St. Dominic behavioral health facility as a separately licensed psychiatric hospital. The Applicant asserts that Oceans Jackson is positioned to provide the same services formerly provided by St. Dominic.

The Applicant submits that the proposed project entails three (3) components as follows:

- (1) St. Dominic would lease the behavioral health services building located at 2969 North Curran Drive, Jackson, MS (the "Behavioral Health Building") to Oceans Jackson;
- (2) St. Dominic would lease eighty-three (83) adult psychiatric beds and thirty-five (35) CDU beds to Oceans Jackson and;
- (3) Oceans would establish a new, separately licensed psychiatric hospital as a "hospital within a hospital" located on the main campus of St. Dominic and would seek to offer acute adult psychiatric services utilizing the existing seventy-seven (77) inpatient psychiatric beds formerly offered by St. Dominic. The Applicant states Oceans Jackson may seek to provide CDU services at a later date. In addition, Oceans states it would place the remaining six (6) adult psychiatric beds and the thirty-five (35) CDU beds in abeyance.

The Applicant states that the Oceans Behavioral Hospital of Jackson will be a freestanding behavioral health hospital in a facility that has been previously approved to provide behavioral health services. The Applicant states the building will require minor renovation to bring the facility up to compliance with the 2018 Facility Guidelines Institute and Mississippi Administrative Code.

According to the Applicant, the scope of renovation includes modifying two (2) rooms on the first floor to provide an onsite pharmacy and an emergency exam room and replacing the current courtyard fence.

- (i) **Onsite pharmacy:** The Applicant proposes to remove a demising wall between a current exam room and a storage closet to expand space by 148 square feet. The Applicant states that the expanded space will maintain the existing millwork and handwashing sink, owner-provided furniture, fixtures, and equipment ("FFE"), and a small lockable refrigerator to hold any onsite narcotics.
- (ii) **Emergency exam:** The Applicant proposes to alter the use of an existing Social Worker Office, which provides 182 square feet of space. The Applicant states this will allow for the minimum requirements of 120 clear square feet and a minimum clear dimension of ten (10) feet as required by code. In addition, the Applicant states this new room will provide lockable millwork, ligature resistant handwashing station, an exam table, and

seating for staff members.

- (iii) **Courtyard fencing:** The Applicant states that the current fence onsite is not compliant. Oceans Jackson proposes to replace the current fence with a board-on-board fence with a minimum height of ten (10) feet above the grade plane.

The Applicant states that Oceans Jackson will specialize in providing short-term inpatient mental healthcare services for adults and senior adults. Oceans Jackson states that the facility will consist of seventy-seven (77) inpatient beds delivered on three (3) inpatient units: two separate twenty-six (26)-bed inpatient adult units for ages eighteen (18) and older and one twenty-five (25)-bed inpatient older adult unit serving patients fifty-five (55) and older. The Applicant states Oceans Jackson will provide quality patient care and treatment of mental illness, including depression, bipolar disorder, schizophrenia, dementia with behavioral disturbances, and various other disorders.

The Applicant states the final objective of the project is to provide urgently needed adult psychiatric services in the Hinds County area.

The Applicant estimates it will hire 122.5 full-time equivalent (FTE) personnel during the first year of the project at an estimated annual cost of \$5,752,382.40.

The Applicant affirms it will comply with all state and local building codes, zoning ordinances, and/or requirements of appropriate regulatory authorities. In addition, the Applicant affirms it will comply with all applicable State statutes and regulations for the protection of the environment, including 1) approved water supplies; 2) sewage and water disposal; 3) hazardous waste disposal; 4) water pollution control; 5) air pollution control; and 6) radiation control.

The application contains a letter dated October 11, 2023, documenting the Mississippi State Department of Health (MSDH), Division of Health Facilities Licensure and Certification's approval of the Project.

The Applicant projects a total capital expenditure of \$2,538,148.00 (See Section IV of this Staff Analysis for a complete itemization of the capital expenditure). The Applicant expects to obligate the capital expenditure upon receipt of a CON and anticipates the project will be complete by March 31, 2024.

II. TYPE OF REVIEW REQUIRED

The project is reviewed in accordance with Sections 41-7-173, 41-7-191(1)(c), and 41-7-193 of the Mississippi Code of 1972 Annotated, as amended, and the duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. MSDH will also review applications for CON according to the general criteria listed in the

Mississippi Certificate of Need Review Manual, September 1, 2019, Revision; all adopted rules, procedures, plans, criteria, and standards of MSDH; and the specific criteria and standards listed below. The Department reviews projects for the offering of acute psychiatric services when such services have not been offered by the proposed provider within the past twelve (12) months, regardless of the capital expenditure.

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 December 14, 2023.

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

A. State Health Plan (SHP)

The *FY 2022 Mississippi State Health Plan, Third Edition ("MSHP")* contains policy statements, criteria, and standards that the applicant is required to meet before receiving CON authority for offering acute psychiatric services. This application is in substantial compliance with the applicable policy, criteria, and standards stated in the *Plan*.

Policy Statements Regarding Certificate of Need Applications for Acute Psychiatric, Chemical Dependency, and Psychiatric Residential Treatment Facility Beds/Services

1. **Indigent/charity care:** The Applicant affirms that it will provide a reasonable amount of indigent/charity care.
2. **Mental Health Planning Areas:** The Applicant acknowledges the state, as a whole, is used as the planning area for acute psychiatric beds/services.
3. **Public Sector Beds:** The Applicant acknowledges this policy statement.
4. **Comments from DMH:** The Applicant acknowledges this policy statement.
5. **Separation of Adult and Children/Adolescents:** The Applicant affirms that Oceans Jackson will only treat adult patients.
6. **Separation of Males and Females:** The Applicant acknowledges this statement and states that Oceans Jackson will separate males and females in accordance with the policy statement.
7. **Patients with Co-Occurring Disorders:** The Applicant acknowledges this

policy statement.

8. **Comprehensive Program of Treatment:** The Applicant acknowledges this policy statement and states Oceans Jackson will comply with the standard.
9. **Medicaid Participation:**
 - a. **Medicaid Certification:** The Applicant affirms that Oceans Jackson shall seek Medicaid certification for the facility at such time as the facility becomes eligible for such certification.
 - b. **Medicaid Service Information:** The Applicant certifies that Oceans Jackson shall serve a reasonable number of Medicaid patients and that it will provide MSDH with information regarding services to Medicaid patients.
10. **Licensing and Certification:** The Applicant certifies that Oceans Jackson will meet all applicable licensing and certification requirements of the Division of Health Facilities Licensure and Certification.
11. **Psychiatric Residential Treatment Facility (“PRTF”):** The Applicant states that this policy statement is not applicable because Oceans Jackson does not seek to establish a PRTF.
12. **Certified Education Programs:** The Applicant affirms that Oceans Jackson will provide sufficient areas suitable to meet the recreational needs of its patients.
13. **Preference in CON Decisions:** The Applicant acknowledges this policy statement. The Applicant states that Oceans Jackson does not seek to convert existing acute hospital beds to acute psychiatric or CDU beds.
14. **Dedicated Beds for Children’s Services:** The Applicant states that Oceans Jackson only proposes to offer adult psychiatric services.
15. **CON Statutory Requirement:** The Applicant acknowledges this statutory requirement/policy statement and has filed for CON approval.
16. **Voluntarily Delicensed Beds:** The Applicant acknowledges this policy statement.
17. **CON Requirement for Reopening:** The Applicant acknowledges this policy statement.

General Certificate of Need Criteria and Standards for Acute Psychiatric,

Chemical Dependency, and/or Psychiatric Residential Treatment Facility Beds/Services

SHP Need Criterion 1 – Bed Need Requirements

- a. **New/Existing Acute Psychiatric, Chemical Dependency, and/or Psychiatric Residential Treatment Beds/Services:** Table 3-6 of the *FY 2022 MS State Health Plan* indicates the State has an excess of 179 adult psychiatric beds. However, the Applicant states that the proposed project is not for the addition of beds. The Applicant submits that the project will not result in the creation of any new acute psychiatric, chemical dependency, or psychiatric residential treatment facility beds.
- b. **Projects that do not involve additional beds:** The Applicant asserts that the closure of St. Dominic Behavioral Health Unit has exacerbated an already critical shortage of inpatient psychiatric beds. The Applicant states that local news Media, such as *Mississippi Today*, noted that other providers of adult psychiatric services in the Jackson Area have been forced to go on “psychiatric diversion” due to a shortage of available beds. Oceans Jackson further states that there is a critical need for the services to be provided by the Oceans Hospital.
- c. **Projects which involve the addition of beds:** The Applicant states, the project does not involve the addition of beds. The beds proposed to be used by the Applicant are a part of the current inventory of adult psychiatric beds and have been closed for less than twelve (12) months.
- d. **Child Psychiatry Fellowship Program:** The Applicant states that this criterion is not applicable.
- e. **Exclusive Treatment of Adults for Post Traumatic Stress Disorder (PTSD):** The Applicant states that this criterion is not applicable.

SHP Need Criterion 2 – Data Requirements

The Applicant affirms Oceans Jackson will record and maintain, at a minimum, information regarding charity care and care to the medically indigent required by this criterion and make it available to MSDH within fifteen (15) business days of the request.

SHP Need Criterion 3 – Referral/Admission of Charity/Indigent Patients

The Applicant states that Oceans Jackson is currently negotiating a memorandum of understanding with Hinds Behavioral Health Services, the Community Mental Health Center covering Hinds County/Region IX. A copy of the draft memorandum was included in the application.

SHP Need Criterion 4 – Letters of Commitment

The application included four (4) letters of support from the Mississippi House of Representatives District 65 and from medical doctors supporting the project.

SHP Need Criterion 5 –Non-Discrimination Provision

The Applicant acknowledges this criterion and states it will ensure that Oceans Jackson does not have discriminatory policies or procedures.

SHP Need Criterion 6 – Charity/Indigent Care

The Applicant affirms that Oceans Jackson will provide a reasonable amount of charity/indigent care.

The FY 2022 MS State Health Plan (3rd Edition), Chapter 1, Section 102, states that the State Health Officer shall determine whether the amount of indigent care provided or proposed to be offered is "reasonable." The Department considers a reasonable amount of indigent care as that which is comparable to the amount of such care offered by other providers of the requested service within the same, or proximate, geographic area.

While Oceans proposes to provide two percent (2%) charity/indigent care, the Department has determined that 17% is a reasonable amount of charity/indigent care to provide as it is comparable to the amount offered by other surrounding providers of the same service.

Service Specific (“SS”) Certificate of Need Criteria and Standards for Acute Psychiatric Beds and Services for Adults

SS Need Criterion 1 – Statistical Need for Adult Psychiatric Beds

The *FY 2022 MS State Health Plan* indicates MSDH shall base the statistical need for acute adult psychiatric beds on a ratio of 0.21 beds per 1,000 population aged eighteen (18) and older for 2025 in the State as a whole as projected by the Division of Health Planning and Resource Development. The Applicant states that this criterion is not applicable because the project will not result in the creation of any new adult psychiatric beds but will lease and utilize St. Dominic’s existing complement of licensed beds.

SS Need Criterion 2 – Proposed Size of Facility/Unit

The Applicant states that Oceans Jackson will consist of seventy-seven (77) inpatient beds delivered on three (3) inpatient units. Two (2) separate twenty—six (26) bed inpatient adult units and one (1) twenty-five (25) bed inpatient older adult

unit.

SS Need Criterion 3 – Staffing

Oceans Jackson affirms that its staff shall include both psychiatrists and psychologists and will provide a multi-discipline psychosocial medical approach to treatment.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2019*, addresses the general criteria by which all CON applications are reviewed. This application complies with the general review criteria contained in the Manual.

GR Criterion 1- State Health Plan

The Applicant asserts that the proposed project fully complies with the *FY 2022 MS State Health Plan* policies, criteria, and standards governing the offering of adult psychiatric services.

GR Criterion 2 – Long Range Plan

The Applicant submits the long-range plan of Oceans, including a commitment to meet the mental healthcare needs of the residents of Mississippi through the effective utilization of existing healthcare resources and infrastructure. The Applicant states the goal of Oceans is to provide critically needed adult psychiatric services to the residents of the Jackson, Mississippi, metropolitan area utilizing the existing space and infrastructure of the St. Dominic's Behavioral Health Building.

GR Criterion 3 – Availability of Alternatives

- a. Advantages and Disadvantages:** The Applicant states that no alternative exists to the project other than not offering adult psychiatric services in the former St. Dominic's Behavioral Health Building. The Applicant states that it would be detrimental to the mental healthcare needs of the community.
- b. New Construction Projects:** The Applicant states that this criterion is not applicable.
- c. Beneficial Effects to the Health Care System:** The Applicant states the project will replace a critically needed access point in central Mississippi for acute inpatient services and will enable patients and their family members to obtain needed mental healthcare services in the community in a timely fashion.

- d. Effective and Less Costly Alternatives:** The Applicant states there is a less costly alternative for the proposed project available in the area. Oceans Jackson proposes to make use of the existing space in the former St. Dominic's Behavioral Health Building to offer critically needed services.
- i. Unnecessary Duplication of Services:** Oceans Jackson asserts that for many years, the Mississippi mental healthcare system has been described as "in a state of crisis". The Applicant states that patients in need of inpatient treatment are often unable to be placed in an acute care facility, resulting in many patients in need of necessary treatment. The Applicant further states that the project is not an unnecessary duplication of services because Oceans proposes only to replace services formerly provided by St. Dominic.
 - ii. Efficient Solution:** The Applicant states that this criterion is not applicable.
- e. Improvements and Innovations:** The Applicant submits that the project proposes to use existing unused space in St. Dominic's Behavioral Health Building to provide critically needed psychiatric services in a cost-effective manner.
- f. Relevancy.** The Applicant states that the project will replace the services formerly provided by St. Dominic and provide a vitally needed access point for acute psychiatric services in the Jackson, Mississippi, area.

GR Criterion 4 - Economic Viability

- a. Proposed Charge:** The Applicant submits that Oceans determined its charges based on Medicare, Medicaid, and private payor reimbursement levels. The Applicant states that expected profitability was determined by measuring expected reimbursement against projected costs.
- b. Projected Levels of Utilization:** The Applicant affirms that the projected levels of utilization are consistent with those experienced by similar facilities in the state and the need level of the proposed service area.
- c. Financial Feasibility Study:** The application contains a letter from Oceans' Chief Financial Officer attesting to the financial feasibility of the Project.
- d. Financial Forecasts:** The Applicant asserts that this criterion is not applicable to the project.
- e. Means of Covering Expenses in Event of Failure to Meet Projections:**

The Applicant states that in the event the project fails to meet projected revenue, Oceans' parent corporation, Oceans Acquisition, Inc., has sufficient cash flow and access to a revolving line of credit to cover any revenue shortfalls.

- f. **Impact of Proposed Project on Health Care Cost:** The Applicant states that Oceans does not anticipate that the proposed project will impact the cost of health care. The Applicant states that the establishment of the Oceans Hospital in Jackson, Mississippi, should have a positive impact on the Medicaid program by offering another critically needed access point for adult psychiatric services.

GR Criterion 5 - Need for the Project

- a. **Access by Population Served:** The Applicant asserts Oceans will ensure that its services are accessible to all residents of the service area to the extent they qualify for such services, including low-income persons, racial and ethnic minorities, women, disabled persons, and other underserved groups, and the elderly. The Applicant states many of the patients needing such services are low-income and/or Medicaid beneficiaries.
- b. **Relocation of Services:** The Applicant states that this criterion is not applicable.
- c. **Current and Projected Utilization of Comparable Facilities:** The Applicant submitted Table 3-1 Acute Adult Psychiatric Bed Utilization from the *FY 2022 MSHP* that reveals an overall Mississippi Acute Adult Psychiatric Bed Utilization of 57.77% for FY 2020. The Applicant states that Oceans does not propose to add additional facilities or services. The Applicant further states that Oceans proposes only to replace psychiatric services formerly offered by St. Dominic.
- d. **Probable Effect on Existing Facilities in the Area:** The Applicant states because Oceans only proposes to replace the services that were formerly offered by St. Dominic, Oceans does not anticipate that the proposed project will have a material impact on existing providers of acute inpatient adult psychiatric services. The Applicant further states the proposed project will ameliorate a statewide shortage of acute inpatient psychiatric services.
- e. **Community Reaction:** The application contains four (4) letters of support from Mississippi House of Representatives District 65 and medical doctors supporting the project.

The MSDH received one (1) letter of opposition to the proposed project from Merit Health Central. Merit Health Central maintains that approval of the proposed project would negatively disrupt the existing provision of

acute psychiatric services by Merit Health Central.

GR Criterion 6 - Access to the Facility or Service

- a. Access to Services.** The Applicant states all residents of the health planning service area, hospital service area, or patient service area will have access to the services.
1. The Applicant states that this criterion is not applicable.
 2. The Applicant further certifies that all residents have access to the proposed services and/or facility as described in the application.
 3. The Applicant states that Oceans does not separate charity care from medically indigent care. The following table shows the projected care for charity care for the first two years of operation.

Gross Patient Revenue

	Medically Indigent / Charity Care (%)	Medically Indigent/Charity Care (\$)
Historical Year 2022	0.00%	\$0.00
Historical Year 2023	0.00%	\$0.00
Projected Year 1	2.00%	\$242,571.00
Projected Year 2	2.00%	\$330,876.00

- b. Existing Obligations:** The Applicant states Oceans has no existing obligations under any federal regulation requiring the provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. Unmet Needs of Medicare/Medicaid and Medically Indigent Patients:** The Applicant states that Oceans Jackson shall serve Medicare, Medicaid, and medically indigent patients.
- d. Access to Proposed Facility:** The Applicant submits that Oceans anticipates that patients will be referred to the Oceans Hospital through various means, including emergency room physicians, nursing homes, assisted living centers, primary care physicians, local community health centers, family members, caregivers, and other hospitals.
- e. Access Issues:**
- i. Transportation and Travel:** The Applicant submits that Oceans Jackson will be located on the campus of St. Dominic Hospital at

2969 North Curran Drive, Jackson, Mississippi.

- ii. **Restrictive Admissions Policy:** The application contains a copy of the Admissions Policy, which does not restrict admissions.
- iii. **Access to Care by Medically Indigent Patients:** The Applicant states that Oceans Jackson will treat medically indigent patients in accordance with its charity care policies.
- iv. **Operational Hours of Service:** The Applicant states that Oceans Jackson will operate the Facility twenty-four (24) hours per day, seven (7) days a week.

GR Criterion 7 - Information Requirement

Oceans affirms it will record and maintain the information required under General Review Criterion 7 regarding charity care to the medically indigent and Medicaid populations and will make it available to MSDH within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

- a. **Comparable Services.** The Applicant states that the providers of acute adult psychiatric services in the Jackson, Mississippi, area include Merit Health Central and the University of Mississippi Medical Center (UMMC). The Applicant further states that Oceans does not anticipate any significant differences in the population to be served or in service delivery.
- b. **Effect on Existing Health Services**
 - i. **Complement Existing Services:** The Applicant states the proposed project will complement the existing mental health services currently offered in Mississippi by providing an additional access point for adult psychiatric services.
 - ii. **Provide Alternative or Unique Service:** The Applicant submits this criterion is not applicable.
 - iii. **Provide a service for a specified target population:** The Applicant states the project will provide service for adult patients in need of acute psychiatric services.
 - iv. **Provide services for which there is an unmet need:** The Applicant states the project will provide an additional access point for adult psychiatric services.

- c. Adverse Impact.** The Applicant submits that if the proposed project is not implemented, many patients in need of adult psychiatric services will be unable to receive necessary care. Further, the Applicant states that the best-case scenario is that these patients and their families will be forced to travel long distances to receive necessary psychiatric care, and the worse is that many individuals may not receive care at all.

However, Merit Health Central (one of the providers in the area) maintains that the proposed project will adversely impact Merit Health Central's provision of acute adult psychiatric services and cites the following concerns:

1. Oceans does not propose to provide a reasonable amount of charity/indigent care as required by the 2022 MSHP. Merit Health Central points out that Oceans proposes to provide two percent (2%) charity/indigent care compared to twenty-two percent (22%) provided by Merit Health Central and thirty percent (30) charity/indigent care provided by UMMC.
 2. Oceans' plan to hire 122.5 FTEs will impact existing health care providers as those FTEs will predominately come from existing employees in the area.
 3. The approval of the proposed project will adversely affect Merit Health Central's operations as more mental health patients are directed to Central's emergency department; its patients with a payor source are diluted; and its staff is recruited away, and it is left to shoulder the increased burden of indigent and charity care for mental health patients in the area.
- d. Transfer/Referral/Affiliation Agreements.** The Applicant states that it anticipates that Oceans and St. Dominic will enter into a formal transfer/referral agreement for patients of St. Dominic and the Oceans Hospital.

GR Criterion 9 - Availability of Resources

- a. New Personnel.** The Applicant states that Oceans shall utilize new personnel to staff the Oceans Hospital. Oceans Jackson projects to hire 122.5 FTE personnel in the first year of operation. Further, Oceans state it will use normal recruiting practices to fill available positions with the best available applicants, utilizing to the extent possible the personnel who formerly staffed the St. Dominic Behavioral Health Unit.
- b. Contractual Services.** The Applicant states that this item is not applicable.
- c. Existing Facilities or Services.** The Applicant states that Oceans

currently operates twenty-five (25) hospitals throughout Texas, Louisiana, and Mississippi. The Applicant further states that Oceans currently operates inpatient facilities located in Biloxi and Tupelo, Mississippi, and has an excellent record of hiring and retaining appropriate staff.

- d. Alternative Uses of Resources.** The Applicant states that this criterion is not applicable.

GR Criterion 10 – Relationship to Ancillary or Support Services

- a. Support and Ancillary Services.** The Applicant asserts that due to Oceans Jackson's location on the St. Dominic campus, Oceans anticipates that all necessary support and ancillary services for the proposed project will be available.
- b. Changes in Costs or Charges.** The Applicant states that this criterion is not applicable.
- c. Accommodation of Changes in Cost or Charges.** The Applicant states that the financial tables and three (3) year projected operating statements included with the application consider the projected changes in costs and charges.

GR Criterion 11 – Health Professional Training Programs

The Applicant states that this criterion is not applicable. However, the Applicant states Oceans Hospital may enter clinical rotation or other arrangements with health professional training programs in the future.

GR Criterion 12 – Access by Health Professional Schools

The Applicant states that this criterion is not applicable.

GR Criterion 13 – Access by Individuals Outside Service Area

The Applicant states that this criterion is not applicable.

GR Criterion 14 - Construction Projects

The Applicant states the proposed project will require minor renovations. The Applicant states the building will require minor renovation to bring the facility up to compliance with the 2018 Facility Guidelines Institute and Mississippi Administrative Code.

According to the Applicant, the scope of renovation includes modifying two (2) rooms on the first floor to provide an onsite pharmacy and an emergency exam

and replacing the current courtyard fence.

GR Criterion 15 – Competing Applications

There are no competing applications on file with the Mississippi State Department of Health for the lease of beds and establishment of a new psychiatric hospital.

GR Criterion 16 - Quality of Care

- a. Past Quality of Care.** The Applicant submits Oceans Healthcare is a nationally recognized provider of behavioral healthcare services. The Applicant states that Oceans currently operates in thirty-six locations across the country, including twenty-five (25) hospitals. The Applicant further states that Oceans further operates hospitals in Biloxi and Tupelo, Mississippi, and has a demonstrated record of providing quality care to patients.
- b. Improvement of Quality of Care.** The Applicant asserts the proposed project will improve the quality of care being delivered to adults in need of acute psychiatric services. The Applicant further states that Mississippi is currently facing a dramatic shortage of inpatient psychiatric beds, and the proposed project will meet a critical need by creating an additional access point for services.
- c. Accreditations and/or Certifications.** The Applicant submits that Oceans will seek accreditation by the Joint Commission.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percentage of Cost (%)
Construction – New	\$ 0.00	0.00%
Construction (Renovation)	381,000.00	15.01%
Capital Improvement	0.00	0.00%
Fixed Equipment	656,612.00	25.86%
Non-fixed Equipment	578,416.00	22.78%
Land Cost	0.00	0.00%
Site Preparation	0.00	0.00%
Fees (Architectural)	167,600.00	6.60%
Capitalized Interest	15,120.00	0.60%
Contingency Reserve	50,000.00	1.97%
Other Building Costs	240,000.00	9.45%
Legal and Accounting Fees	125,000.00	4.92%
Other Project Development Costs	325,000.00	12.81%
Total Capital Expenditure	\$ 2,538,648.00	100.00%

B. Method of Financing

The Applicant states that the hospital is owned by a corporate parent, Oceans Acquisition, Inc., that has sufficient cash flow and access to a revolving line of credit to finance the capital expenditure for the project. The Applicant states that Oceans Jackson proposes to purchase two (2) vans at an estimated principal amount of \$240,000.00 that will be financed at six percent (6%) interest, based on historical finance terms Oceans has qualified through previous lenders.

The Applicant proposes to lease the building from St. Dominic for \$1,873,875 base rent, plus a two percent (2%) escalator over a ten (10) year initial term with five (5) year renewals.

C. Effect on Operating Cost

The Hospital's three (3) year projected operating statement is presented at Attachment 1.

D. Cost to Medicaid/Medicare

The Applicant projects gross patient revenue cost to third-party payors as follows (Project Only).

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	18.00%	\$ 1,628,133.00
Medicaid	29.00%	2,572,737.00
Commercial	38.00%	3,401,103.00
Self Pay	0.00%	0.00
Charity Care	3.00%	242,571.00
Other	12.00%	1,060,870.00
Total*	100.00%	\$8,905,414.00

Note: Staff's total for first year revenue differs from Applicant's by \$1.00, possibly due to rounding or error in calculation.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided with a copy of this application for review and comment. As of December 4, 2023, no comments had been received from the Division of Medicaid.

The Mississippi Department of Mental Health (DMH) was provided with a copy of the application for review and comment. DMH states that the Mississippi Department of Mental Health is in agreement that the closure of St. Dominic's behavioral health unit has exacerbated an already critical shortage of much needed acute psychiatric services in the Jackson, Mississippi metropolitan area as well as the state. DMH further states, St. Dominic's behavioral health unit provided immediate access to those in need of mental health care by serving individuals admitted to St. Dominic's emergency room and served as a single point of entry for Crisis Intervention Teams (CIT). DMH affirms that immediate access is still a critical need for the Jackson metropolitan area and the Department of Mental Health maintains the expectation that Oceans will serve this need. DMH states the Mississippi Department of Mental Health is in support of reopening the critically needed adult psychiatric beds to provide services to all individuals, including indigent care, of the Jackson metropolitan area.

VI. CONCLUSION AND RECOMMENDATION

This project substantially complies with the policy statements, criteria, and standards for acute psychiatric beds/services for adults as contained in the *FY 2022 Mississippi State Health Plan, Third Edition*, the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision*, and the duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

The FY 2022 MS State Health Plan (3rd Edition), Chapter 1, Section 102, states that the State Health Officer shall determine whether the amount of indigent care provided or proposed to be offered is "reasonable." The Department considers a reasonable amount

of indigent care as that which is comparable to the amount of such care offered by other providers of the requested service within the same, or proximate, geographic area.

While Oceans proposes to provide two percent (2%) charity/indigent care, the Department has determined that 17% is a reasonable amount of charity/indigent care to provide as it is comparable to the amount offered by other surrounding providers of the same service.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Oceans Behavioral Hospital of Jackson, LLC d/b/a Oceans Behavioral Hospital of Jackson, for the lease of beds and the establishment of a new psychiatric hospital with the condition that Oceans will provide 17% of charity/indigent care.

Attachment 1

Oceans Behavioral Hospital of Jackson, LLC Lease of Beds and Establishment of a New Psychiatric Hospital Three-Year Operating Statement (Project Only)			
	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$ 8,382,901.00	\$17,004,354.00	\$18,310,410.00
Outpatient	522,514.00	1,283,653.00	1,302,531.00
Gross Patient Revenue	\$ 8,905,415.00	\$18,288,007.00	\$19,612,940.00
Charity Care	242,571.00	330,876.00	341,103.00
Deductions from Revenue	642,628.00	1,334,032.00	1,430,077.00
Net Patient Revenue	\$ 8,020,216.00	\$16,623,099.00	\$17,840,861.00
Other Operating Revenue	\$ 2,731,650.00	\$ 4,326,530.00	\$ 5,007,819.00
Total Operating Revenue	\$ 10,751,866.00	\$20,949,629.00	\$22,848,680.00
Expenses			
Operating Expenses:			
Salaries	\$ 5,119,620.00	\$ 6,870,752.00	\$ 7,246,802.00
Benefits	632,762.00	849,194.00	895,672.00
Supplies	141,964.00	210,986.00	226,787.00
Services	1,451,332.00	2,088,409.00	2,235,924.00
Lease	1,061,943.00	1,989,628.00	2,018,744.00
Depreciation	402,595.00	407,595.00	412,595.00
Interest	0.00	0.00	0.00
Other	4,646,758.00	6,813,845.00	7,189,724.00
Total Expenses	\$ 13,456,974.00	\$19,230,408.00	\$ 20,226,249.00
Net Income (Loss)	\$ (2,705,108.00)	\$ 1,719,221.00	\$ 2,622,431.00
Assumptions			
Inpatient days	14,372	21,047	22,297
Outpatient days	8,988	21,756	21,756
Procedures	0	0	0
Charge/inpatient day	\$ 583.00	\$ 808.00	\$ 821.00
Charge per outpatient	\$ 58.00	\$ 59.00	\$ 60.00
Charge per procedure	\$ 0.00	\$ 0.00	\$ 0.00
Cost per inpatient day	\$ 936.00	\$ 914.00	\$ 907.00
Cost per outpatient day	\$ 1,497.00	\$ 884.00	\$ 930.00
Cost per procedure	N/A	N/A	N/A