

**Division of Health Planning and Resource Development  
November 2004**

CON Review NH-RLS-0904-041

**Walter B. Crook Nursing Facility at North Sunflower County Hospital  
Relocation of 10 Medicaid Certified Nursing Home Beds from  
Yalobusha County**

**Capital Expenditure: \$150,000**

**Location: Ruleville, Mississippi**

**Staff Analysis**

**I. PROJECT SUMMARY**

**A. Application Information**

Walter B. Crook Nursing Facility at North Sunflower County Hospital (the "Center") is a 52-bed long term care facility owned by North Sunflower County Hospital. North Sunflower County Hospital is owned by Sunflower County, a political subdivision of the State of Mississippi. The Center is governed by a five -member Board of Trustees, appointed by the Board of Supervisors of Sunflower County. North Sunflower County Hospital is also licensed to operate 36 acute care beds.

**B. Project Description**

North Sunflower County Hospital (NSCH) is requesting CON authority to relocate 10 Medicaid certified skilled nursing home beds that it acquired from Yalobusha General Hospital in Water Valley, Mississippi, to space that is already available at the Center. Of those 10 beds, 8 will be immediately set up and staffed in existing patient rooms at the Center. The number of nursing home beds at the Center will initially increase from 52 to 60. The applicant proposes to hold the other two (2) beds in abeyance until NSCH determines where they can be put into service in accordance with licensure standards. The project will not require construction or renovation to accomplish the move.

The applicant expects that any increase in the use of ancillary or support services resulting from this project will not result in any change in charges. The applicant expects that the cost of such services per bed will actually decrease due to economies of scale.

The applicant does not anticipate the need for additional personnel as a result of the additional 10 beds.

The MSDH Division of Health Facilities Licensure and Certification has approved the site for the additional 10 nursing facility beds. The applicant proposes that the capital expenditure for this project will be obligated upon approval and the project will be completed within six months of the approval of the CON.

## II. Type of Review Required

This project for the relocation of long-term care facility beds is reviewed in accordance with Section 41-7-191 subparagraph (1)b and c of the Mississippi Code of 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria and standards of the Mississippi State Department of Health.

In accordance with Section 41-7-197(2) of the Mississippi Code of 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on December 6, 2004.

## III. Conformance with the *State Health Plan* and Other Adopted Criteria and Standards

### A. *State Health Plan*

The *FY 2005 State Health Plan* contains criteria and standards that an applicant must meet prior to establishing a new nursing home facility. This application proposes no new nursing facility beds, but rather to relocate existing beds from a facility located in Yalobusha County to its existing facility located in Sunflower County. Both facilities are within Long Term Care Planning District (LTCPD) I. The project is in substantial compliance with overall objectives of the *Plan*.

#### SHP Criterion 1 - Need

The applicant submits that average occupancy rates for nursing home beds at North Sunflower County Hospital over the past two years have been over 99 percent. The Center has a substantial waiting list for nursing home beds. The facility also has rooms vacant and ready to be utilized for the beds, according to the applicant. The 10 beds to be relocated were acquired from Yalobusha General Hospital pursuant to a change of ownership filed with the Department on August 6, 2004. The applicant states that Yalobusha General Hospital will continue to adequately and professionally serve the nursing home needs of the residents of Yalobusha County and the remainder of its service area within its remaining facilities.

#### SHP Criterion 2 - Facility Size

The applicant proposes to relocate 10 nursing facility beds from Yalobusha County to its facility in Sunflower County.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, May 13, 2000*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

**GR Criterion 2 - Long Range Plan**

The applicant submits that North Sunflower County Hospital (NSCH) and the Center have a longstanding commitment to the frail and elderly. The relocation of the beds to the Center at North Sunflower County Hospital comports with the Center's long range plan to provide skilled nursing home service to the residents of North Sunflower County Hospital's service area. The applicant further states that the provision of nursing home services is compatible with NSCH's and the Center's long term plan.

**GR Criterion 3 - Less Costly/More Effective Alternative**

NSCH submits that the opportunity to purchase and relocate the beds from Yalobusha General Hospital is the most timely, certain, and economically feasible alternative available.

**GR Criterion 4 - Economic Viability**

The applicant projects net income of \$142,292 the first year, \$203,895 the second year, and \$265,486 the third year of operation. NSCH submits that the charges for nursing home services performed at the Center will be set by the Mississippi Medicaid Division of the Office of the Governor and will be comparable to the charges established for other facilities with similar services within the service area and state.

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

The applicant submits that during the first six months of 2004, occupancy at the Center was 99.69 percent with a substantial waiting list. In 2003, occupancy at the Center was 99.62 percent. NSCH submits that the historic 99 percent plus utilization level, along with the waiting list for beds at the Center, demonstrates conclusively the need for additional beds.

In the case of the relocation of a facility or service, the Department must consider factors which include, but are not limited to, the need that the population presently served has for the service and the extent to which that need will be met adequately by the proposed relocation or by alternative arrangements. The *2005 State Health Plan* indicates that LTCPD I has a need for 519 new nursing facility beds district-wide. Sunflower County as a whole is over-bedded by 14 beds, while Yalobusha County has a need for 5 additional nursing facility beds. However, Walter B. Crook

Nursing Facility had an occupancy rate of 99.62 percent during 2003. In addition, the beds being relocated are currently banked by Yalobusha County Nursing Home in Water Valley. The relocation of the 10 beds requested in this project will ease the waiting list for nursing home services at North Sunflower County Hospital, and is not expected to adversely impact NSCH, the Center, or existing facilities providing similar services.

The application contained seven letters of support for the project.

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

The applicant states that all residents of the area, including low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly, have and will continue to have access to the nursing home services provided by the Center.

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

Applicant affirmed that it will record and maintain the information required by this criterion and shall make same available to the Mississippi State Department of Health within 15 business days of request.

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

The applicant purchased the 10 beds which are the subject of this application from an existing provider within LTCPD 1. The relocation of the 10 beds from Yalobusha County to Sunflower County is not expected to have an adverse impact on the existing health care system of the area.

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

The applicant submits that the same three physicians who currently attend the residents occupying the existing 52 skilled nursing home beds at the Center will attend to the 10 additional residents as well. The number of employees at the Center are within acceptable ranges required to provide quality health care.

NSCH further submits that it will convert to a critical access hospital in October 2004 with the attendant limitation of beds and services. The applicant believes that devotion of the resources of NSCH to the provision of additional Medicaid certified nursing home beds in Sunflower County is the most effective use of these resources to serve its community's needs.

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

The Center is in compliance with the Minimum Standards for Institutions for the Aged or Infirm, according to the MSDH Division of Health Facilities Licensure and

Certification. The applicant submits that the Center has a history of providing high quality medical care to the Delta community and has in place quality improvement programs, the purpose of which are to ensure the delivery of the highest quality care to the Center's patients in the most efficient and effective manner with the resources available.

**IV. Financial Feasibility**

**A. Capital Expenditure Summary**

The applicant proposes to relocate 10 nursing facility beds from Yalobusha County Hospital to the Center in Sunflower County. The capital expenditure of \$150,000 includes the cost of \$10,000 per bed, fees, and contingency reserve.

**B. Method of Financing**

The project is proposed to be financed by accumulated cash reserves.

**C. Effect on Operating Cost**

The applicant projects the following expenses and results from operation for the first three years following completion of the proposed project (entire facility):

<b>Expenses</b>	<b>Year One</b>	<b>Year Two</b>	<b>Year Three</b>
Salaries and Wages	\$ 1,353,454	\$1,360,293	\$1,363,744
Benefits	162,414	163,235	163,649
Supplies and Drugs	82,313	82,729	82,938
Administrative & General	1,046,411	1,051,700	1,054,367
Other Indirect Expenses	39,647	39,847	39,948
Depreciation - Bldg (25 years)	42,000	40,739	39,517
Depreciation - Bldg (7 Years)	31,900	30,950	30,900
<b>Total Expenses</b>	<b>\$2,758,139</b>	<b>\$2,769,493</b>	<b>\$2,775,063</b>
Gross Revenues	\$3,053,085	\$3,129,882	\$3,200,578
Deductions	\$(152,654)	\$(156,494)	\$(160,029)
<b>Net Revenue</b>	<b>\$2,900,431</b>	<b>\$2,973,388</b>	<b>\$3,040,549</b>
<b>Net Income</b>	<b>\$ 142,292</b>	<b>\$ 203,895</b>	<b>\$ 265,486</b>

<b>Assumptions</b>			
Occupancy Rate	98.5%	99%	99.25%
Total Patient Days	21,572	21,681	21,736
Cost/Patient Day	\$127.9	\$127.7	\$127.7
Charge/Patient Day	\$141.5	\$ 144.4	\$147.2

**D. Cost to Third Party Payors**

Based on gross revenues projected by the applicant, the project is projected to have the following impact on various payors:

<b>Patient Mix</b>	<b>Utilization Percentage</b>	<b>First Year Cost</b>
Medicaid*	69.54	\$2,123,115
Medicare	8.46	258,291
Other Payors	<u>22.0</u>	<u>671,679</u>
<b>Total</b>	<b>100.00</b>	<b>\$3,053,085</b>

\*Effective October 1, 2004, the Medicaid per diem rate for this facility is \$141.53.

Applicant projects 4.57 percent care for bad debt patients and 4.5 percent care to charity care patients.

**V. Recommendation of Other Affected Agencies**

The Division of Medicaid was provided an opportunity to comment on this project. However, no written comments have been received from the Division.

**VI. Conclusion and Recommendation**

This project is in substantial compliance with the overall objectives of the *FY 2005 State Health Plan; Certificate of Need Review Manual, May 13, 2000*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by North Sunflower County Hospital for the relocation of 10 Medicaid certified skilled nursing home beds.