

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
OCTOBER 2009**

**CON REVIEW: NH-RLS-0709-019  
NESHOPA COUNTY GENERAL HOSPITAL-NURSING HOME  
RELOCATION AND ADDITION OF 15 LONG-TERM CARE BEDS FROM  
H.C. WATKINS EXTENDED CARE FACILITY TO  
NESHOPA COUNTY GENERAL HOSPITAL-NURSING HOME  
CAPITAL EXPENDITURE: \$150,000  
LOCATION: PHILADELPHIA, NESHOPA COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Neshoba County General Hospital and Nursing Home are county owned, not-for-profit healthcare facilities. The hospital is governed by a five-member Board of Trustees appointed by the Board of Supervisors. Quorum Health Resources, LLC, in Brentwood, Tennessee, has a contract for management of the facilities. The hospital is licensed for 82 acute care beds, and operates a 10-bed swing-bed program and a 10-bed gero-psych program. The nursing home is licensed for 148 nursing facility beds and 22 personal care beds. Both the hospital and nursing home are certified for Medicaid and Medicare participation.

**B. Project Description**

Neshoba County General Hospital-Nursing Home is requesting Certificate of Need (CON) authority for the relocation and addition of 15 Skilled Nursing Facility (SNF) beds from the former H.C. Watkins Extended Care Facility ("Watkins"), Clarke County to Neshoba County General Hospital-Nursing Home in Philadelphia, Neshoba County, Mississippi. Clarke and Neshoba counties are both located in Long Term Care Planning District (LTCPD) IV.

In 2006, Rush Medical Foundation ("Rush") in Meridian, Lauderdale County, Mississippi, merged with H.C. Watkins, therefore allowing Watkins to operate as a department of Rush Foundation Hospital. Subsequently, on January 19, 2007, H.C. Watkins Memorial Hospital Extended Care Facility requested to de-license 15 SNF beds. As a result of the request, 15 SNF beds were placed into abeyance.

On July 1, 2009, the applicant entered into a Purchase and Sale Agreement with Rush to purchase the fifteen (15) non-operational Skilled Nursing Facility beds which were located at the H.C. Watkins Extended Care Facility in Clarke County.

The applicant states that no new construction or renovation is required to accomplish this proposal. The applicant further states that no new personnel will be required, and the associated capital expenditure (\$150,000) is only for the purchase of the licenses. Neshoba proposes to utilize current space by gradually phasing out personal care beds to accommodate the greater demands for SNF beds.

The applicant makes the following notes: (1) Neshoba is currently operating at 98.94% occupancy and has operated in excess of 97% occupancy for the past (3) three years; and (2) the 2009 *State Health Plan* has identified a need in Neshoba County for an additional (16) sixteen SNF beds.

Neshoba states its ultimate goal is to help meet the need for additional SNF beds which currently exists in Neshoba County and at its facility. Neshoba further seeks to increase its SNF bed capacity at its facility to help achieve this goal. It is the applicant's belief that by relocating these beds, Neshoba will be able to better serve the community and improve upon the existing long-term care services currently provided at its facility in order to meet the needs of the residents residing in its service area. Upon completion of the relocation and addition of these beds, Neshoba's licensed bed capacity will increase to 163 licensed/setup beds.

The applicant received site approval from the Division of Licensure and Certification to relocate the (15) fifteen SNF beds to 1001 Holland Avenue, Philadelphia, Neshoba County, Mississippi, on August 24, 2009.

Neshoba anticipates obligation of the capital expenditure within (30) thirty days of final approval of the CON and a completion date to follow within (60) days.

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

The Mississippi State Department of Health reviews applications for the relocation of nursing home beds under the statutory requirements of Sections 41-7-173, 41-7-191, (1)(b) and (c), and 41-7-193, 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 November 5, 2009.

In addition, this project is reviewed under the 2009 State Health Plan and 2008 Certificate of Need Review Manual, in effect at the time of submission. The application was received on July 31, 2009, and the 2010 *State Health Plan (SHP)* had an effective date of September 1, 2009.

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

### **A. State Health Plan (SHP)**

The *FY 2009 State Health Plan* ("Plan") does not contain criteria and standards for relocation and addition of beds as proposed by this application. However, the *Plan* does give guidelines for all health planning in Mississippi. The *Plan* states: Mississippi's planning and health regulatory activities have the following purposes:

- To improve the health of Mississippi residents;
- To increase the accessibility, acceptability, continuity, and quality of health services;
- To prevent unnecessary duplication of health resources; and
- To provide some cost containment.

The applicant believes that the proposed project will work in accordance with the *Plan*. According to the *FY 2009 State Health Plan*, currently there are 5,536 licensed/CON approved nursing home beds in Long-Term Care Planning District IV, with a need of 6,577 beds, leaving a disparity of 738 beds in the district. The proposed beds will be transferring to Neshoba County General Hospital-Nursing Home where there is a projected unmet need of 16 nursing home beds.

Currently, Neshoba County has a projected need for 16 beds whereas Clarke County, also located in LTCPD IV, has a projected need for five beds. The transferring of the beds from Clarke County to Neshoba County will reallocate the beds, leaving Clarke County with a need for 20 beds and Neshoba County will decrease its bed need to one bed. However, the applicant believes that this redistribution of beds should not cause detriment to the residents of Clarke County since the beds have been in abeyance for approximately two years. Furthermore, the beds will still be located within LTCPD IV. In addition, updated information (*2010 SHP*) indicate that by 2020 Neshoba County will have a need for 80 beds whereas Clarke County will only need 56.

**2009 SHP Policy Statement Regarding CON Applications for the Offering of Nursing Home Care Services**

**PS1 – Legislation: Effective April 2, 2002, MSDH cannot authorize any health care facility to add any beds or convert any beds to another category of beds without a CON.**

The applicant recognized this policy statement; thus has filed this application to comply with the department's policy. The applicant states that since these beds are already a part of LTCPD IV, this project does not seek to add any new beds to the service area. The applicant is proposing to merely bring skilled nursing facility beds back online by relocating the beds to an existing facility within the same service area. The applicant further states that the proposed beds have been in abeyance since November 17, 2006.

Staff concurs that the beds are non-operational, thus being placed in abeyance/de-licensed since January 2007.

**PS2 – Long-Term Care Planning Districts (LTCPD): The MSDH shall determine the need for additional nursing home care beds based on the LTCPDs as outlined on Map 8-1 in the *Plan*. The MSDH shall calculate the statistical need for beds in each LTCPD independently of all other LTCPDs.**

According to the *FY 2009 Mississippi State Health Plan*, there is currently a need for 738 beds in the proposed service area, or LTCPD IV, with a specific need of sixteen (16) beds in Neshoba County where the beds will be relocating. As a result, the bed need in Neshoba will be reduced to one (1) bed.

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

Chapter 8 of the Mississippi Certificate of Need Review Manual, Revised February 23, 2008, addresses general criteria by which all Certificate of Need (CON) applications are reviewed.

**GR Criterion 1 – Consistency with the State Health Plan**

The *FY 2009 State Health Plan* does not contain criteria and standards for relocation and addition of beds to an existing facility as proposed by this application.

The *Plan* does show a need for 16 additional nursing home beds in Neshoba County, wherein the applicant proposes to relocate 15 SNF beds. H.C. Watkins Memorial Hospital-Extended Care Facility has 15 beds in abeyance. The applicant proposes to relocate these 15 beds to Neshoba County General Hospital- Nursing Home, Neshoba County, thereby decreasing Neshoba County's bed need to just one (1) bed.

H.C. Watkins Extended Care Facility located in Clarke County is not in operation and the beds are presently held in abeyance; therefore, no patients will be impacted by the relocation of these beds. Furthermore, the applicant believes that since the 15 beds are not occupied and have not been occupied for the past two years, the residents of Clarke County should not experience a significant adverse impact as a result of this project.

**GR Criterion 2 – Long Range Plan**

The applicant affirms that Neshoba is committed to ensuring that the facility provides the best nursing services to the residents of Neshoba County and its service area. The applicant states that by increasing its capacity by fifteen (15) beds, Neshoba will be able to better ensure both now and in the future that it is able to accomplish this feat. The applicant believes that this project will achieve dual purposes: (1) The addition of these beds will allow Neshoba to respond to the dire need for additional beds at its facility, which is evidenced by the facility's current 98.94% occupancy rate; and (2) allow Neshoba to help meet the need in Neshoba County for additional skilled nursing facility beds as identified in the *Plan*.

**GR Criterion 3 – Availability of Alternatives**

Neshoba considered the option to do nothing and continue to operate with insufficient rooms and beds for its current licensed bed capacity. This option would require them to continue to turn potential residents away as the facility is operating at full capacity; the residents of Neshoba County would continue to have a shortage of skilled nursing facility beds in the county; and the residents of LTCPD IV would not be able to access the abeyance beds.

The applicant elected to address these issues by expanding its capacity so it can better serve the residents of Neshoba County. Neshoba already has the existing space at its facility to house the proposed 15 beds. Since Neshoba has recently experienced a greater demand for SNF beds, the facility proposes to gradually phase out some personal care beds to meet the community and facility's needs. This recourse was determined to be the most cost efficient method, as well as

meeting the needs of the facility and the community of LTCPD IV. According to Neshoba, there will be no new construction nor renovation required for the project.

#### **GR Criterion 4 – Economic Viability**

Based on the applicant's three-year projections, this project will receive a net income of \$749,360 the first year, \$778,504 the second year, and \$808,522 for the third year.

- a. **Proposed Charge:** The applicant states that the proposed charges will be consistent with the applicable Medicare and Medicaid fee schedules and consistent with similar facilities in Neshoba County and LTCPD IV.
- b. **Projected Levels of Utilization:** Neshoba projects that its occupancy rates for the first three subsequent years of operation will be 98%, respectively.

According to the Report on Institutions for the Aged or Infirm, 2007, Neshoba County Nursing Home had an occupancy rate of 99.16% in 2007. The applicant states that in 2008 Neshoba's occupancy rate was 99.49% and it is currently operating at 98.94%. Currently, there are two other facilities operating in Neshoba County, Hilltop Manor Nursing Home and Choctaw Residential Center. Hilltop Manor Nursing Home's occupancy rate is recorded to be 91.88% with Choctaw Residential Center's at 94.47% (see Attachment 1).

- c. **Project's Financial Feasibility Study:** The proposed project's capital expenditure does not exceed the \$2,000,000 threshold; therefore this statement of criterion 4 is not applicable.

#### **GR Criterion 5 – Need for Project**

- a. **Access by Population Served:** The applicant affirms that all residents of the service area, in particular low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups, and the elderly, will continue to have access to its facility.
- b. **Relocation of Services:** The applicant asserts that the SNF beds which are proposed to be relocated are currently being held in abeyance as they have for almost two years and the proposed project seeks to place the needed beds back into service. The applicant states that since these beds are not currently operational, Neshoba does not foresee any adverse impact with relocating these beds to its facility. Neshoba states that Clarke County has not had the benefit of using these beds in approximately two years, thus Clarke County will have the same number of beds in operation after this project is implemented and they are remaining in the same LTCPD.

The applicant asserts that the existing facilities in Neshoba County are averaging an occupancy rate in excess of 95%. The applicant states that the utilization rate in conjunction with the need of 16 additional beds identified in the *Plan* for Neshoba County justifies the need for the

project. At the same time Clarke County's only facility is operating in an excess of 98% occupancy.

- c. **Probable Effect on Existing Facilities in the Area:** The applicant asserts that the proposed project should have no adverse effect on existing facilities in the area. The applicant expresses that when compared to the total number of SNF beds of 208 in Neshoba County, this is only a seven percent increase and that the facilities in Neshoba County are already operating at, or near full capacity. In addition, there is an identified unmet need for 16 additional beds in Neshoba County. The applicant trusts that Clarke County should not have an adverse impact since these beds are currently being held in abeyance, thus the beds are not operational in Clarke County.
- d. **Community Reaction:** The application contains fourteen (14) letters of support for the proposed project.

No letters of opposition for the proposed project were received.

#### **GR Criterion 6 – Access to the Facility or Service**

- a. **Medically Underserved Population:** According to Neshoba, its patient mix is comprised of approximately 85% of patients who are termed medically underserved populations. Neshoba anticipates this percentage to remain the same after the implementation of this project and all residents of the service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the existing and proposed services.

The applicant documents that Neshoba has typically not had medically indigent patients seek out services from its facility; however, Neshoba has and will continue to be committed to servicing the residents of Neshoba County. Additionally, Neshoba will make sure services are available to the medically indigent patients who seek out the services.

- b. **Performance in Meeting Federal Obligations:** The applicant submits that Neshoba has no obligations under federal regulations requiring uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs to be Served by Applicant:** The applicant states that Neshoba is currently dually certified to participate in both the Medicare and Medicaid programs and will continue to participate in both programs upon approval of this project. The applicant further states that while in the past Medicare and medically indigent patients have not typically used Neshoba's facility, Neshoba is committed to servicing the residents of the county while also meeting the minimum standards as prescribed by the state's licensure requirements. Thus, Neshoba will continue to accept residents without regard to payor source, race, creed, national origin or disability.

**GR Criterion 7 – Information Requirement**

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

**GR Criterion 8 – Relationship to Existing Health Care System**

Neshoba does not propose to add new skilled nursing facility beds to LTCPD IV, only to relocate 15 abeyance beds from Clarke County to Neshoba County, which attempts to address the unmet need for skilled nursing facility beds identified in Neshoba County.

The applicant believes that the impact of the proposed project on neighboring long-term care facilities should be harmless since no new beds will be added to the service area. As previously stated, there are two (2) additional providers of long-term care in Neshoba County, Hilltop Manor Nursing Home and Choctaw Residential Center.

**GR Criterion 9 – Availability of Resources**

Neshoba affirms it has a satisfactory staffing history at its existing facilities and states that Neshoba has sufficient personnel in place to adequately staff this project. Therefore, Neshoba will continue with its existing recruiting efforts to recruit new personnel, if needed.

**GR Criterion 10 – Relationship to Ancillary or Support Services**

According to the applicant, Neshoba currently operates a 148 bed facility; as a result, all necessary support and ancillary services for the proposed project are in place.

The applicant contends that there will be no change in costs as a result of this project.

**GR Criterion 16 – Quality of Care**

The nursing home is licensed by the Mississippi State Department of Health and is certified for participation in the Medicare and Medicaid programs.

The applicant asserts that the approval of this application will allow Neshoba the opportunity to address the existing unmet need for skilled nursing facility beds in Neshoba County.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The applicant asserts that the only capital expenditure associated with this project is \$150,000 which is allocated to purchase the licenses. The applicant further asserts that the proposed project does not require any construction or renovation. The applicant plans to phase out some personal care beds, thus freeing up sufficient space for these 15 SNF beds.

**B. Method of Financing**

The applicant proposes to finance the proposed project through cash reserves. Financial documents contained in the application reveal that sufficient funds are available for the project.

**C. Effect on Operating Cost**

The applicant's three-year projections of revenues and expenses for the first three years of operation are provided in Attachment 2.

**D. Cost to Medicaid/Medicare**

The applicant's projection to third party payors is as follows:

| <b>Patient Mix by Type Payer</b> | <b>Utilization Percentage (%)</b> | <b>First Year Revenue (\$)</b> |
|----------------------------------|-----------------------------------|--------------------------------|
| Medicaid                         | 85%                               | \$256,565                      |
| Medicare                         | 0%                                | \$0                            |
| Other                            | 15%                               | \$45,277                       |
| <b>Total</b>                     | <b>100%</b>                       | <b>\$301,842</b>               |

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment; however, the department received no response, as of the date of this staff analysis.

**VI. CONCLUSION AND RECOMMENDATION**

The project is in substantial compliance with the overall objectives as contained in the FY 2009 State Health Plan; the Mississippi Certificate of Need Review Manual, revised 2008; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Neshoba County General Hospital-Nursing Home for relocation and addition of 15 skilled nursing facility beds from H.C. Watkins Extended Care Facility to Neshoba County General Hospital-Nursing Home in Neshoba County.

**Attachment I**

**2005, 2006, and 2007 Utilization Data of Nursing Facilities**

| <b>Facility by County</b>      | <b>2005 LBC</b> | <b>2005 Occ. %</b> | <b>2005 ADC</b> | <b>2006 LBC</b> | <b>2006 Occ. %</b> | <b>2006 ADC</b> | <b>2007 LBC</b> | <b>2007 Occ. %</b> | <b>2007 ADC</b> |
|--------------------------------|-----------------|--------------------|-----------------|-----------------|--------------------|-----------------|-----------------|--------------------|-----------------|
| <b>Clarke County</b>           | <b>135</b>      | <b>98.27</b>       | <b>132.65</b>   | <b>120</b>      | <b>98.55</b>       | <b>60.25</b>    | <b>120</b>      | <b>98.15</b>       | <b>117.78</b>   |
| Lakeside Living Center         | 120             | 98.77              | 118.52          | 120             | 98.55              | 60.25           | 120             | 98.18              | 117.78          |
| H.C. Watkins Memorial Hospital | 15              | 94.21              | 14.13           | N/O             | N/O                | N/O             | N/O             | N/O                | N/O             |
|                                |                 |                    |                 |                 |                    |                 |                 |                    |                 |
| <b>Neshoba County</b>          | <b>328</b>      | <b>98.06</b>       | <b>321.63</b>   | <b>328</b>      | <b>92.59</b>       | <b>308.77</b>   | <b>328</b>      | <b>95.17</b>       | <b>315.24</b>   |
| Choctaw Residential Center     | 120             | 97.31              | 116.77          | 120             | 91.91              | 110.29          | 120             | 94.47              | 113.36          |
| Hilltop Manor Nursing Home     | 60              | 96.88              | 58.13           | 60              | 87.05              | 52.23           | 60              | 91.88              | 55.13           |
| Neshoba County Nursing Home    | 148             | 99.14              | 146.73          | 148             | 98.82              | 146.25          | 148             | 99.16              | 146.75          |

Source: 2005 through 2007 Report on Institutions for the Aged or Infirm.

N/O – Not Operational

LBC – Licensed Bed Count

Occ. – Occupancy Rate

ADC – Average Daily Census

**Attachment 2**

**NESHOBA COUNTY GENERAL HOSPITAL-NURSING HOME  
Addition of 15 Skilled Nursing Facility Beds  
Income Statement with Project**

|                                      | <b>Year 1</b>               | <b>Year 2</b>               | <b>Year 3</b>               |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Patient Revenue                      |                             |                             |                             |
| Inpatient Revenue                    | \$ 10,620,587               | \$ 10,939,204               | \$11,267,380                |
| Outpatient Revenue                   |                             |                             |                             |
| <b>Total Patient Revenue</b>         | <b>\$ 10,620,587</b>        | <b>\$10,939,204</b>         | <b>\$11,267,380</b>         |
| Deductions from Revenue              |                             |                             |                             |
| Contractual Adjustments              |                             |                             |                             |
| Total Revenue Deductions             | <u>\$ -</u>                 | <u>\$ -</u>                 | <u>\$ -</u>                 |
| Other Operating Revenue              | 7,640                       | 7,869                       | 8,105                       |
| <b>Net Revenue</b>                   | <b><u>\$ 10,628,227</u></b> | <b><u>\$ 10,947,073</u></b> | <b><u>\$11,275,485</u></b>  |
| Operating Expenses                   |                             |                             |                             |
| Salaries & Wages                     | \$ 4,733,473                | \$ 4,875,477                | \$ 5,021,741                |
| Benefits                             | 1,403,064                   | 1,445,156                   | 1,488,511                   |
| Supplies                             | 1,452,582                   | 1,496,159                   | 1,541,044                   |
| Services                             | 815,613                     | 840,081                     | 865,283                     |
| Interest                             | 0                           | 0                           | 0                           |
| Depreciation                         | 222,099                     | 222,099                     | 222,099                     |
| Other                                | \$ 1,252,036                | \$ 1,289,597                | 1,328,285                   |
| <b>Total Operating Expenses</b>      | <b><u>\$ 9,878,867</u></b>  | <b><u>\$ 10,168,569</u></b> | <b><u>\$ 10,466,963</u></b> |
| <b>Income (Loss) from Operations</b> | <b>\$ 749,360</b>           | <b>\$ 778,504</b>           | <b>\$ 808,522</b>           |
| <b>Total Patient Days</b>            | <b>58,305</b>               | <b>58,305</b>               | <b>58,305</b>               |
| <b>Charge per inpatient day</b>      | <b>\$ 182</b>               | <b>\$ 188</b>               | <b>\$ 193</b>               |
| <b>Charge per outpatient day</b>     |                             |                             |                             |
| <b>Cost per inpatient day</b>        | <b>\$ 169</b>               | <b>\$ 174</b>               | <b>\$ 180</b>               |