

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
FEBRUARY 2010**

**CON REVIEW: NH-RLS-1209-034
GREENBRIAR NURSING CENTER
RELOCATION OF 46 LONG TERM CARE BEDS FROM
AZALEA GARDENS NURSING CENTER IN STONE COUNTY
TO GREENBRIAR NURSING CENTER IN HARRISON COUNTY
CAPITAL EXPENDITURE: \$2,804,248
LOCATION: D'IBERVILLE, HARRISON COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Greenbriar Nursing Center ("Greenbriar") located at 4347 West Gay Road, D'Iberville, Harrison County, Mississippi, and Azalea Gardens Nursing Center ("Azalea") located at 530 Hall Street in Wiggins, Stone County, Mississippi, are both for-profit single member Limited Liability Companies, owned and operated by Connor Cain.

Greenbriar Nursing Center is licensed for 60 long term care beds and Azalea Gardens Nursing Center is licensed for 149 long term care beds. Both facilities are certified for Medicaid and Medicare participation.

B. Project Description

Greenbriar Nursing Center requests Certificate of Need (CON) authority for the relocation and addition of 46 long term care (LTC) beds. The applicant proposes to relocate 46 existing long term care beds from Azalea Gardens in Stone County to Greenbriar in Harrison County, Mississippi. Greenbriar and Azalea are both located in Long Term Care Planning District (LTCPD) IV. The *2010 State Health Plan* estimates that by 2020 Harrison County will have an unmet bed need of 639 beds and Stone County will have a surplus of 91 beds.

The applicant proposed to relocate 46 LTC beds in an effort to reduce, yet will not eliminate, the bed surplus in Stone County, thus decreasing the bed shortage in Harrison County. The applicant intends to house the 46 LTC beds in a newly constructed 16,310 square foot addition. The new addition will be a seamless attachment and integrated with the existing 60 bed structure, located in D'Iberville, Harrison County, Mississippi. The rooms to be added will be a combination of four (4) private and twenty-one (21) semi-private rooms. The foundation will be an on-grade concrete slab. The mechanical system will be central heat pumps located in the attic space, zoned similarly to the system in the existing facility. The electrical service will originate from the existing facility main distribution panel to sub panels in the new addition. Site work will be minimal. Additional parking and removal of some existing parking and fencing will be part of this project.

The applicant states that a small fraction of this project requires renovation. The renovation component will be minimal and limited to enclosing an existing porch to increase the capacity of the existing dining room. The cost of renovation is estimated by the architect at approximately \$29,100.

The applicant further states that 41.0 additional FTEs will be required upon completion of the project.

Greenbriar states its ultimate objective is to make more bed space available to residents of Mississippi in the part of the state where the space is most needed, improving access, and reducing wasted resources.

The applicant received site approval from the Division of Licensure and Certification for the relocation of the long term care beds to Greenbriar Nursing Center in Harrison County on November 20, 2009.

The application contains an "Asset Transfer Agreement" signed by Conner Cain, president of both entities.

Greenbriar Nursing Center anticipates obligation of the capital expenditure by July 1, 2010, and a completion date of January 1, 2011.

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 March 10, 2010.

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

A. State Health Plan (SHP)

The *FY 2010 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 2010 State Health Plan*, currently there are 5,804 licensed/CON approved nursing home beds in Long-Term Care Planning District IV and 266 beds in abeyance, with a 2020 projected need of 9,038 beds, leaving a projected disparity of 2,968 beds in the district. The proposed beds will be transferring to Harrison County where there is a projected need of 639 nursing home beds for 2020. Meanwhile, this project aids in decreasing Stone County's surplus of LTC beds from 91 to 45.

B. General Review (GR) Criteria

Chapter 8 of the Mississippi Certificate of Need Review Manual, Revised December 1, 2009, addresses general criteria by which all Certificate of Need (CON) applications are reviewed.

GR Criterion 1 – Consistency with the State Health Plan

The *FY 2010 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 that Harrison County, wherein the applicant proposes to relocate 46 LTC beds, will need 639 additional nursing home beds by 2020. Stone County will have a surplus of 91 LTC beds. The applicant proposes to relocate these 46 beds to Harrison County, thereby decreasing Stone County's bed surplus to 45 beds.

It is the applicant's belief and intention that the proposed project will address the disparities of LTC beds in Harrison County without having an adverse affect on the residents in Harrison County.

GR Criterion 2 – Long Range Plan

The applicant affirms that the long-range plans of both Greenbriar and Azalea are to provide the optimal access possible of quality healthcare to all individuals needing long-term care in Stone and Harrison Counties and the surrounding areas. The applicant believes that the project will increase access to beds in Harrison County, where there is an identified need for additional beds according to the *2010 State Health Plan*. Furthermore, it will decrease the surplus of beds recognized in Stone County. There will be no change in the number of long term care beds available in LTCPD IV as a result of this project; however, the beds in that district will be redistributed to meet the needs of the residents of both counties.

GR Criterion 3 – Availability of Alternatives

Greenbriar considered the option to maintain a status quo; however, this option was not adopted because of the identified bed need in Harrison County, the utilization of the Harrison County facility (Greenbriar), and the unused bed space in Stone County. The applicant states the advantage of this option would be to avoid any cost to Greenbriar. Nevertheless, the disadvantage of continuing with an unbalanced availability of long term care beds between Stone County and Harrison County outweighed the financial advantage of status quo.

Greenbriar further considered the option to relocate more or fewer beds than the proposed 46 beds. This option was rejected because the number of beds proposed to be relocated will result in the optimal utilization of both Greenbriar and Azalea, while leaving/creating sufficient capacity in both facilities for a reasonable level of growth in the coming years. Once again, the disadvantage and advantage of moving more/fewer beds would be financial factors relating to the cost of renovations needed to accommodate the relocation at Greenbriar.

Greenbriar's third option to construct a new facility in Harrison County was declined due to the extremely high cost of construction. The applicant believes that the current facility is in a good location, essentially a new facility, and experiencing sufficiently high occupancy, and, as a result, should easily accommodate the additional 46 beds.

The applicant contends that the proposed relocation will be much more financially efficient than constructing a new facility, complying fully with the *Plan's* goal of cost containment and will result in no duplication of services or unnecessary use of resources.

GR Criterion 4 – Economic Viability

According to the applicant, this project will eliminate a significant part of the resources that have been approved by the State, but have yet to be used due to the bed surplus in Stone County. This project is an attempt to put those resources to work in Harrison County, where the need is greater than any other county in LTCPD IV, at the same time allowing for an increase in the stable economic condition of Greenbriar.

Based on the applicant's three-year projections, this project will receive a net income of \$274,009 the first year, \$304,667 the second year, and \$630,174 for the third year.

Greenbriar projects that its occupancy rate for the first three sequential years of operation will be 61%, 87%, and 94%, respectively, for the 46 relocated LTC beds. The applicant further projects for the overall facility occupancy rates to be 74%, 85%, and 88%, respectively for the same consecutive years. It is the applicant's belief that the projections are consistent with the historical occupancy averages in LTCPD IV. The first attachment lists the occupancy rate of the eight facilities in LTCPD IV from 2005 through 2008.

The application contains a statement from a Certified Public Accountant attesting to the feasibility of the project.

The applicant will finance this project and intends to cover any unanticipated failure to meet projected revenues with existing cash reserves. Furthermore, the application contains a letter of commitment for financing from Hancock Bank.

GR Criterion 5 – Need for Project

The applicant states that the Department of Health has recognized in its State Health Plans from 2004 through 2010 a growing and consistent substantial need for additional LTC beds in Harrison County. In fact, the level of recognized need in Harrison County has continued to increase drastically over the years. The applicant submits that Harrison County is the most underbedded county in

LTCPD IV and the third most underbedded county in the State of Mississippi, according to the Mississippi State Department of Health 2004-2010 *State Health Plans*.

The applicant notes that the two counties adjacent to Harrison, Jackson and Hancock, also have high bed needs. Jackson County is underbedded, per the 2010 State Health Plan, by 638 beds, while Hancock is underbedded by 259 beds. Both counties have seen the same increase in bed need since 2004. Jackson County comes in as the fourth most underbedded county in the state and Hancock ranks sixth on the list. Furthermore, these three counties (Harrison, Jackson, and Hancock) constitute more than 50% of the total underbeddedness of LTCPD IV, which is the most severely underbedded Planning District in the State. On the other hand, Stone County is overbedded by 91 beds and is the third most overbedded county in the state (see chart listed below).

| AREA | 2004 SHP | 2005 SHP | 2006 SHP | 2007 SHP | 2009 SHP | 2010 SHP |
|----------|----------|----------|----------|----------|----------|----------|
| LTCPD IV | -1988 | -2011 | -3747 | -3399 | -738 | -2968 |
| HARRISON | -415 | -415 | -758 | -705 | -296 | -639 |
| JACKSON | -350 | -350 | -602 | -561 | -247 | -638 |
| HANCOCK | -125 | -170 | -312 | -298 | -120 | -259 |
| STONE | +49 | +69 | +42 | +44 | +80 | +91 |

Source: State Health Plans from 2004 – 2007 and 2009 – 2010.
 (-) indicates under-bedded and (+) indicates surplus of beds

Greenbriar recognizes that the relocation of the 46 beds proposed will not eliminate the need in Harrison County; however, it provides a measure of relief to the severe shortage that currently exists. The applicant believes that the relocation of beds will serve the healthcare system well by providing a better balance to the distribution of available beds in Planning District IV.

Furthermore, the average occupancy rate of nursing facilities in Harrison County is 77% while that of Stone County is only 53% (See attachment I).

The applicant considered all of these facts, without question that justify a need in Harrison County for additional nursing home beds, coupled with the continuation of the current moratorium on the approval of any new beds. The applicant submits that Stone County proves to be the best place from which the beds should be retrieved to address the need and surplus issue.

The application contains three (3) 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

According to the applicant, medically underserved, Medicaid, Medicare, and the indigent populations in Harrison County currently have unfettered access to available beds at Greenbriar. In fact, the only barrier to access in Harrison County is the recognized bed shortage in the county. The proposed relocation will serve as a resolution to some extent. The applicant states that current utilization of Greenbriar's 60 beds is 47% Medicaid and 32% Medicare by patient days for 2009.

The applicant submits that Greenbriar has no obligations under federal regulations requiring uncompensated care, community service, or access by minority/handicapped persons.

The applicant states that the relocation of the 46 beds will serve to meet the current unmet needs of Medicare, Medicaid, and medically indigent individuals to a greater extent than current status. The State Health Plan identified a need for beds in Harrison County, meanwhile Stone County has a surplus of beds. To the extent recognized, Harrison County residents who are Medicare or Medicaid dependent, or who are medically indigent, need access to nursing home beds. The proposed relocation project will increase the necessary access. The applicant believes there will be no corresponding decrease in access to LTC in Stone County because of the significant excess of bed capacity.

GR Criterion 7 – Information Requirement

Greenbriar 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

Greenbriar does not propose to add new skilled nursing facility beds to LTCPD IV, only to relocate 46 beds from Stone County to Harrison County, which attempts to address the unmet need for LTC beds identified in Harrison County and surplus of beds in Stone 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. There are five (5) additional providers of long-term care in Harrison County: Biloxi Community Living Center, The Boyington Health Care Facility, Dixie White House Nursing Home, Driftwood Nursing Center, and Lakeview Nursing Center. The addition of the 46 beds to Greenbriar will serve to enhance the availability, provision, and delivery of LTC services to the population in need of those services (See attachment I for occupancy rates).

GR Criterion 9 – Availability of Resources

Greenbriar contends that new personnel will be hired for the relocated 46 beds upon approval of the project. Greenbriar affirms that it has a satisfactory staffing history at its existing facilities and states that they will have no difficulty locating and hiring needed staff to provide for the relocated beds.

According to the applicant, Medicare has rated Greenbriar with its highest ranking of five stars for its staffing and Greenbriar does not anticipate any decrease in its performance.

GR Criterion 10 – Relationship to Ancillary or Support Services

According to the applicant, all needed services are currently in place at Greenbriar for the provision of LTC to its residents. However, those services will be provided on a larger scale to more residents upon completion of the project, yet there will not be a need to add new supporting or ancillary services.

The applicant states that Greenbriar was originally built to accommodate 120 beds; therefore, the common use areas, excluding the dining room, are more than adequate to service an additional 46 beds without any modifications.

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 Greenbriar the opportunity to address the existing unmet need for long term care beds in Harrison County and decrease the surplus of beds in Stone County.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The table below demonstrates in cost and percentage the applicant's proposed distribution of the total capital expenditure for the project.

| Cost Item | Projected Cost | % of Total |
|---|-----------------------|-------------------|
| Construction Cost - New | \$ 2,248,680 | 80.19% |
| Construction Cost - Renovation | 29,100 | 1.04% |
| Total Fixed Equip Cost | 122,500 | 4.37% |
| Total Non-Fixed Equip Cost | 69,000 | 2.46% |
| Site Prep Cost | 50,000 | 1.78% |
| Fees - architectural, engineering, etc. | 161,218 | 5.75% |
| Contingency Reserve | 30,000 | 1.07% |
| Capitalized Interest | 93,750 | 3.34% |
| Other Cost | - | <u>0.00%</u> |
| Total Proposed Expenditures | \$ 2,804,248 | 100% |

The applicant asserts that the project involves approximately 16,310 square feet of space for new construction at an estimated cost of \$165.92 per square foot and a small portion will be renovated space (see Attachment 2). The cost is within the cost range listed in the Means Building Construction Cost Data, 2009 Edition, which range from a low of \$110 per square foot to a high of \$174 per square foot for new construction.

B. Method of Financing

The applicant proposes to finance the project through a loan of \$2,641,498 with Hancock Bank at 7% interest, and the remainder \$162,750 through equity contribution.

The application contains a commitment letter from Hancock Bank showing interest in financing of 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 3.

D. Cost to Medicaid/Medicare

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

| Patient Mix by Type Payer | Utilization Percentage (%) | First Year Revenue (\$) |
|----------------------------------|-----------------------------------|--------------------------------|
| Medicaid | 34% | \$883,232 |
| Medicare | 55% | \$1,438,450 |
| Other | 12% | \$298,229 |
| Total | 100% | \$2,619,911 |

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 2010 State Health Plan; the Mississippi Certificate of Need Review Manual, revised December 1, 2009; 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 Greenbriar Nursing Center for relocation and addition of 46 long term care beds from Azalea Gardens Nursing Center in Stone County to Greenbriar Nursing Center in Harrison County.

Attachment I

2005, 2006, 2007, and 2008 Utilization Data of Nursing Facilities

| Facility by County | 2005 LBC | 2005 Occ. % | 2005 ADC | 2006 LBC | 2006 Occ. % | 2006 ADC | 2007 LBC | 2007 Occ. % | 2007 ADC | 2008 LBC | 2008 Occ. % | 2008 ADC |
|------------------------------------|----------|-------------|--------------|----------|-------------|--------------|----------|-------------|--------------|----------|-------------|--------------|
| Harrison County | | | | | | | | | | | | |
| Biloxi Community Living Center | 240 | 53.88 | 129.32 | 240 | 62.55 | 150.11 | 240 | 64.14 | 153.94 | 240 | 63.61 | 152.66 |
| The Boyington Health Care Facility | 120 | 86.68 | 104.02 | 180 | 96.60 | 117.81 | 180 | 75.83 | 136.50 | 180 | 74.53 | 134.16 |
| Dixie White House Nursing Home | 60 | 97.51 | 58.50 | 60 | 97.58 | 58.54 | 60 | 96.26 | 57.75 | 60 | 91.59 | 54.95 |
| Driftwood Nursing Center | 151 | 86.84 | 131.12 | 151 | 85.20 | 128.66 | 151 | 85.98 | 129.83 | 151 | 88.79 | 134.07 |
| Greenbriar Nursing Center | n/o | - | - | n/o | - | - | 60 | 14.54 | 8.73 | 60 | 72.92 | 43.75 |
| Lakeview Nursing Center | 105 | 93.90 | 98.59 | 105 | 93.72 | 98.40 | 105 | 93.19 | 97.85 | 105 | 93.26 | 97.92 |
| Average Occup. | | | 77.2% | | | 75.2% | | | 73.5% | | | 77.6% |
| Stone County | | | | | | | | | | | | |
| Azalea Gardens Nursing Center | 149 | 52.48 | 78.19 | 149 | 55.90 | 83.30 | 149 | 53.52 | 79.74 | 149 | 50.55 | 75.32 |
| Stone County NH & Rehab Ctr, Inc. | 59 | 48.36 | 28.53 | 59 | 64.96 | 38.33 | 59 | 65.26 | 38.50 | 59 | 58.49 | 34.51 |
| Average Occup. | | | 51.3% | | | 58.5% | | | 56.9% | | | 52.8% |

Source: 2005 through 2008 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

Computation of Construction and Renovation Cost*

| Cost Component | Total | New Construction | Renovation |
|---|--------------------|-------------------------|-------------------|
| New Construction Cost | \$2,248,680 | \$2,248,680 | |
| Renovation Cost | \$29,100 | | \$29,100 |
| Total Fixed Equipment Cost | \$122,500 | \$122,500 | |
| Total Non-Fixed Equipment Cost | \$69,000 | \$69,000 | \$0 |
| Capital Improvement | \$0 | \$0 | |
| Land Cost | \$0 | \$0 | |
| Site Preparation Cost | \$50,000 | \$50,000 | |
| Fees (Architectural, Consultant, etc.) | \$161,218 | \$161,218 | \$0 |
| Contingency Reserve | \$30,000 | \$30,000 | \$0 |
| Capitalized Interest | \$93,750 | \$93,750 | \$0 |
| Total Proposed Capital Expenditure | \$2,804,248 | \$2,775,148 | \$29,100 |

| | | | |
|--------------------|---------------|---------|-------|
| Square Footage | 16,310 | 16,310 | 0 |
| Allocation Percent | | 100.00% | 0.00% |

| | | | |
|---|--------------------|--------------------|------------|
| Costs Less Land, Non-Fixed Eqt. & Cap. Improvement | \$2,735,248 | \$2,735,248 | \$0 |
|---|--------------------|--------------------|------------|

| | | | |
|-----------------------------|-----------------|-----------------|--|
| Cost Per Square Foot | \$167.70 | \$155.34 | |
|-----------------------------|-----------------|-----------------|--|

Cost per Bed (n=60) **\$45,587**

*Source: Mississippi Certificate of Need Review Manual, Revised 2009

Attachment 3

**GREENBRIAR NURSING CENTER
Relocation of 46 Long-Term Care Beds
Income Statement with Project**

| | Current Year | Year 1 | Year 2 | Year 3 |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Patient Revenue | | | | |
| Inpatient Revenue | 5,161,639 | 7,936,399 | 9,298,956 | 9,891,237 |
| Outpatient Revenue | - | - | - | - |
| Total Patient Revenue | \$ 5,161,639 | \$ 7,936,399 | \$ 9,298,956 | \$ 9,891,237 |
| Deductions from Revenue | | | | |
| Charity Care | - | - | - | - |
| Deductions from Revenue | - | - | - | - |
| Total Deductions | \$ - | \$ - | \$ - | \$ - |
| Net Patient Revenue | \$ 5,161,639 | \$ 7,936,399 | \$ 9,298,956 | \$ 9,891,237 |
| Other Operating Revenue | - | - | - | - |
| Net Revenue | \$ 5,161,639 | \$ 7,936,399 | \$ 9,298,956 | \$ 9,891,237 |
| Operating Expenses | | | | |
| Salaries & Wages | \$1,688,952 | \$2,715,603 | \$3,215,888 | \$3,433,176 |
| Benefits | 183,797 | \$295,535 | 349,997 | 373,664 |
| Supplies | 313,060 | \$503,403 | 596,060 | 636,443 |
| Services | 1,192,444 | 1,917,230 | 2,530,198 | 2,423,925 |
| Lease | 560 | \$886 | 1,031 | 1,085 |
| Depreciation | 400,232 | \$489,488 | 511,720 | 498,320 |
| Interest | 363,920 | 558,672 | 550,979 | 542,689 |
| Other | 195,025 | 304,440 | 306,194 | 362,798 |
| Total Operating Expenses | \$ 4,337,990 | \$ 6,785,257 | \$ 8,062,067 | \$ 8,272,100 |
| Income (Loss) from Operations | \$ 823,649 | \$ 1,151,142 | \$ 1,236,889 | \$ 1,619,137 |
| Inpatient Days | 18,347 | 28,640 | 32,929 | 34,130 |
| Outpatient Days | | | | |
| Total Patient Days | | | | |
| Charge per inpatient day | 281 | 277 | 282 | 290 |
| Charge per outpatient day | | | | |
| Net revenue per Day | | | | |
| Cost per inpatient day | 236 | 237 | 245 | 242 |
| Cost per outpatient day | | | | |