

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
AUGUST 2001**

**CON REVIEW: NH-CB-0601-027  
ATTALA COUNTY BOARD OF SUPERVISORS D/B/A ATTALA CARE CENTER  
CONSTRUCTION OF A 60-BED FACILITY IN ATTALA COUNTY  
Capital Expenditure: \$1,825,017  
Location: Kosciusko, Mississippi**

**Staff Analysis**

**I. Project Summary**

**A. Applicant Information**

Attala Care Center will be owned and operated by the Attala County Board of Supervisors. Although Attala County owns Attala County Nursing Center (120 beds), it is leased to Attala Community Care Center, LLC.

**B. Project Description**

The Attala County Board of Supervisors requests Certificate of Need authority for the construction of a 60-bed nursing facility in Kosciusko, Mississippi. The proposed 60-bed nursing facility will contain 22,484 square feet of space and will require 55 full-time equivalent personnel at an estimated annual cost the first year of \$744,918. Attala County has unencumbered funds in excess of \$2,000,000 on deposit with Citizens National Bank of Kosciusko to use in funding this project. No plans were addressed regarding a continuum of care.

The Division of Health Facilities Licensure and Certification has approved the site for the proposed project, and the applicant agrees not to sale or lease the facility for a period of, not less than, three years from initial licensure.

**II. Type of Review Required (60-Bed Nursing Facility)**

This application for the construction/establishment of 60-bed nursing facility beds is reviewed in accordance with Section 41-7-191, subparagraphs (1)(a) and (2)(q)(i), (q)(ii), (q)(iii), (q)(iv), and (q)(v) Mississippi Code of 1972 Annotated, as amended (Senate Bill 2679, 1999 Regular Session), and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. Senate Bill 2679 authorized the Department to issue Certificates of Need during the next four fiscal years for the construction expansion of nursing facility beds in each county in the state having a need for 50 or more additional nursing facility beds, as shown in the Fiscal Year 1999 State Health Plan.

Attala County is one of six counties eligible to receive a Certificate of Need for 60 nursing facility beds in Fiscal Year 2002. The department received four applications for the 60-bed nursing facility authorized for Attala County. The applications listed below were deemed complete on July 1, 2001 and entered into Review Cycle 3 as competing applications:

NH-CB-0601-027  
Attala County Board of Supervisors  
Construction of a 60-Bed Nursing Facility in Attala County  
Capital Expenditure: \$1,825,017

NH-CB-0601-028  
Garry V. Hughes d/b/a The Kennington, Kosciusko  
Construction of a 60-Bed Nursing Facility in Attala County  
Capital Expenditure: \$968,424

NH-CB-0601-029  
Attala Health Care Center, Inc.  
Construction of a 60-Bed Nursing Facility in Attala County  
Capital Expenditure: \$1,636,760

NH-CB-0601-030  
Sentry North, L.P. d/b/a Sentry Attala  
Construction of a 60-Bed Nursing Facility in Attala County  
Capital Expenditure: \$1,234,436

In accordance with Section 41-7-797(2) of the Mississippi Code of 1972 Annotated, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The hearing fee of \$4,000 must be paid at the time of the request, to be valid. The opportunity to request a hearing expires on September 4, 2001.

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

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

The FY 1999 State Health Plan addresses policy statements and specific's criteria and standards which an applicant is required to meet prior to receiving Certificate of Need authority to construct/establish nursing facility beds. This application is in substantial compliance with policy statements and criteria and standards for these types of projects.

**SHP Criterion 1 - Need**

Attala County is located in Long-Term Care Planning District I (LTCPDI). The FY 1999 State Health Plan shows an unmet need in Attala County of 58 nursing facility beds and a total unmet need of 283 nursing facility beds for LTCPD I. Approval of this request for 60 nursing facility beds will reduce the unmet need for nursing facility beds in LTCPD I by 60 beds.

**SHP Criterion 2 - Facility Size**

Senate Bill 2679 (1999 Regular Session) authorized the approval of a Certificate of Need for 60 additional nursing facility beds in Attala County in FY 2002, and this application is in compliance with this criterion and the statute.

**SHP Criterion 3 -Statistical Need/Competing Applications**

Attala County is located in Long Term Planning District I. The FY 1999 State Health Plan shows an unmet need in Attala County of 58 nursing facility beds and a total unmet need in LTCPDI of 283 beds. As previously mentioned, the Department received four competing applications for the 60 nursing facility beds authorized by Senate Bill 2679 for Attala County in FY 2002. Also, all nursing facility applications filed with the Department by June 1, 2001 for the FY 2002 authorization are mandated to be reviewed under the FY 1999 State Health Plan.

**B. General Review Criteria**

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

**GR Criterion 3 - Availability of Alternatives**

According to the applicant, this project is the least costly alternative available for meeting the needs of the elderly citizens needing nursing facility care. The site is near the local hospital and physicians office.

**GR Criterion 4 - Economic Viability**

According to the applicant's projected operating statement, gross patient revenues for the first three years will be \$2,199,129, \$2,612,301 and \$2,670,768, respectively. Net income for the first three years is projected to be \$300,810, \$458,877 and \$412,973, respectively. Consequently, the proposed project appears to be economically viable.

**GR Criterion 5 - Need**

Attala County is located in Long-Term Care Plan District I (LTCPD I). The FY 1999 State Health Plan shows an unmet need in Attala County of 58 nursing facility beds and a total unmet need in LTCPD I of 283 beds. Approval of this request for 60 nursing facility beds would reduce the unmet need in LTCPD I by 60 beds. The application contained 1,389 letters of support for this project.

**GR Criterion 6 - Accessibility**

The applicant indicated that Attala Care Center will be accessible to all area residents and will not discriminate on the basis of age, race, sex, handicap or ethnic minority. The applicant projects that the payor mix will be as follows: Medicaid - 60.0 percent; Medicare - 20.0 percent; and Private Pay - 20.0 percent.

**GR Criterion 7 - Information Requirement**

Attala Care Center will maintain records on all the information required by this criterion and will make it available to the Mississippi State Department of Health within 15 business days of such request.

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

There are two nursing facilities located in Attala County, totaling 270 nursing facility beds: Attala County Nursing Center - 120 (owned by Attala County); and Mississippi State Veteran's Home - 150. The annual occupancy rate for the two facilities in 2000 was 97.10 percent. The applicant has a proposed transfer agreement with Montfort Jones Memorial Hospital. The application contained 1,389 letters of support.

**GR Criterion 9 - Availability of Resources**

The applicant has entered into a management agreement with Legacy for daily operations, which has a proven track record of operations throughout Mississippi. Legacy will have full authority to recruit and retain staff. The applicant projects that the staffed facility will utilize 55 full-time equivalent personnel, costing \$744,918 the first year.

**GR Criterion 15 - Competing Applications**

The Department received four applications for the 60 nursing facility beds authorized for Attala County in FY 2002. See Appendix I for a comparative analysis of the four competing applications.

**CR Criterion 16 - Quality of Care**

Attala Care Center provide the highest quality of care for its aging population and the facility will be licensed under the Minimum Standards of Operations for Institutions for the Aged or Infirm by the Mississippi State Department of Health.

**IV. Financial Feasibility**

**A. Capital Expenditure Summary**

New Construction Cost	\$1,520,825
Fixed Equipment	8,700
Non-Fixed Equipment	166,517
Site Preparation	49,175
Fees	64,800
Contingency Reserve	15,000
<b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>	<b>\$1,825,017</b>

The above estimated capital expenditure is proposed for the new construction of 22,484 square feet of space at a per square foot cost of \$73.71. The cost per bed, based on the total capital expenditure, is \$30,417. Means Construction Cost Data 2001 shows the low range per square foot to be \$69.25 and the low range per bed cost to be \$30,000. This project is slightly above the low range for both square foot and bed cost listed in Means.

**B. Method of Financing**

The applicant proposes to fund the proposed project with unencumbered funds on deposit in excess of \$2,000,000 with the Citizens National Bank of Kosciusko.

**C. Effect on Operating Cost**

The applicant projects the following expenses, utilization, and results from operations the first three years following completion of the project:

EXPENSES	Year 1	Year 2	Year 3
<b>TOTAL EXPENSES</b>	\$1,559,448	\$1,775,801	\$1,861,691

REVENUES	Year 1	Year 2	Year 3
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Gross Patient Revenue	\$2,199,129	\$2,612,301	\$2,670,768
Total Deductions	(338,871)	(377,623)	(396,100)
<b>Net Revenue</b>	<b>\$1,860,258</b>	<b>\$2,234,678</b>	<b>\$2,274,668</b>

	Year 1	Year 2	Year 3
Occupancy Rate (%)	78.0%	98.0%	98.0%
Patient Days	17,146	21,462	21,462
Cost/Patient Day	\$90.95	\$82.74	\$86.74
Charge/Patient Day	\$108.50	\$104.12	\$105.99
NET INCOME(LOSS)	\$300,810	\$458,877	\$412,978

The applicant projects that the per diem cost to Medicaid for the first year would be \$73.19.

Applicant's projections appear reasonable, but net income may be somewhat overstated.

**D. Cost to Medicaid/Medicare**

The impact of the project on third party payers is as follows for the first year:

Payor Mix	Utilization Percentage	First Year Cost
Medicaid	60.0	\$684,008
Medicare	20.0	\$766,040
Private Pay	20.0	\$410,210
<b>Total</b>	<b>100.00</b>	<b>\$1,860,258</b>

**V. Recommendation of Other Affected Agencies**

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, this project is expected to increase Medicaid expenditures by approximately \$ in total funds based on a stable occupancy rate.

**VI. Conclusion and Recommendation**

This project is in substantial compliance with the criteria and standards for nursing facility beds as contained in the FY 1999 State Health Plan, the Certificate of Need Review Manual, revised 2000, and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The project also complies with Senate Bill 2679 of the 1999 Legislative Session, which authorized the Department of Health to issue a CON for the construction or expansion of nursing facility beds or the conversion of other beds to nursing facility beds in each county a need for 50 or more additional nursing facility beds, as shown in the FY 1999 State Health Plan.

Attala County is one of six counties eligible to receive a Certificate of Need for 60 nursing facility beds in FY 2002. The Department received four applications for the 60 nursing facility beds authorized for Attala County. All four applications were deemed complete on July 1, 2001 and entered into Review Cycle 3 as competing applications. With competing applications, the Department must determine which applicant, if any, is the most appropriate applicant for providing the proposed service. After a thorough examination and analysis of each of the four competing applications filed for a 60-bed nursing facility in Attala County, including the development and utilization for a comparative analysis and consideration of the comments from the Division of Medicaid, the Division of Health Planning and Resource Development has determined that the application submitted by Garry V. Hughes d/b/a The Kennington is the most appropriate applicant to provide the proposed nursing facility services in the 60-bed facility authorized by Senate Bill 2679 for Attala County in FY 2002 (See Appendix I). Approval of this application precludes approval of any other competing application in Attala County.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of the application submitted by Attala County Board of Supervisors d/b/a Attala Care Center.

**APPENDIX I  
COMPARATIVE ANALYSIS  
PROPOSED 60-BED NURSING FACILITIES  
ATTALA COUNTY  
(THIRD YEAR OF OPERATION)**

		Attala HCC		Kennington		Sentry Attala		Attala CC
Size (Sq. Foot)	1	26,136	3	15,919	4	15,653	2	22,484
Capital Expenditure	3	1,636,760	1	968,424	2	1,234,436	4	1,825,017
Cost/Sq. Foot	2	\$53.90	1	\$50.72	3	\$58.25	4	\$73.71
Cost/Bed (Total Cost)	3	\$27,279	1	\$16,140	2	\$20,574	4	\$30,417
Gross Revenue		\$3,199,205		\$2,897,825		\$2,884,020		\$2,670,768
Deductions		-0-		(\$1,150,106)		(\$21,360)		(396,100)
Net Revenue		\$3,199,205		\$1,747,720		\$2,862,660		\$2,274,668
Expenses		\$3,095,508		\$1,604,823		\$2,663,907		\$1,861,691
Net Income		\$103,696		\$127,540		\$198,753		\$412,978
Occupancy Rate		95.0%		99.0%		95.0%		98.0%
Patient Days		20,805		21,681		20,808		21,462
Cost/Patient Day		\$148.79		\$74.02		\$128.02		\$86.74
Charge/Patient Day		\$153.77		\$80.61		\$137.57		\$105.99
Personnel Required	1	79	2	77	3	62.49	4	55
First Year Cost		\$914,804		\$611,069		\$1,126,043		\$744,918
Medicaid Utilization (%)		32.5		42.0		45.61		60.0
Medicare Utilization(%)	1	42.5	3	35.0	2	35.09	4	20.0
Private Pay Utilization (%)		25.0		23.0		19.30		20.0
Cost to Medicaid (1 <sup>st</sup> yr)	1	\$301,688	2	\$441,782	3	\$507,998	4	\$684,008
Per Diem Costs Medicaid (1 <sup>st</sup> yr)	1	\$70.64	2	\$71.59	4	\$87.42	3	\$73.19
Continuum of Care (yes/no)	1	yes	1	yes	1	yes	4	no
Community of Support Letters	4	174	1	1,635	3	553	2	1,389
Signed Agreement	-1	yes	-1	yes	-1	yes	-1	yes
Composite Score	17		16		26		34	