

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
OCTOBER 2003**

**CON REVIEW NH-RC-0803-022
UNITED METHODIST SENIOR SERVICES DBA DUGAN MEMORIAL HOME, INC.
CONSTRUCTION/RENOVATION, RELOCATION AND EXPANSION PROJECT
COUNTY: CLAY, LTC PLANNING DISTRICT II
CAPITAL EXPENDITURE: \$2,563,296
LOCATION: WEST POINT, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

United Methodist Senior Services dba Dugan Memorial Home, Inc. (**Dugan**) is a 60-bed, long-term care facility, located in West Point, Mississippi, Clay County. The nursing home is a non-profit Mississippi Corporation owned by United Methodist Senior Services. The members of Mississippi Methodist Senior Services, Inc. (**MMSS**) include thirty-eight (38) members elected by the Mississippi Conference of the United Methodist Church plus four (4) ex officio members.

B. Project Description

United Methodist Senior Services dba Dugan Memorial Home requests Certificate of Need (CON) authority for construction, renovation, relocation and expansion to its existing facility. The proposed project involves construction of a new wing, which will serve to provide all new resident rooms (total of 60-beds). All resident rooms, food service and laundry facilities will be housed in the new construction area. The project will encompass a total of 32,611 square feet of space, to include 21,049 square feet of new construction and 11,562 square feet of renovated space. The project involves demolition of a portion of the existing facility and renovation of the remaining square footage for administrative and resident support functions. New food service, laundry and dining facilities are included in the project. The applicant asserts that an important aspect of the proposed project is life safety enhancements. These enhancements include the addition of an automatic sprinkler system in new areas and in renovation areas, a new emergency generator, a new fire detection and alarm system, and a nurse call system. Dugan Memorial Home asserts that the existing space will be utilized for administrative and support functions.

Dugan indicates that there will be no change in services offered or increase in beds as a result of the proposed project.

Applicant projects an increase of eight full-time equivalent personnel at an estimated annual cost of \$153,613 for the proposed project.

The total proposed capital expenditure is \$2,563,296, which is composed of the following: new construction - 64.51 percent, renovation -22.88 percent, and other costs - 12.53 percent. The applicant indicates that the proposed capital expenditure will be funded from bond issue from Coastal Securities, Texas (\$2,143,350) and accumulated cash reserves(\$420,000) for the proposed project.

The applicant anticipates that the proposed capital expenditure will be obligated October 2003, and the project will be completed October 2004.

The proposed site has been approved by the Division of Health Facilities Licensure and Certification, MSDH, for the proposed project.

II. TYPE OF REVIEW REQUIRED

This application for new construction, renovation, expansion and relocation is reviewed in accordance with Section 41-7-191, subparagraphs (1)(b), (e), and (j))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 November 6, 2003.

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

A. State Health Plan

The **Plan** does not address policy statements, criteria and standards for the construction, renovation, relocation and expansion of a nursing home facility. The proposed project is in compliance with the overall objectives of the **Plan**.

B. General Review (GR) Criteria

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

GR Criterion 3 - Availability of Alternatives

The applicant asserts that the staff of United Methodist Senior Services of Mississippi, Inc., and Dugan Memorial Home spent a lot of effort reviewing options and other alternatives. These include possible expansion of home health service, and expansion of its existing assisted living service, but after careful analysis, applicant decided that given the high demand to serve the number of people affected, these options would not be feasible at this time.

GR Criterion 4 - Economic Viability

Based on the operation projections provided by the applicant, this appears to be an economically viable project. Financial projections in the application reflect net incomes of \$397,066 the first year, \$412,949 the second year and \$429,406 the third year of operation of the proposed project.

GR Criterion 5 - Need for Project

Applicant states that all residents in the health planning service area, including Medicaid recipients, racial and ethnic minorities, women, handicapped persons, and the elderly have access to the facility.

The applicant indicates that the proposed project is needed because of the following:

1. Lack of compliance with the Department of Health's standards in resident rooms and bathrooms.
2. Lack of life safety improvements such as automatic fire sprinkler system and emergency power generator system.
3. Market trends and demands for more single occupancy residents rooms.

As referenced above, the applicant believes that failure to implement the proposed project would cause an adverse impact on the existing facility/services.

The application contains documentation from Health Facilities Licensure and Certification addressing the scope of deficiencies cited at Dugan Memorial Home.

GR Criterion 6 - Accessibility

The applicant submits that all residents of Dugan's health planning service area, including Medicaid recipients, racial and ethnic minorities, women, handicapped persons and the elderly have access to the facility. The applicant anticipated that 100 percent of the residents will be elderly, of which 85 percent will be Medicaid recipients.

According to the applicant, the facility provided services to medically indigent patients through Sunday Fund and Hosmer Fund in 2002 and 2003 in the amounts of \$9,106 and \$8,765, respectively. The projected utilization of the facility by medically indigent patients is approximately \$14,000 per year.

GR Criterion 7 - Information Requirement

The applicant affirms 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

Dugan Memorial Home is located in Long Term Care Planning District (LTCPD) II, Clay County. According to the **Plan**, currently there are 3,801/320 existing/CON approved nursing home beds in LTCPD II.

The applicant believes that the effect of the proposed project on the existing services will be negligible. Dugan asserts that the project is not expected to be an impact on other facilities/services in the area.

Staff concludes that this project should have no adverse affect on other nursing homes in the district.

GR Criterion 9 - Availability of Resources

According to the applicant, the recruiting of the proposed additional personnel (eight) will be done through the Mississippi Employment Security Commission, local advertising, promotion through existing organization, local certified nursing assistant classes, and established network to fill all positions.

GR Criterion 16 - Quality of Care

Dugan Memorial Home is an existing provider of nursing home services in Mississippi.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

New Construction	\$1,653,607
Renovation	\$ 586,539
Architect Fees	\$ 37,850
Minor Equipment	\$ 87,000
Asbestos Abatement	\$ 13,800
Landscaping	\$ 10,000
Door Latch Cylinders	\$ 3,000
Semi-Private Curtains	\$ 1,000
Computers & Software	\$ 35,000
Construction Interest	\$ 60,000
Appraisal Fee	\$ 3,500
Legal/Title Fees & Others	\$ 22,000
Furnishings	\$ 50,000
Total Capital Expenditure	\$2,563,296

The above estimated capital expenditure is proposed for new construction, renovation, relocation and expansion at Dugan Memorial Home. The project consists of approximately 21,049 square feet of new construction at \$78.55 per square foot, and 11,562 square feet of renovated space at a cost of approximately \$50.72 per square foot. **Means Construction Cost Data 2003** shows the median range per square foot cost of new construction to be \$95.05 and the high range per square foot cost to be \$118.

B. Method of Financing

Applicant states that the proposed project's capital expenditure of \$2,563,296 will be funded by a bond issue from Coastal Securities, Texas (\$2,143,350) and accumulated cash reserves (\$420,000). The application contains a letter from Coastal Securities expressing their interest to offer financing.

The application contains a letter from the Vice President for Finance, CFO of United Methodist Senior Services, which asserts that the project is financially feasible as planned.

C. Effect on Operating Cost

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

Item	First Year	Second Year	Third Year
Nursing	\$ 1,000,000	\$ 1,040,000	\$1,081,600
Dietary	\$ 248,880	\$ 258,835	\$ 269,189
Housekeeping	\$ 55,000	\$ 57,200	\$ 59,488
Laundry	\$ 37,000	\$ 38,480	\$ 40,019
Other Patient Services	\$ 26,000	\$ 27,040	\$ 28,122
Plant Operation & Maintenance	\$ 115,000	\$ 119,600	\$ 124,384
Patient Activities	\$ 28,000	\$ 29,120	\$ 30,285
General & Admin.	\$ 730,000	\$ 759,200	\$ 789,568
Depreciation	\$ 110,000	\$ 114,400	\$ 118,976
Interest	\$ 107,500	\$ 111,800	\$ 116,272
Total Operating Expenses	\$ 2,457,380	\$ 2,555,675	\$2,657,903

Revenue

Room & Board Rev.	\$2,854,446	\$2,968,624	\$3,087,309
Net Income	\$ 397,066	\$ 412,949	\$ 429,406

Utilization, Cost and Charges

Occupancy Rate (%)	98%	98%	98%
Patient Days	21,462	21,462	21,462
Cost/Patient Day	\$114.50	\$119.07	\$123.84
Charge/Patient Day	\$133.00	\$138.32	\$143.85

D. Cost to Medicaid/Medicare

Based on the operating cost projected by applicant, the impact of the project on third party payors is as follows for the first year:

Payor Mix	Utilization Percentage	Cost First Year
Medicaid	85	\$ 2,088,773
Medicare	-0-	\$ -0-
Other Payers	15	\$ 368,607
Total	100	\$ 2,457,380

V. **RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this project. No response was received.

VI. **CONCLUSION AND RECOMMENDATION**

The **Plan** does not address policy statements, criteria and standards for construction, renovation, relocation and expansion of nursing home projects. However, the application is in substantial compliance with the overall objectives in the **Plan**; the criteria and standards contained in Chapter 8 of the **Mississippi Certificate of Need Review Manual**, revised 2000; 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 the application submitted by United Methodist Senior Services dba Dugan Memorial Home.