

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
AUGUST 2004**

**CON REVIEW NH-CRF-0604-022  
BEDFORD CARE CENTER OF PETAL, LLC  
CONSTRUCTION OF A 60-BED REPLACEMENT NURSING  
HOME FACILITY IN FORREST COUNTY  
COUNTY: FORREST, LTC PLANNING DISTRICT IV  
CAPITAL EXPENDITURE: \$3,054,929  
LOCATION: HATTIESBURG, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Bedford Care Center of Petal, LLC (Bedford) is a Mississippi limited liability company formed on October 26, 2001. Bedford is governed by a four-member Board of Managers. According to the applicant, appointment to the Board of Managers is made without regard to economic status, physical status, race, ethnic origin, sex or age. Hattiesburg Medical Park Management Corporation presently manages the Bedford facility. Bedford Care Center of Petal is currently leased, and will continue to be leased, from Conva-Rest-Petal, Inc. through a lease agreement.

**B. Project Description**

Bedford Care Center of Petal, LLC requests Certificate of Need (CON) authority to construct a 60-bed skilled nursing home for the residents of Hattiesburg and surrounding area. Bedford Care Center of Petal, LLC is located in Forrest County and in Long-Term Care Planning District (LTCPD) IV. Bedford proposes to replace its existing 60-bed skilled nursing facility in Forrest County, Mississippi. The applicant states that the facility will remain a 60-bed skilled nursing facility and will be a one-story structure with 24,467 square feet of new construction. According to the applicant, the skilled nursing facility would be constructed by Conva-Rest of Petal, Inc. Once constructed, Bedford would lease the facility from Conva-Rest of Petal, Inc. The application contains a lease agreement between Bedford and Conva-Rest of Petal, Inc. concerning the proposed project. The proposed nursing facility will be located on the same site as the present facility (201 10<sup>th</sup> Avenue in Petal, Mississippi).

Bedford believes that the proposed project will best meet the needs of LTCPD IV by providing quality services and facilities with a cost-effective approach.

The applicant asserts that it will assess and determine the most effective use of space in the existing nursing home facility following the bed relocation. While no final decision has been reached at this time, the existing facility will probably be demolished.

The applicant asserts that Bedford Care Center of Petal will provide a comprehensive array of services to meet the needs of its patients. The services include the following:

Physical Therapy	24-Hour Nursing Care and Supervision
Occupational Therapy	Rehabilitative Treatment
Speech and Audiology	Restorative Care
Complex Medical Equipment	Recreational Activities
Individual Activities	

According to the applicant, Bedford anticipates no increase or decrease in present staffing as a direct result of the proposed project. No new long-term care beds will be added to the service area as a result of the proposed project.

The total proposed capital expenditure is \$3,054,929, which is composed of the following: new construction - 87.38 percent, fixed equipment - 1.10 percent, non-fixed equipment - 2.17 percent, fees - 5.24 percent, capitalized interest - 1.47 percent, and contingency reserve - 2.62 percent. The applicant proposes to finance \$2,400,000 of the proposed project through a commercial loan with BancorpSouth, Hattiesburg, and the remaining \$654,929 will be funded through an equity contribution from Bedford Care Center of Petal, LLC. The application included a financial proposal from BancorpSouth indicating its willingness to discuss financing the project.

According to the applicant, the capital expenditure for the proposed project will be obligated upon CON approval and the proposed project would be completed within 18 months of CON approval.

The application includes a copy of a letter from the Division of Health Facilities Licensure and Certification, MSDH, approving the site for the proposed project.

## II. TYPE OF REVIEW REQUIRED

This application for the construction of a replacement of a long-term care facility is reviewed in accordance with Section 41-7-191, subparagraphs (1)(b) and (e) 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 September 7, 2004.

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

A. State Health Plan (SHP)

The **Fiscal Year 2004 State Health Plan** does not address policy statements and specific criteria and standards which an applicant is required to meet before receiving CON authority for the replacement of a nursing home facility. However, this application is in substantial 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 2 - Long Range Plan**

The applicant asserts that it is the long range plan of Bedford Care Center of Petal to continue providing high quality facilities, services and equipment to patients seeking long-term care. Bedford further states that the proposal outlined herein is a major component of its long range goals and mission to serve Forrest County and the residents of the surrounding area.

**GR Criterion 3 - Availability of Alternatives**

The applicant believes that the proposed project will best meet the needs of LTCPD IV and Forrest County, Mississippi. The proposed project to replace existing beds is a necessary and cost effective alternative that will enhance access and convenience for the citizens of Forrest County and the surrounding area in providing quality skilled nursing long-term care in the service area.

**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 \$131,515 the first year, \$135,460 the second year, and \$139,524 the third year of operation of the proposed project.

The application contains a financial feasibility study prepared by Hattiesburg Medical Park Management Corporation, Chief Financial Officer documenting Bedford Care Center of Petal, LLC's financial ability to undertake this project.

**GR Criterion 5 - Need for Project**

The applicant states that the proposed facility will not discriminate against low income persons, racial and ethnic minorities, elderly, women, handicapped persons, and other underserved groups.

The applicant asserts that Bedford Care Center of Petal has operated at an occupancy rate near capacity for the last three years, demonstrating the need for its services within the population of Forrest County. The original nursing facility building was built in the 1960s. The last major addition and renovation was completed in the 1970s. Since then, minor renovations and necessary upkeep have been made in order to provide quality long-term care services; however, as it currently exists, significant renovation and modernization to the existing building is necessary to maintain services consistent with today's health care delivery standards and resident demands.

Bedford Care Center of Petal asserts that the proposed project will replace its existing nursing home facility on the current facility site. No additional nursing home beds will be added to the service area. Over the last several years Bedford has operated at almost full capacity, demonstrating that the residents of Forrest County and the surrounding areas appreciate the quality of care provided by Bedford. The applicant believes that the proposed project will only enhance the quality of care, satisfying resident demands and meeting the requirements of today's health care delivery standards.

According to the applicant, a number of areas of the facility are in need of significant renovation and modernization, including the kitchen and laundry areas, resident rooms, and the dining and activities room. The current kitchen/food service preparation space and laundry areas are significantly smaller than modern kitchen and laundries, promoting inefficiency. Further, the current dining area doubles as an activity area, causing problems with planning, scheduling, and upkeep. The resident rooms at Bedford Care Center of Petal, which consist of eighteen three-bed wards, two private rooms, and two semi-private rooms, are functionally obsolete. The proposed facility will consist solely of two-bed and private rooms, in compliance with modern standards.

According to the applicant, Bedford Care Center of Petal has consistently provided quality nursing home services to the residents of Petal, Forrest County, Mississippi, for approximately forty years. The applicant believes that the construction and operation of a new, modern nursing home facility in a location where the need for nursing home services is demonstrated, and where the ability of a facility to provide quality care is proven desirable.

The applicant indicates that the proposed project is consistent with the goals of health planning, as well as the provisions of the **State Health Plan**.

The applicant received 48 letters of support from residents, Mayor, City of Petal, and Petal Family Practice Clinic of the area, for the proposed project.

**GR Criterion 6 - Accessibility**

According to the applicant, the proposed replacement facility will continue to be available to meet the needs of Medicare and Medicaid beneficiaries with respect to the offering of long-term care services in the area. With regard to the delivery of its health care services, Bedford Care Center of Petal will not discriminate against the handicapped, women, the elderly and members of racial and ethnic minorities. Patients are provided health care services without regard to physical condition, age, or ethnic background.

**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**

There are five existing nursing homes located in Forrest County. The proposed long-term care facility will be located in District IV, Forrest County. According to the **Plan**, currently there are 5,467 existing/CON approved nursing home beds in District IV.

The applicant asserts that the proposed project will improve the quality of already available long-term care services that are crucial to the delivery of health care to the residents of Forrest County and the surrounding service area. No additional services will be added to the LTCPD IV. Bedford Care Center of Petal asserts that the facility will continue to work effectively with area health care providers, including hospitals, for the coordination and delivery of patient care.

**GR Criterion 9 - Availability of Resources**

The applicant affirms that it has available resources (including staff, health personnel, management personnel, and funds for capital and operating needs) to replace a 60-bed nursing facility in Forrest County and to effectively operate the proposed replacement nursing facility/services.

**GR Criterion 16 - Quality of Care**

The applicant is a current provider of skilled long-term care beds/services in Mississippi.

The applicant asserts that Bedford Care Center of Petal will continue to meet all licensure standards of the Mississippi State Department of Health and intends to maintain its certification for participation in the Medicare and Medicaid programs.

**IV. FINANCIAL FEASIBILITY**

A. Capital Expenditure Summary

New Construction	\$2,669,813
Fixed Equipment	\$ 33,632
Non-Fixed Equipment	\$ 66,200
Fees ( <b>Architectural, Consultant, etc.</b> )	\$ 160,189
Contingency Reserve	\$ 80,095
Capitalized Interest	\$ 45,000
<b>Total Capital Expenditure</b>	<b>\$ 3,054,929</b>

The above estimated capital expenditure is proposed for new construction of 24,467 square feet of space at a per square foot cost of \$122.15. **Means Building Construction Cost Data 2004** (MCCD) shows the high range per square foot cost of new construction for nursing home facilities to be \$122. The cost per bed is approximately \$50,915.48. The cost per bed is below the high range of \$58,500 for nursing homes as listed in **MCCD 2004**. The project involves purchases of fixed and non-fixed equipment.

B. Method of Financing

Applicant states that \$2,400,000 of the proposed project's capital expenditure will be financed through a commercial loan with BancorpSouth of Hattiesburg. The application included a financial proposal from the bank, indicating its willingness to discuss financing the project. The remainder of \$654,929 will be funded through an equity contribution from Bedford Care Center of Petal, LLC.

According to the applicant, the initial operating capital will be provided by Bedford Care Center of Petal.

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
Salaries and Benefits	\$ 1,696,304	\$ 1,747,193	\$1,799,609
Supplies and Expenses	\$ 1,530,326	\$ 1,576,238	\$1,623,525
Interest	\$ 2,514	\$ 2,589	\$ 2,667
Depreciation & Amortization	\$ 1,200	\$ 1,236	\$ 1,273
<b>Total Expenses</b>	<b>\$ 3,230,344</b>	<b>\$3,327,256</b>	<b>\$3,427,074</b>

**Revenues**

Gross Patient Rev.	\$3,450,958	\$3,554,487	\$3,661,122
Total Deductions	\$ (89,099)	\$ (91,771)	\$ (94,524)
Net Patient Rev.	\$3,361,859	\$3,462,716	\$3,566,598
<b>Net Income</b>	<b>\$ 131,515</b>	<b>\$ 135,460</b>	<b>\$ 139,524</b>

**Utilization, Cost and Charges**

<b>Item</b>	<b>First</b>	<b>Second</b>	<b>Third</b>
<b>Occupancy Rate (%)</b>	93.04%	95%	95%
<b>Patient Days</b>	20,375	20,805	20,805
<b>Cost/Patient Day</b>	\$ 169.37	\$170.85	\$ 175.97
<b>Charge/Patient Day</b>	\$ 158.54	\$159.93	\$ 164.72

The applicant's projections appear to be realistic and comparable to other nursing homes of the same size.

According to Bedford Care Center of Petal, LLC, the nursing facility would be constructed by Conva-Rest of Petal, Inc. and as a result, the depreciation of the building and related assets, in addition to the amortization, would be operating expenses of Conva-Rest of Petal, Inc. Once constructed, Conva-Rest of Petal, Inc. will lease the facility to Bedford Care Center of Petal, LLC under the terms of a lease agreement for the proposed project.

D. Cost to Medicaid/Medicare

Based on Bedford's gross patient revenue projected in this project, the applicant projects the impact of the project on third party payors as follows for the first year:

<b>Payor Mix</b>	<b>Utilization Percentage</b>	<b>Patient Days</b>	<b>Cost First Year</b>
Medicaid	75	15,281	\$2,422,758
Medicare	15	3,056	\$ 484,552
Other Payors*	10	2,038	\$ 323,034
<b>Total</b>	<b>100</b>	<b>20,375</b>	<b>\$3,230,344</b>

\*Includes 1 percent for medically indigent, and 1 percent for charity care patients for the proposed project.

According to the Division of Medicaid, the Medicaid per diem rate for Bedford Care Center of Petal is \$142.13 for the period April 1, 2004, through June 30, 2004.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, the proposed construction is expected to increase Medicaid expenditures by approximately \$43,000 annually based on a stable occupancy rate.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the overall objectives, as contained in the FY 2004 State Health Plan; the Mississippi Certificate of Need Review Manual, revised 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 Bedford Care Center of Petal, LLC.

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