

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
MAY 2008**

**CON REVIEW: HG-SB-0308-007
BAPTIST MEMORIAL HOSPITAL-UNION COUNTY- NEW ALBANY
ESTABLISHMENT OF SWING BED SERVICES
CAPITAL EXPENDITURE: \$ 0
LOCATION: NEW ALBANY, UNION COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Baptist Memorial Hospital-Union County (BMH-Union County), a 153-bed general acute care, non-profit hospital, is owned by Baptist Memorial Health Care Corporation, Inc. of Memphis, Tennessee. BMH-Union County receives governance by a four-member Board of Directors. The occupancy rate, average length of stay (ALOS), and Medicaid utilization for the three most recent years for BMH-Union County are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate
2004	33.63	4.16	25.64
2005	31.92	3.92	25.50
2006	29.93	4.03	27.63

Source: The Division of Health Facilities Licensure and Certification, MSDH

B. Project Description

BMH-Union County is currently licensed to operate a maximum of 153 acute care beds. Included in the applicant's bed count is a 12-bed distinct-part skilled nursing facility (SNF) unit referred to as the Transitional Care Center (TCC). The TCC was opened in 1995 to provide care for hospitalized patients who require additional post-hospital recuperative services. Even though the 12 bed distinct-part unit has experienced declining utilization in recent years, federal regulations require the unit to remain fully staffed regardless of the number of beds used. Under the swing-bed concept, the hospital can still provide extended care to certain patients throughout the hospital without having to maintain a dedicated unit.

BMH-Union County requests Certificate of Need authority to reabsorb the 12 TCC beds into an acute care/swing bed configuration and to provide swing-bed services up to a maximum of 12 swing beds. Upon the completion of this project, the total bed capacity will remain at 153 acute-care beds with 12 TCC beds being reclassified as swing beds. No refurbishment or renovation will be required for the proposed project. The applicant affirms that no additional personnel will be

employed as a result of this project; the total licensed bed capacity will remain the same; and no capital expenditure will be required for the proposed project.

II. TYPE OF REVIEW REQUIRED

Projects which propose the establishment of a swing-bed program and the offering of swing-bed services are reviewed in accordance with Section 41-7-191, subparagraphs (1)(d)(x) and (7), 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 1972 Annotated, as amended, any 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 June 5, 2008.

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

A. State Health Plan (SHP)

The *FY 2007 State Health Plan* addresses criteria and standards which an applicant is required to meet before receiving CON authority to establish a swing-bed program. This application is in substantial compliance with applicable criteria and standards.

SHP Criterion 1 - Need

The applicant is a short term acute care hospital, with a licensed capacity of 153 acute care beds, including 12-bed designated-part skilled nursing facility (SNF) a called transitional care center. The current TCC is not operating at optimum capacity and is underutilized throughout large portions of the year. The intention of the project is to transfer the current 12 beds to a swing bed category, thereby extending the flexibility of existing bed space and allowing the use of unoccupied skilled nursing beds for acute patient care when necessary, according to the applicant.

According to CMS State Operations Provider Certification Manual (CMS-Pub. 100-07), Medicare payments may be authorized for post-hospital skilled nursing facility services provided by any hospital that meets certain requirements. An eligible hospital will have a Medicare provider agreement and has fewer than 100 hospital beds (excluding beds for newborns and beds in intensive care type inpatient units). The regulations further state that a hospital licensed for more than 100 beds may be eligible for swing-bed approval if it uses and staffs for fewer than 100 beds.

During the three most recent years, BMH-Union County has reported an average daily census (ADC) of 50 patients. The low ADC should qualify the applicant to receive certification as a swing bed provider if all other requirements promulgated by the Division of Health Facilities Licensure and Certification were met.

The applicant affirms that the hospital will meet all federal regulations regarding the swing-bed concept.

SHP Criterion 2 – Governing Board Resolution

According to the applicant, the governing body of BMH-Union County concurs with this project.

SHP Criterion 3 – Staffing of Excess Beds

The applicant affirms that if set-up and staffed beds were ever to exceed 100 beds, only private pay patients will receive swing-bed services at BMH-Union County.

SHP Criterion 4 - Non-Eligible Patients

The application affirms that upon receiving CON approval and upon meeting all federal requirements for participation in the swing-bed program, the applicant shall render services provided under the swing-bed concept to any patient eligible for Medicare (Title XVIII of the Social Security Act) who is certified by a physician to need such services.

SHP Criterion 5 – Patient Eligibility

The application affirms that upon receiving CON approval and upon meeting all federal requirements for participation in the swing-bed program, the applicant shall not permit any patient who is eligible for both Medicaid and Medicare or is eligible only for Medicaid to stay in the swing-beds of the hospital for more than 30 days per admission unless the hospital receives prior approval for such patient from the Division of Medicaid.

SHP Criterion 6 – Excess Beds

The application affirms that if BMH-Union County were to have more licensed beds or a higher average daily census (ADC) than the maximum number specified in federal regulations for participation in the swing-bed program, the applicant would develop a procedure to ensure that, before a patient is allowed to stay in the swing-beds of the hospital, there are no vacant nursing home beds available for that patient within a 50-mile radius (geographic area) of the hospital. The applicant also affirms that if the hospital has a patient staying in the swing-beds of the hospital and the hospital receives notice from a nursing home located within a 50-mile radius that there is a vacant bed available for that patient, the

hospital shall transfer the swing-bed patient to the nursing home within five days, exclusive of holidays and weekends, unless the patient's physician certifies that the transfer is not medically appropriate.

SHP Criterion 7 – Transfer Agreement

The application contained transfer agreements between BMH-Union County and local nursing homes.

SHP Criterion 8-Suspension for Failure to Comply

The applicant acknowledges that will be subject to suspension from participation in the swing-bed program for a reasonable period of time by the Department of Health if the Department, after a hearing complying with due process, determines that BMH-Union County has failed to comply with any of these requirements.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, February 23, 2008 Revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 – Consistency with the State Health Plan

This project conforms to the swing-bed standards and criteria of the *FY 2007 State Health Plan*.

GR Criterion 2 - Long Range Plan

This project conforms to the applicant's long-range plan.

BMH-Union County's long-range plans are to provide appropriate services as conveniently for the patient and medical staff as possible with effectiveness and appropriate allocation of health care personnel and resources. The use of the distinct-part SNF has been declining over the past three years, making the operation of the TCC unit very difficult to effectively staff and efficiently address the patients' needs. The applicant provided the following chart to indicate that a reduction of 17 percent in total days occurred during the last fiscal year and the average daily census for the year was 6.4 patients.

Year	Patients Admitted	ALOS (days)	Inpatient Days	Precent Change	Average Daily
2005	237	12.01	2,847		7.80
2006	205	13.75	2,818	-1	7.72
2007	200	11.69	2,337	-17	6.40
Projected					
2008	186	11.00	2,046	-12	5.61
2009	179	10.50	1,880	-8	5.15
2010	180	10.00	1,800	-4	4.93

According to the applicant, the conversion of the twelve-bed TCC unit from a distinct-part skilled nursing facility to a swing-bed service will allow BMH-Union County to continue to provide recuperative services to post-hospital patients without the expense of maintaining a dedicated long-term care unit, thus adhering to the long-range plan of providing appropriate services at the appropriate time and appropriate place.

GR Criterion 4 - Economic Viability

According to the applicant, no new funds will be required from the Medicare system since per diem reimbursement will be the same as it is for the existing distinct-part unit. Under the Balanced Budget Act of 1997, swing-bed facilities must be incorporated into the skilled nursing facility prospective payment system (PPS). The differences are primarily due to the current decreasing trend in use of these services in the Transitional Care Center. Conversion of the TCC beds into swing beds will allow greater flexibility in personnel use while continuing to offer post-hospitalization recuperative services to patients needing such services. Although nursing home facilities are available in the BMH-Union County service area, the type of patients in the hospital skilled nursing facility (SNF) level require different sub-acute services than are typically available in a community based nursing home. The hospital-based SNF setting permits ready access to medical staff and closer monitoring following hospitalization and treatment for an acute condition, according to the applicant. According to the applicant, BMH-Union County will continue to operate at a financial loss which will be absorbed by the parent, Baptist Memorial Health Care Corporations.

GR Criterion 5 - Need for the Project

The applicant has demonstrated that this project will enable the applicant to provide long-term care services to those hospitalized patients needing recuperative services at a reduced cost to the facility. As demonstrated in GR-Criterion 2, BMH-Union County has served an average of 214 post-acute long-term care patients in the extant distinct-part SNF during the most recent three-year period. The unique sub-acute services, as described in GR-Criterion 4, are not generally available in local skilled nursing homes. If these services were not provided by BMH-Union County patients requiring such post-hospitalization sub-acute service/skilled nursing services would be required to be transported to an out-of-area hospital, according to the applicant.

GR Criterion 6 -Accessibility

The applicant promises to provide proper services to all patients without respect to race, color, age, sex, ethnicity, or ability to pay. The swing-beds services will be available seven days per week, 24 hours per day.

GR Criterion 7- Information Requirement

The applicant affirms that BMH-Union County will record and maintain the information required by this criterion and shall make the data available to the Mississippi State Department of Health within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

The application contains copies of transfer agreements between the applicant and local skilled nursing facilities.

GR Criterion 9 - Availability of Resources

The applicant contends that BMH-Union County maintains adequate professional and support staff to operate the facility. The applicant projects that the swing-bed concept will require 4.4 fewer full-time equivalent personnel than the present TCC unit when the 12 beds are converted to acute care/swing beds. The full-time equivalent personnel consist of 1.4 FTE registered nurses, 2.1 FTE licensed practical nurses, and 0.9 FTE orderly. These personnel will be reassigned upon conversion.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts that the project is not expected to have an adverse effect upon the delivery of ancillary or support services or the cost and charges associated with the services.

GR Criterion 11 –Clinical Needs of Health Professional Training

The establishment of swing-bed services will not be involved in the training of health professional personnel, according to the applicant.

GR Criterion 12- Access by Health Professional Schools

The establishment of swing-bed services will not be involved in the training of health professional personnel, according to the applicant.

GR Criterion 13- Special Needs and Circumstances

BMH-Union County will meet the appropriate special needs and circumstances of those entities which provide a substantial portion of their services or resources, or both, to individuals not residing in the health services areas in which the entities are located in adjacent health service areas, including medical and other health professional schools, multi-disciplinary clinics, and specialist centers, etc., according to the applicant.

GR Criterion 13 – Construction Project

This project will require no new construction.

GR Criterion 13 – Completing Application

Not Applicable.

GR Criterion 16 - Quality of Care

BMH-Union County is accredited by the Joint Commission on Accreditation of Healthcare Organization.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The completion of this project will require no capital expenditure.

B. Method of Financing

The completion of this project will require no financing.

C. Effects on Operating Costs

According to the applicant, BMH-Union County has operated at a loss of approximately \$1,730,773 during the most recent fiscal year and is dependant upon its parent company to continue operation. This present financial situation includes the operation of the fully-staffed TCC unit. The applicant projects that with the conversion of the 12 TCC beds to swing beds, the first year loss will be reduced to \$1,132,438, or a \$598,335 decrease.

D. Cost to Medicaid/Medicare

Patient Mix	Utilization Percentage	First Year Cost
Medicare	93	\$2,388,779
Medicaid	0	0
Other Payors	7	179,801
Total	100	\$2,568,580

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for comment; however, no written comments were received from the Division.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the establishment of swing bed services as contained in the *2007 Mississippi State Health Plan*; Chapter 8 of 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 on behalf of Baptist Memorial Hospital-Union County.

**ATTACHMENT I
 SINGING RIVER HOSPITAL SYSTEM
 THREE YEAR OPERATING STATEMENT
 (WITH PROJECT)**

	First Year	Second Year	Third Year
Revenue			
Inpatient Care Revenue	\$ 2,568,580	\$ 2,450,250	\$ 2,513,218
Outpatient Care Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Gross Patient Care Revenue	2,568,580	2,450,250	2,513,218
Charity Care	25,686	24,502	25,132
Deductions from Revenue	<u>1,947,515*</u>	<u>1,857,797*</u>	<u>1,905,541*</u>
Net Patient Care Revenue	595,379	567,951	582,545
Other Operating Revenue	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>
Total Operating Revenue	611,379	583,951	598,545
Operating Expense			
Salaries	643,139	668,864	695,619
Benefits	225,099	234,103	243,467
Supplies	134,883	134,883	134,883
Services	5,593	6,511	7,456
Lease			
Depreciation	14,085	14,085	14,085
Interest			
Other	<u>721,017</u>	<u>742,648</u>	<u>764,927</u>
Total Operating Expense	<u>\$ 1,743,816</u>	<u>\$ 1,801,094</u>	<u>\$ 1,860,437</u>
Net Operating Income (Loss)	<u>\$ (1,132,437)</u>	<u>\$ (1,217,143)</u>	<u>\$ (1,261,892)</u>
Inpatient days	2,046	1,880	1,800
Outpatient days	0	0	0
Procedures	N/A	N/A	N/A
Charge per outpatient day	N/A	N/A	N/A
Charge per inpatient day	\$,255	\$ 1,303	\$ 1,396
Charge per procedure	N/A	N/A	N/A
Cost per inpatient day	\$ 852	\$ 958	\$ 1,034
Cost per outpatient day	N/A	N/A	N/A
Cost per procedure	N/A	N/A	N/A

*Based on actual trends from the last three years and the total charges adjusted for TCC patients. The MedPAC report regarding SNFs (Report to Congress: Medical Payment Policy, March 2008, p154) states: "Hospital-based facilities continued to have very negative margins (-83.8 percent), in large part reflecting their higher daily cost and shorter stays (their stays are less than half those of freestanding facilities). Per diem costs for hospital-based SNFs are about double those of freestanding facilities. Their higher routine costs are a function of higher staffing levels, a larger mix of professional staff, and generally higher wage rates (hospital-based SNFs typically pay their SNF staff the same rates as their hospital employees) (MedPAC 2007a). Hospital-based SNFs also have higher NTA costs that may capture unmeasured case-mix differences and the test-ordering practices of physicians managing the SNF care."