

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPM ENT
NOVEMBER 2010**

**CON REVIEW: HG-NIS-0910-031
PHC-CLEVELAND, INC. D/B/A BOLIVAR MEDICAL CENTER, CLEVELAND
OFFERING OF SWING BED SERVICES
CAPITAL EXPENDITURE: \$0
LOCATION: CLEVELAND, BOLIVAR COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

PHC-Cleveland, Inc. d/b/a Bolivar Medical Center is a 165-bed short-term acute care hospital, owned by Bolivar County. Bolivar Medical Center is a Business Corporation and receives governance from a nine-member Board of Trustees. The occupancy rates, average length of stay (ALOS), and Medicaid utilization for the three most recent years for Bolivar Medical Center are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2007	38.08	4.20	18.57
2008	35.08	3.94	N/A
2009	34.72	4.20	23.07

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

B. Project Description

Bolivar Medical Center requests Certificate of Need (CON) authority to establish swing bed services by reabsorbing a 12-bed sub acute (skilled nursing) unit currently located on the fourth floor of the hospital.

The applicant states that renovation is required on the fourth floor of the hospital to meet current licensure standards. This renovation would disrupt patient care services on the floor, and the hospital will be required to relocate the skilled nursing unit to another location entirely or provide for the care of these patients in another setting within the hospital. The applicant states that a review of the hospital's patient mix indicates that most of these patients could also be treated in the swing bed unit. The proposed addition of 12 swing beds at Bolivar Medical Center would allow for the skilled nursing patients to continue to receive the appropriate level of care within the hospital. It is proposed that the swing beds would be located among the existing 57 medical/surgical beds located on the second floor of the hospital.

Bolivar Medical Center reported in the 2009 Report on Hospitals, an average daily census of 57.28. The applicant affirms that for the past two years Bolivar

Medical Center has experienced an average daily census of fewer than 100 beds. As previously stated, Bolivar Medical Center is currently licensed for 165 beds; however the applicant provided correspondence affirming that the hospital expects to continue to maintain an average daily census of fewer than 100 beds, thereby meeting the federal requirements for swing-bed participation.

The applicant states that swing beds provide a link between inpatient acute care and home or community-based services in a continuum of care for the elderly and others who have long term care needs. The applicant affirms that swing beds will enable the hospital to provide nursing care, rehabilitation and social services with a goal of returning patients to their homes.

Bolivar Medical Center affirms that no additional personnel will be employed as a result of this project; the total licensed bed capacity will remain the same; no new construction or renovation, and no capital expenditure will be required for the proposed project.

If the proposed project is CON approved, the applicant asserts that the project shall commence by December 2010, and be completed by March 2011.

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 December 6, 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* 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.

Note: CON applications are required to be reviewed under the Plan in effect at the time the application is received by the Department. This application was received on September 1, 2010, and the *FY 2011 State Health Plan* has an effective date of September 8, 2010.

SHP Criterion 1- Need

Bolivar Medical Center is a short term acute care hospital, with a licensed capacity of 165 acute care beds. The applicant states that currently the staffed bed complement consists of 57 medical/surgical beds; 17 obstetrical beds and 12 distinct part skilled nursing beds, totaling 86 beds.

The *FY 2010 State Health Plan* states that a hospital may 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.

SHP Criterion 2 – Governing Board Resolution

The applicant provided a copy of the minutes from the Board of Trustees meeting approving the proposed project for Bolivar Medical Center.

SHP Criterion 3 – Staffing of Excess Beds

The applicant affirms that Bolivar Medical Center is licensed for 165 acute care beds. Currently the staffed bed complement consists of 57 medical/surgical beds; 17 obstetrical beds; and 12 skilled nursing beds totaling 86 beds. The applicant provided correspondence affirming that the hospital expects to continue to maintain an average daily census of fewer than 100 beds, thereby meeting the federal requirements for swing-bed participation.

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 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 Bolivar Medical Center 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 bed 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, unless the patient's physician certifies that the transfer is not medically appropriate.

SHP Criterion 7 – Transfer Agreement

The application contained transfer agreements between Bolivar Medical Center and local nursing homes.

SHP Criterion 8 – Suspension for Failure to Comply

The applicant affirms that Bolivar Medical Center understands that it will be subject to suspension from participation in the swing bed program by the Mississippi State Department of Health for a reasonable period of time, if the Department, after a hearing complying with due process, determines that Bolivar Medical Center has failed to comply with any of these requirements.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, revised May 1, 2010*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 – State Health Plan

This project conforms to the swing-bed standards and criteria of the *FY 2010 State Health Plan*.

GR Criterion 2 – Long Range Plan

Bolivar Medical Center states that their long-range plans are to provide high quality facilities and services to patients seeking care. The proposed establishment of swing bed services at Bolivar Medical Center will respond to a need identified by the hospital to provide appropriate health care services as conveniently as possible for the patient and the medical staff in a cost effective manner. The applicant states that the proposed project conforms to their long-range plan.

GR Criterion 3 – Availability of Alternatives

The applicant considered the following options in the development of this proposal:

- To take the 12-bed skilled nursing unit out of service without provision of care for the patients in them.
- Relocation of the 12-bed skilled nursing unit to another location entirely while the Fourth Floor renovation is underway.

The applicant states that Bolivar Medical Center rejected both of these alternatives due to the fact that they were not in the best interest of the patients in the hospital.

Bolivar Medical Center affirms that the establishment of a swing bed program is the best option for patients because there would be minimal disruption in the quality of their care. Additionally, the applicant states that the proposed project is the most cost effective approach for the provision of services as there would be no duplication of staff or services and no capital expenditure as a direct result of this proposal.

GR Criterion 4 – Economic Viability

Bolivar Medical Center projects net income of \$4,009,774 the first year, \$4,783,120 the second year, and \$4,906,694 the third year for the entire facility. The applicant projects operating expenses of \$676,944 the first year for the swing bed services with net income of \$159,186. The applicant does not project additional expenses for years two and three. The applicant projects overall increases in salaries of just over 1%; benefits of 2%; and increases in supplies, services, and lease expenses of approximately 1%. The project appears to be economically viable.

GR Criterion 5 – Need for Project

The applicant states the proposed establishment of swing bed services at Bolivar Medical Center will provide an additional resource and alternative for patients needing long term care services. The applicant believes that the proposed project will not have an adverse impact on existing providers.

The application contained one letter of support.

GR Criterion 6 – Access to the Facility or Service

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

GR Criterion 7 – Information Requirement

The applicant affirms that Bolivar Medical Center 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 Bolivar Medical Center maintains adequate professional and support staff to operate the facility. The applicant further states that the proposed project will not require any new personnel.

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– Health Professional Training Programs

The applicant states that Bolivar Medical Center participates in health professional training programs and will continue to do so.

GR Criterion 12– Access by Health Professional Schools

The applicant states that Bolivar Medical Center meets the clinical needs of health professional training programs.

GR Criterion 13– Special Needs and Circumstances

According to the applicant, Bolivar Medical Center 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.

GR Criterion 13 – Construction Project

Bolivar Medical Center affirms that the proposed project will require no new construction.

GR Criterion 16– Quality of Care

Bolivar Medical Center attests to having an excellent track record of providing high quality care services to its patients. The applicant states that Bolivar Medical Center is accredited by the Joint Commission on Accreditation of Healthcare Organization.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The completion of the proposed project will require no capital expenditure.

B. Method of Financing

The completion of the proposed project will require no financing.

C. Effect on Operating Cost

The three-year projected operating statement of Bolivar Medical Center is provided in Attachment 1.

D. Cost to Medicaid/Medicare

The applicant’s projection of cost to third party payors is as follows:

Patient Mix by Payor	Utilization Percentage	First Year Revenue
Medicaid	0%	\$ 0
Medicare	84%	\$2,951,000
Other	16%	\$ 578,000
Total	100%	\$3,529,000

V. RECOMMENDATIONS 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

Bolivar Medical Center is licensed for 165 beds, which is more than the maximum number specified in federal regulations for participation in the swing-bed program. However, the *FY 2010 State Health Plan* states that a hospital may 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, provided the applicant affirms its compliance with regulations established for such facilities. Bolivar Medical Center provided correspondence affirming that the hospital expects to continue to maintain an average daily census of fewer than 100 beds, thereby meeting the federal requirements for swing-bed participation.

The applicant affirmed that Bolivar Medical Center 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, and if the hospital has a patient staying in the swing bed 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, unless the patient's physician certifies that the transfer is not medically appropriate.

Bolivar Medical Center is currently licensed for 165 beds; however the applicant affirms that the staffed bed complement consists of 57 medical/surgical beds; 17 obstetrical beds and 12 distinct part skilled nursing beds, totaling 86 beds.

According to the FY 2008 and 2009 Report on Hospitals, Bolivar Medical Center had an average daily census of 57.88 in 2008 and 57.28 in 2009. For the past two years Bolivar Medical Center has experienced an average daily census of fewer than 100 beds, thereby meeting the federal requirements for swing-bed participation.

This project is in substantial compliance with the criteria and standards for the establishment of swing bed services as contained in the *FY 2010 State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, May 1, 2010*; 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 Bolivar Medical Center for the establishment of swing bed services.

Attachment 1

**Bolivar Medical Center
 Three Year Operating Statement
 (With Project)**

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$ 96,811,775	\$ 99,214,424	\$101,198,712
Outpatient Revenue	<u>86,107,176</u>	<u>88,259,856</u>	<u>90,025,053</u>
Gross Patient Revenue	\$182,918,951	\$187,474,280	\$191,223,765
Charity	3,590,580	3,680,345	3,753,951
Deductions from Revenue	116,162,227	120,024,999	123,072,567
Net Patient Care Revenue	\$ 63,166,144	\$ 63,768,936	\$ 64,397,247
Other Operating Revenue	673,620	673,620	673,620
Total Operating Revenue	<u>\$ 63,839,764</u>	<u>\$ 64,442,556</u>	<u>\$ 65,070,867</u>
Operating Expenses			
Salaries	\$ 18,906,448	\$ 18,424,827	\$ 18,516,951
Benefits	3,135,607	3,138,225	3,200,990
Supplies	6,880,987	6,906,862	6,955,210
Services	5,767,118	5,835,194	5,916,887
Lease Expenses	109,760	110,857	11,966
Depreciation	2,271,196	2,271,196	2,271,196
Interest	1,082,372	1,082,372	1,082,372
Other	21,676,501	21,889,902	122,108,801
Total Operating Expenses	<u>\$ 59,829,990</u>	<u>\$ 59,659,436</u>	<u>\$ 4,906,494</u>
Net Operating Income	\$ 4,009,774	\$ 4,783,120	\$ 4,906,494
Inpatient Days	36,490	37,220	37,964
Outpatient Visits	46,762	47,697	48,651
Procedures	0	0	0
Charge per outpatient day	\$ 1,841	\$ 1,850	\$ 1,850
Charge per inpatient day	\$ 2,653	\$ 2,666	\$ 2,666
Cost per outpatient day	\$ 1,640	\$ 1,603	\$ 1,585
Cost per inpatient day	\$ 1,279	\$ 1,251	\$ 1,237