

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2016**

**CON REVIEW: NH-RLS-0915-016
BEDFORD ALZHEIMER'S CARE CENTER, LLC
d/b/a BEDFORD ALZHEIMER'S CARE CENTER
RELOCATION OF 40 SKILLED NURSING BEDS WITHIN FORREST COUNTY
CAPITAL EXPENDITURE: \$4,173,023
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Bedford Alzheimer's Care Center, LLC, d/b/a Bedford Alzheimer's Care Center ("Bedford-Alzheimer's") is a Mississippi Limited Liability Company, established in 2004. The entity, formerly known as Hattiesburg Medical Park Inc., d/b/a Conva-Rest of Hattiesburg, operates a 20-bed Alzheimer's Unit located at 300 Cahal Street in Hattiesburg, Mississippi. Bedford Alzheimer's Care Center is currently managed by Hattiesburg Medical Park Management Corporation and has four managers.

Bedford-Alzheimer's is licensed by the Mississippi State Department of Health and is certified for participation in the Medicare and Medicaid programs.

B. PROJECT DESCRIPTION

Bedford Alzheimer's Care Center, LLC, d/b/a Bedford Alzheimer's Care requests Certificate of Need authority to relocate 40 skilled nursing facility beds from Bedford Care Center of Hattiesburg (Bedford-Hattiesburg), to Bedford Alzheimer's Care Center, Hattiesburg, Forrest County, Mississippi. Bedford-Hattiesburg is a nursing facility in Hattiesburg, Forrest County, Mississippi licensed for 152 nursing home beds, with an additional 40 beds in abeyance.

Bedford Alzheimer's Care Center, LLC, d/b/a Bedford Alzheimer's Care currently operates a 20-bed nursing facility at 300 Cahal Street in Hattiesburg, Forrest County, Mississippi. The applicant states that the facility is a CMS 5-star facility, with the highest quality rating awarded by the centers for Medicare and Medicaid services. Bedford-Hattiesburg and Bedford-Alzheimer's are related, affiliated companies.

As a part of this project, Bedford-Alzheimer's is currently located at 300 Cahal Street in Hattiesburg. Under this proposal, both the 20-bed Alzheimer's facility and the 40 beds being relocated from Bedford-Hattiesburg will be combined and moved next door to 298 Cahal Street.

The applicant asserts that the building at that address is owned by Conva-Rest Monroe Hall, Inc., another affiliated entity of the applicant's. The building contains 25,581 square feet and currently vacant. Bedford-Alzheimer's proposes to use this building to house the expanded, 60-bed Bedford-Alzheimer's facility. The project proposes to relocate 40 beds currently held in abeyance at Bedford-Hattiesburg to 298 Cahal street in Hattiesburg, where the beds will be combined with the 20 Alzheimer's skilled nursing beds currently located at 300 Cahal Street to form a 60 bed facility operated by Bedford-Alzheimer's and dedicated to Alzheimer's care.

The applicant's final objectives for the project are (1) to make additional skilled nursing beds dedicated to Alzheimer's patients available in the community, and (2) to establish a more efficient facility operation through the expansion of a 20-bed nursing facility to 60 beds.

The applicant asserts that Bedford-Alzheimer's will enter into a capital lease agreement with Conva-Rest Monroe Hall, Inc. The capital lease payments constitute the proposed capital expenditure for the project. The application contains a copy of the capital lease agreement between Bedford Alzheimer's Care Center, LLC, d/b/a Bedford Alzheimer's Care Center and Conva-Rest Monroe Hall, Inc., Hattiesburg, Mississippi regarding the proposed project.

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

The applicant expects to obligate the capital expenditure upon CON approval and anticipates that the project will be completed 90 days following CON approval.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the relocation of health care facilities or portion thereof, major medical equipment, and services under the applicable statutory requirements of Section 41-7-191, subparagraph (1)(b), (c), 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 February 25, 2016.

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

A. State Health Plan (SHP)

The *FY 2015 Mississippi State Health Plan (MSHP)* does not contain criteria and standards for or relocation of long term care beds and services as proposed by this application. However, the *Plan* provides guidelines and overall objectives for all health planning in Mississippi. The *FY 2015 MSHP states that:* Mississippi's planning and health regulatory activities have the following purposes:

To improve the health of Mississippi residents

The applicant submits that the proposed project will improve the health of Mississippi residents by making available additional skilled nursing beds dedicated to residents with Alzheimer's. There is a continuing demand for Alzheimer's beds and services in the State, and the applicant's facility is responding to that need by expanding its existing services and resources. Currently, there is a waiting list of 40 Alzheimer's patients who desire admission to the Alzheimer's facility.

To increase the accessibility, acceptability, continuity and quality of health services

The applicant asserts that through its relationships with Forrest General Hospital and Hattiesburg Clinic, the proposed expanded Bedford-Alzheimer's facility will be able to provide a continuum of high quality medical services to all of its residents. Further, the applicant submits that the city of Hattiesburg is located on Interstate 59 and U.S. Highway 49, which offers convenient access to the residents of the service area.

To prevent unnecessary duplication of health resources

Bedford Alzheimer's Care Center, LLC, d/b/a Bedford Alzheimer's Care asserts that the following reasons, the proposed project does not involve a duplication of health resources: First, the 40 skilled nursing beds proposed to be relocated are already in the inventory of beds in the *State Health Plan*. Second, there is a need for additional nursing home beds in Forrest County, according to the 2015 Mississippi State Health Plan, and existing nursing facilities in Forrest County have a high occupancy rate. Finally, the relocated beds will be dedicated to Alzheimer's residents, which will offer a unique resource that does not duplicate the services offered by other providers.

The 2015 Projected Nursing Home Bed Need Table, Table 2-3 in the *FY 2015 State Health Plan* indicates that Forrest County, which Bedford Alzheimer's Care is locate has a need for 47 additional nursing facility beds.

According to the *Plan*, Forrest County has two nursing facilities with a total of 100 nursing home beds in abeyance, Bedford Care Center-Hattiesburg, 40 beds and Bedford Care Center-Monroe Hall, Hattiesburg, 60 beds.

According to the *2013 Report on Institutions for the Aged or Infirm*, Bedford Alzheimer's Care Center, LLC, d/b/a Bedford Alzheimer's Care had an occupancy rate of 97.64 in 2013. The occupancy rates of nursing home facilities in Forrest County range from 93.56% to 98.06%.

The table below provides utilization rates for the nursing home facilities in Forrest County, Mississippi.

**Table
 Occupancy Rates and Bed Need of
 Forrest County**

Forrest County	Beds	Occ Rate	ADC	Bed Need	Diff.
Bedford Alzheimer's Care	20	97.64	19.52		
Bedford Care of Hattiesburg	152	93.56	142.22		
Bedford Care Monroe Hall	60	97.04	58.22		
Bedford Care Center of Petal	60	98.06	58.84		
Hattiesburg Health & Rehab	184	95.90	176.44		
Total	476	95.64	455.24	533	47

Source: *2013 Report on Institution of Aged or Infirm*, Bureau of Health Facility Licensure and Certification, Mississippi State Department of Health, October 2014; and the *FY 2015 Mississippi State Health Plan*.

To provide some cost containment

The applicant asserts that it is much more cost effective to operate a 60-bed nursing facility than a 20-bed facility, due to minimum staffing requirements and other factors. The applicant indicates that the *Plan* requires new nursing homes to have a minimum of 60 beds. Thus, by using the proposed 40 beds currently in abeyance to expand an existing 20-bed facility, Bedford-Alzheimer's believe it will achieve greater cost and operational efficiency regarding the proposed project.

The proposed project is consistent with the above stated goals of health planning.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 Revision*, 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 (SHP)

The proposed project is consistent with the stated goals of health planning as contained in the FY 2015 *State Health Plan*. The *Plan* does not contain criteria and standards for the relocation of long term care beds as proposed in this application. The project is in substantial compliance with the overall goals of the *State Health Plan*.

GR Criterion 2 - Long Range Plan

The applicant submits that the highest priority of its long-range plan is to respond to the community health needs in the area of long-term care. The applicant believes that the community need is evidenced by the long waiting list of Alzheimer's patients who seek immediate admission to Bedford-Alzheimer's. Bedford-Alzheimer's asserts that the proposed project was developed and designed to respond to this need in the community.

GR Criterion 3- Availability of Alternatives

The applicant states that the only alternative to the proposed project is for Bedford-Alzheimer's to continue to limit its resources to 20 beds. The applicant rejected the status quo because it would ignore the clear need for additional Alzheimer's beds in Forrest County and south Mississippi. After reviewing financial and operational issues, as well as demand for long-term care services in the Hattiesburg community, Bedford-Alzheimer's determined that the preferable course of action was to implement the proposed project which will enable Bedford-Alzheimer's to operate more efficiently as an expanded, 60-bed nursing facility.

Bedford-Alzheimer's believe that this project will benefit the health care system by expanding the availability of dedicated Alzheimer's beds in Hattiesburg, and by enabling the facility to operate on a more efficient basis as a 60-bed facility.

GR Criterion 4 - Economic Viability

Based on the Income Statement with Project, as provided in the application, the project will be economically viable by the second year of operation. The applicant projects a loss the first year of \$89,522 and profits the second and third years of \$157,789 and \$181,644, respectively, of the project only.

The applicant states that Bedford-Alzheimer's and Hattiesburg Medical Park Management Corporation have extensive experience with Medicare and Medicaid reimbursement and believes that the proposed charges and profit-loss projections are reasonable and consistent with the experience of comparable facilities.

The applicant further states that both the historical and projected levels of utilization of nursing facility services are consistent with the experience of

Bedford-Alzheimer's affiliated facilities in the service area and State, and are consistent with the need level in the service area.

GR Criterion 5 - Need for the Project

Bedford-Alzheimer's believes that the proposed project addresses the need of the population to be served in four different and significant respects:

1. Demand for Alzheimer's Services. The applicant currently operates 20 beds and maintains an occupancy rate in excess of 98%. The applicant asserts that Bedford-Alzheimer currently has a waiting list of 40 Alzheimer patients. The applicant believes this evidence strong demand for dedicated Alzheimer's beds. By expanding its beds to 60, the facility will be able to accommodate additional residents in need of these specialized services.
2. Response to Local Demand and Utilization Patterns. Although Forrest County shows a need for additional nursing beds in the *State Health Plan*, the average occupancy rate of nursing facilities in Forrest County is 95.64%. Forrest General Hospital and Hattiesburg Clinic are also located in Hattiesburg, Forrest County. Bedford-Alzheimer's believes that by relocating 40 skilled nursing beds within Forrest County, and to a major medical community, it is addressing the need of that population for additional resources in the areas of long-term care.
3. Improved Continuity of Care. Through its relationships with Forrest General Hospital, Hattiesburg Clinic, and other health care providers in the Hattiesburg area, Bedford-Alzheimer's states it will be able to provide an improved continuity of care by expanding its facility, which will benefit the health needs of the residents of the service area.
4. Greater Operational Efficiency. Bedford-Alzheimer's states it is much more efficient to operate a 60-bed skilled nursing facility than a 20-bed facility, due to minimum staffing requirements and other factors. The applicant states the project will benefit the needs of the population served by Bedford-Alzheimer's by enabling that facility to provide more efficient and cost-effective services.

The applicant further asserts that by relocating 40 skilled nursing beds to Bedford-Alzheimer's, it will be able to serve the needs of all residents of the community, including low income persons, Medicaid recipients, racial and ethnic minorities, and other underserved groups.

Bedford Alzheimer's Care Center believes that because of the high utilization of nursing homes in the Hattiesburg area, the proposed project will not have an adverse impact on existing providers.

The application contains 12 letters of support for the proposed project.

GR Criterion 6- Accessibility

The applicant states that in a nursing home setting, indigent residents typically qualify for Medicaid and as a result, charity care utilization is nominal. Bedford-Alzheimer's is certified for both Medicare and Medicaid participation. The 40 relocated beds will be Medicaid certified.

GR Criterion 7- Information Requirement

Bedford-Alzheimer's affirms that it 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 applicant submits that although there are other skilled nursing facilities in the Hattiesburg area, Bedford-Alzheimer's is unique in offering beds, services and programs specifically dedicated to Alzheimer's residents.

Bedford-Alzheimer's states that implementation of 40 additional skilled nursing beds at its facility will increase operational and economic efficiency of existing services.

Staff contends that although Bedford-Alzheimer's offers services dedicated to patients with Alzheimer's disease, there is no distinct bed need in the *Plan* for beds dedicated specifically for Alzheimer's residents.

There will be no new beds added to Forrest County, LTCPD IV or the state, only to relocate 40 beds currently held in abeyance at Bedford-Hattiesburg to 298 Cahal Street in Hattiesburg. In turn, the beds will be combined with the 20 Alzheimer's skilled nursing beds currently located at 300 Cahal Street to form a 60 bed facility operated by Bedford-Alzheimer's and dedicated to Alzheimer's care within same Planning District and County.

The Department received no letters of opposition concerning the proposed project.

GR Criterion 9 - Availability of Resources

According to the applicant, the project will require 48.2 full time equivalents (FTE) personnel at an estimated cost of \$1,046,542 for the first year for the entire 60 bed facility.

The applicant states that Bedford-Alzheimer's and Hattiesburg Medical Park Management Corporation have considerable experience in the staffing of nursing facilities. Accordingly, the applicant has access to the resources and personnel necessary to staff the proposed beds.

Additionally, the applicant has contractual services through Summit Rehab.

GR Criterion 10 - Relationship to Ancillary or Support Services

Bedford-Alzheimer's affirms that all necessary support and ancillary services for the proposed project are available. Any increase in the use of ancillary or support services as a result of this project will be accommodated through existing facilities and resources.

GR Criterion 11- Health Professional Training Programs

The applicant states that Bedford-Alzheimer's will continue to coordinate with any health professional schools in the area with respect to access to its services for training purposes.

GR Criterion 16 - Quality of Care

Bedford-Alzheimer's is licensed by the Mississippi State Department of Health and is certified for participation in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The total estimated capital expenditure is allocated as follows:

	Item	Cost (\$)	Percent (%) of Total
a.	Construction Cost -- New	0	0
b.	Construction Cost -- Renovation	0	0
c.	Capital Improvements	0	0
d.	Total Fixed Equipment Cost	0	0
e.	Total Non-Fixed Equipment Cost	0	0
f.	Land Cost	0	0
g.	Site Preparation Cost	0	0
h.	Fees (Architectural, Consultant, etc.)	0	0
i.	Contingency Reserve	0	0
j.	Capitalized Interest	0	0
k.	Other (Capital Lease)	\$ 4,173,023	100
l.	Other Costs	<u>0</u>	<u>0</u>
	Total Proposed Capital Expenditure	<u>\$4,173,023</u>	<u>100.00</u>

The applicant submits that Bedford-Alzheimer's will enter into a capital lease agreement with Conva-Rest Monroe Hall, Inc. The capital lease payments constitute the above capital expenditure for the proposed project. Since Bedford will take 40 long term care beds out of abeyance to combine with 20 existing operational nursing home beds to create a 60 bed facility for the proposed project, staff determined that the cost per bed will be \$69,550 for the 60 bed nursing home facility (smaller facility).

The *RSMMeans Construction Cost Data, 2015* shows the cost per bed for a LTC facility of this size range from \$54,500 (lower end) to \$88,000 (high end). Bedford's cost per bed, \$69,550 is above the low range cost for nursing homes as listed in the *RSMMeans Construction Cost Data, 2015 Publication*.

The following shows the cost per nursing home bed for years 2013 – 2015:

RSMMeans Construction Cost Data, 2013 - the cost per bed for a LTC facility range from \$52,000 (lower end) to \$84,000 (high end).

RSMMeans Construction Cost Data, 2014 - the cost per bed for a LTC facility range from \$53,500 (lower end) to \$86,000 (high end).

RSMMeans Construction Cost Data, 2015 - the cost per bed for a LTC facility range from \$54,500 (lower end) to \$88,000 (high end).

B. Method of Financing

As mentioned above, the applicant submits that Bedford-Alzheimer's will enter into a capital lease agreement with Conva-Rest Monroe Hall, Inc. the capital lease payments constitute the propose capital expenditure for the proposed project.

C. Effects on Operating Costs

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses, and net income are shown in Attachment 1.

D. Cost to Medicaid/Medicare

The applicant projects the cost of the project to third party payors as follows (Project Only):

Bedford Alzheimer's Care Center		
Payor	Utilization Percentage	First Year Revenue
Medicaid	31%	\$ 214,683
Medicare	39%	\$ 272,174
Self Pay	29%	\$ 202,320
Commercial	0%	\$ 0
Charity Care	0%	\$ 0
Other	0%	\$ 0
Total	100.00%*	\$ <u>689,177</u>

*Does not compute due to rounding.

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application and the Department received written comments from the agency. The Division states that this project is expected to increase cost to the Division of Medicaid. The Division of Medicaid opposes this project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the overall objectives of the FY 2015 *Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 Revision*; 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 the application submitted by Bedford Alzheimer's Care Center, LLC d/b/a Bedford Alzheimer's Care Center for the relocation of 40 nursing home beds within Forrest County.

Attachment 1

Bedford Alzheimer's Care Center, LLC
 d/b/a Bedford Alzheimer's Care Center
 Relocation of 40 Skilled Nursing Beds within Forrest County, Mississippi
 Three-Year Projected Operating Statement (Project Only)

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care	\$689,177	\$2,878,361	\$2,950,320
Outpatient Care	0	0	0
Gross Patient Care Rev.	\$689,177	\$2,878,361	\$2,950,320
Charity Care	0	0	0
Deductions for Revenue	167,022	157,400	161,335
Net Patient Care Revenue	\$ 522,155	\$ 2,720,961	\$ 2,788,985
Total Operating Revenue	\$522,155	\$ 2,720,961	\$ 2,788,985
Operating Expenses			
Salaries	\$ 395,541	\$ 1,061,233	\$ 1,087,764
Benefits	39,900	283,406	290,491
Supplies	131,201	514,930	527,803
Services	(204,370)	(57,017)	(58,443)
Lease	80,000	300,000	300,000
Depreciation	5,021	9,897	10,144
Interest	1,000	400	(12,000)
Other	163,384	450,324	461,582
Total Operating Expenses	\$ 611,677	\$ 2,563,172	\$ 2,607,341
Net Operating Income (Loss)	\$ (89,522)	\$ 157,789	\$ 181,644
Inpatient Days	1,724	13,824	14,200
Outpatient Days	0	0	0
Procedures	0	0	0
Charge per outpatient day	0	0	0
Charge per inpatient day	\$ 400	\$ 208	\$ 208
Charge per procedure	0	0	0
Cost per inpatient day	\$ 355	\$ 185	\$ 184
Cost per outpatient day	0	0	0
Cost per procedure	0	0	0