

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
SEPTEMBER 15, 2016**

**CON REVIEW NUMBER: NH-CO-0816-016  
HINDS COUNTY NURSING & REHABILITATION CENTER, LLC  
COSTOVERRUN TO CON #R-0884 (CON REVIEW NUMBER: NH-CRF-0512-011)  
CONSTRUCTION OF 119 NURSING HOME BEDS IN HINDS COUNTY, MISSISSIPPI  
APPROVED CAPITAL EXPENDITURE: \$9,650,798  
ADDITIONAL CAPITAL EXPENDITURE: \$1,798,487  
TOTAL CAPITAL EXPENDITURE: \$11,449,285  
LOCATION: BYRAM, HINDS COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Hinds County Nursing & Rehabilitation Center, LLC is a Mississippi Limited Liability Company formed on April 24, 2009. Trend Consultants, LLC-Management Company of Madison, Madison County, Mississippi manages and operates the 119-bed skilled nursing home facility. The applicant indicates that Mr. Charles Bruce Kelly is the managing member of Trend Consultants, LLC-Management Company as well as the managing member of Hinds County Nursing & Rehabilitation, LLC.

**B. Project Background**

Hinds County Nursing & Rehabilitation Center, LLC (HCN&RC) was granted Certificate of Need (CON) Number R-0884 construction/relocation and replacement 119 nursing home beds/services in Hinds County, Mississippi. The effective date of the CON was March 26, 2015, with an expiration date of March 26, 2016.

The following dates give a timeline regarding this CON application (CON #R-0884):

- The Mississippi State Department of Health Staff Analysis dated September 2012, found the application submitted by Hinds County Nursing & Rehabilitation Center, LLC for the construction/relocation and replacement 119 nursing home beds/services in Hinds County, Mississippi to be in substantial compliance with applicable criteria and standards found in the *State Health Plan* and the *Certificate of Need Review Manual*, and recommended approval.
- October 17, 2012 was the last date to request a hearing during the course of the project's review. A request for a Hearing During the Course of Review was submitted by WCRL, LLC d/b/a Willow Creek Retirement Center in regards to the titled project: Hinds County Nursing & Rehabilitation Center, LLC (Construction/Relocation and Replacement of 119 Nursing Home Beds/Services in Hinds County, Mississippi).

- The Hearing During the Course of Review submitted by WCRL, LLC d/b/a Willow Creek Retirement Center was withdrawn on February 12, 2015 for Hinds County Nursing & Rehabilitation Center, LLC (Construction/Relocation and Replacement Of 119 Nursing Home Beds/Services in Hinds County, Mississippi)
- The Mississippi State Department of Health conducted their Certificate of Need Review Meeting on March 26, 2015; the proposed project notated below was included on the agenda:

CON Review Number: NH-CRF-0512-011  
Hinds County Nursing & Rehabilitation Center, LLC  
Construction of 119 Nursing Home Beds In Hinds County,  
Mississippi  
Capital Expenditure: \$9,650,798  
Location: Byram, Hinds County, Mississippi  
Staff Recommendation: Approval

March 26, 2015 was the effective date of the Final Order approving the project for a CON on the above listed facility (CON Number R-0884).

- Hinds County Nursing & Rehabilitation Center, LLC submitted a Six Month Extension request on February 19, 2016 for the proposed project. Hinds County Nursing & Rehabilitation Center, LLC was approved for a Six Month Extension with the extension termination date of September 26, 2016.

The applicant asserts that the scope of the original project involves the construction/relocation and replacement of 119 nursing home beds/services in Hinds County, Mississippi. The project involves the relocation of its facility, consisting of 119 licensed nursing home beds from 3454 Albermarle Road, Jackson, Mississippi, 39213 to 205 Byram Parkway, Byram, Mississippi, 39272, Hinds County.

According to the applicant, the new building that will house HCN&RC's 119 nursing home beds/services will be constructed by Kelly Holdings (an affiliate of HCN&RC). The applicant states that Kelly Holdings will lease the proposed building to HCNRC. The applicant was approved to construct a new state of the art facility on Byram Parkway in Byram, Mississippi to replace the current out-dated, inefficient building currently housing the Hinds County Nursing & Rehabilitation Center, LLC facility located in Jackson, Mississippi.

The replacement nursing home facility will be a 119 bed facility, containing approximately 62,580 square feet of new construction. The skilled nursing facility will be a single story courtyard style skilled nursing facility. The applicant asserts that the building has been designed as a state-of-the-art facility geared to meet the rising demands of the aging population. The facility will have 6 resident wings, which will include 49 private rooms, 35 semi-private rooms, a secure Alzheimer's unit with separate day, dining, courtyard and nursing areas as required. The facility will also include a 20-bed unit designated to provide special care needed by persons or patients suffering from Alzheimer's disease and other types of dementia, an expanded skilled nursing rehabilitation therapy center, a

spacious activity room, dining area, bedrooms and outdoor areas. The applicant asserts that the facility will meet space requirements for dining, activities, administration, nursing, food preparation and laundry.

The applicant states that the current building is three stories with a common and administrative space on the first floor and resident rooms on the second and third floors. The applicant indicates this prevents HCN&RC from establishing an Alzheimer's/Dementia Care unit.

The applicant submits that the alternative of constructing a new state-of-the-art building to house HCN&RC in a fast growing area in Hinds County is the best option to adequately and effectively meet the needs of HCN&RC's residents. The new building, which will be relocated within HCN&RC's 15-mile radius service area and very close access to an exit off Interstate 55, will offer convenient access to persons living in eastern Hinds County and western Rankin County.

**C. Project Description**

Hinds County Nursing & Rehabilitation Center, LLC now requests Certificate of Need authority for a cost overrun to its CON No.R-0884. The applicant affirms that the capital expenditure approved in the original CON is \$9,650,798 and the additional costs for the cost overrun proposal are \$1,798,487, resulting in a revised total capital expenditure of \$11,449,285 for the project.

The applicant asserts that the cost overrun project is due to the delay in commencing construction and legal appeals, which contributed to increased costs of the project.

The applicant asserts that of the \$11,449,285 total estimated capital expenditure, \$705,809 has been expended. More details concerning the capital expenditure and financing are listed under *B. Method of Financing* within this document.

The applicant confirms that the capital expenditure made to date includes \$425,961 for the land and \$279,847 for the architectural fees. The applicant states that based on that amount and the estimated capital expenditure, the proposed project is 6.16% complete. The applicant suggests that the estimated date of completion for the project is Fall of 2017. Staff contends that this cost overrun does not change the scope of the original project.

The Mississippi State Department of Health, Division of Health Facilities Licensure and Certification approved the original site for the proposed project.

## II. TYPE OF REVIEW REQUIRED

The original project was reviewed in accordance with Section 41-7-191, (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.

The State Health Officer reviews all projects for amendments and cost overrun in accordance with duly adopted procedures 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 10 days of publication of the staff analysis. The opportunity to request a hearing expires on September 25, 2016.

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

### A. State Health Plan (SHP)

The original application was in substantial compliance with the *FY 2012 Mississippi State Health Plan*, in effect at the time the original application was submitted. The cost overrun project continues to be in compliance with the *FY 2015 Mississippi State Health Plan*.

### B. General Review (GR) Criteria

The original project was in substantial compliance with the *Certificate of Need Review Manual, FY 2011 Revision*, in effect at the time of submission. This application continues to be in compliance with applicable General Review Criteria and Standards contained in the *Certificate of Need Review Manual, 2011 Revision*.

The Department received a letter of opposition concerning the proposed project from WCRL, LLC d/b/a Willow Creek Retirement Center.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

	<b>Original Approved Amount</b>	<b>Revised Amount</b>	<b>Increase/ (Decrease)</b>
1. New Construction Cost	\$7,622,500	\$7,796,195	\$ 173,696
2. Construction/Renovation	0	0	0
3. Land	425,962	425,962	0
4. Site Work	38,500	1,119,018	1,080,518
5. Fixed Equipment	0	0	0
6. Non-Fixed Equipment	600,000	1,094,667	494,667
7. Contingency	391,125	181,884	(209,241)
8. Fees (Architectural, Consultant, etc)	200,000	279,847	79,847
9. Capitalized Interest	233,111	233,111	0
10. Financing Costs	124,600	124,600	0
11. Accounting Fees	15,000	15,000	0
12. Landscaping	0	179,000	179,000
<b>Total Capital Expenditure</b>	<b>\$9,650,798</b>	<b>\$11,449,285</b>	<b>\$1,798,487</b>

As previously mentioned, the capital expenditure approved in the original CON is \$9,650,798. The applicant asserts that the additional cost for the cost overrun proposal is \$1,798,487, resulting in a revised capital expenditure of \$11,449,285 for the project.

The applicant states that the cost of site work increased from \$38,500 to \$1,119,018 due to a subsurface investigation of the project's site. The subsurface investigation determined that the composition of the soil required additional site preparation and a more reinforced foundation than originally expected. The application contained a copy of the Subsurface Investigation Report issued by Geotechnical Associates Network, LLC.

The landscaping cost of \$179,000 was not included in the original capital expenditure. The applicant suggests that landscaping has been added to the proposed project as a matter of aesthetics to provide the nursing home residents with beautifully landscaped areas that will allow a tranquil setting for the residents, their families and friends. Additionally, the plans are to install an irrigation system for the entire property to protect the landscaping.

The applicant states that construction cost have changed significantly in the Hinds County area since the initial cost estimate was submitted. The applicant confirms that the construction costs have increased from an overall cost of \$7,622,500 to \$7,796,196 primarily because of a delay in commencing construction due to a hearing request on the project and costs associated with reinforcing the foundation of the building.

The applicant confirms that the cost associated with the non-fixed equipment cost increased by \$494,667. Due to the increase in overall equipment costs, the applicant states delays in the project necessitated the purchase of new equipment that had not been anticipated and the addition of extra equipment.

The applicant further states that the architectural fees increased to \$279,847 due to the architect's and draftsman's development of the full set of plans necessary to be submitted to the Division of Health Facilities for review and the costs associated with the following: structural, civil, mechanical and electrical engineering and the development of the landscaping plans.

Because HCN&RC entered into the Construction Contract with a definite contractual amount for the construction of the proposed nursing home, the applicant asserts a contingency fee was not included in the architect's cost estimate. Nevertheless, HCN&RC states it has included a contingency fee in the amount of \$181,884 which is 2% of the cost of the new construction and site work, thereby reducing the contingency by \$209,241.

The applicant states that the proposed project is 6.16% complete. The proposed cost overrun does not change the scope of the original project.

**B. Method of Financing**

The applicant asserts that of the total estimated capital expenditure of \$11,449,285, \$705,809 has been expended. The applicant states that of the remaining capital expenditure \$10,743,476 will be financed from a commercial loan of \$10,200,000 from Trustmark National Bank and less than \$543,476 will be provided by Trend Consultants to finance the remaining amount. The application contained a copy of a Letter of Intent from Trustmark National Bank attesting to the funding of the cost overrun project. The applicant further states that in the event the cost of construction for the building and costs associated with the proposed project exceed the amount to be financed through Trustmark National Bank, Trend Consultants hereby agrees to loan HCN&RC all funds necessary to complete the project.

**C. Effect on Operating Cost**

Hinds County Nursing & Rehabilitation Center, LLC provided a revised projected operating statement for the first year of operation after completion of the project (see Attachment 1). Attachment 2 shows the original first-year projected operating statement of CON No.R-0884 (Construction/Relocation and Replacement of 119 Nursing Home Beds/Services in Hinds County, Mississippi).

**D. Cost to Medicaid/Medicare**

The applicant states that the additional capital expenditure associated with the proposed cost overrun will not impact Medicare and Medicaid or other payors, because those programs do not reimburse nursing facilities based on direct capital cost.

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment; however, as of September 15, 2016, the Division of Medicaid has not provided any comments regarding the proposed project.

**VI. CONCLUSION AND RECOMMENDATION**

The original application was in substantial compliance with the *FY 2012 Mississippi State Health Plan*, in effect at the time the original application was submitted; the *Mississippi Certificate of Need Review Manual, revised 2011*, and all adopted rules, procedures and plans of the Mississippi State Department of Health. The proposed cost overrun project continues to be in compliance with all applicable rules, procedures and plans in the *FY 2015 Mississippi State Health Plan* and the *Certificate of Need Review Manual, 2011 Revision*.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Hinds County Nursing & Rehabilitation Center, LLC for the cost overrun to its CON Number R-0884 for the Construction/Relocation and Replacement of a 119 Nursing Home Beds/Services in Hinds County, Mississippi.

**Attachment 1  
 Hinds County Nursing & Rehabilitation Center, LLC  
 Construction/Relocation and Replacement Facility of  
 119 Nursing Home Beds/Services**

**First-Year Operating Statement (Revised)**

	<b>Year I</b>
<b>Revenue</b>	
Medicare	\$5,074,744
Medicaid	5,808,465
Private Pay	101,600
<b>Total Gross Patient Care Revenue</b>	<b>\$10,984,809</b>
<b>Deductions from Revenue</b>	
Medicare	\$2,381,448
Medicaid	186,876
Private Pay	672
Charity Care	414,289
<b>Total Deductions from Revenue</b>	<b>\$2,983,285</b>
<b>Net Patient Revenue</b>	<b>\$8,001,524</b>
<b>Other Operating Revenue</b>	<b>0</b>
<b>Total Operating Revenue</b>	<b>\$8,001,524</b>
<b>Expenses</b>	
Operating Expenses:	
Salaries	\$2,760,481
Benefits	510,919
Supplies	923,062
Services	1,285,729
Lease	768,416
Depreciation	22,435
Interest	825
Other	1,609,733
<b>Total Expenses</b>	<b>\$7,881,600</b>
<b>Net Income (Loss)</b>	<b>\$ 119,924</b>
<b>Assumptions</b>	
Inpatient days	\$36,865
Average net patient care revenue per inpatient day	\$217.05
Charge per patient day	\$213.80

**Attachment 2  
 Hinds County Nursing & Rehabilitation Center, LLC  
 Construction/Relocation and Replacement Facility of  
 119 Nursing Home Beds/Services**

**First-Year Operating Statement (Original)**

	<b>Year I</b>
<b>Revenue</b>	
Inpatient Care Revenue	\$10,468,652
Outpatient Care Revenue	0
<b>Gross Patient Revenue</b>	10,468,652
Charity Care	\$387,186
Deductions from Revenue	2,465,132
<b>Net Patient Revenue</b>	<b>\$7,616,334</b>
Other operating Revenue	144
<b>Total Operating Revenue</b>	<b>\$7,616,478</b>
<b>Expenses</b>	
Operating Expenses:	
Salaries	\$2,579,889
Benefits	477,494
Supplies	862,675
Services	1,201,616
Lease	852,647
Depreciation	32,983
Interest	4,196
Other	1,504,423
<b>Total Expenses</b>	<b>\$7,515,923</b>
<b>Net Income (Loss)</b>	<b>\$100,555</b>
<b>Assumptions</b>	
Inpatient days	36,865
Cost per patient day	284
Charge per patient day	204