

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT (THURMAN)
FEBRUARY 2004**

**CON Review: HG-NIS-1203-032
Gilmore Memorial Hospital, Amory
Establishment of Swing Bed Program
Capital Expenditure: \$-0-**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Gilmore Memorial Hospital (GMH) is a not-for-profit, tax-exempt, short term acute care hospital with a transitional care center component, licensed to operate 79 acute care beds and 16 transitional care beds, located in Amory, Mississippi. The hospital is currently governed by a seven member Board of Directors appointed by the nominating committee of the Board. The Board of Directors is a self-perpetuating board. All board members are from the local community and represent the community at large. All members of the communities served by GMH have an equal opportunity to be considered for service on committees, advisory boards, advisory groups, and other representative forums.

GMH is licensed and certified by the Mississippi State Department of Health and accredited by the Joint Commission on the Accreditation of Healthcare Organizations.

Gilmore Memorial Hospital's occupancy rates, average lengths of stay (ALOS), and Medicaid utilization rates for the three most recent fiscal years are as follows (medical/surgical beds only):

<i>Gilmore Memorial Hospital Utilization Data</i>			
<i>Fiscal Year</i>	<i>Occupancy Rate (%)</i>	<i>ALOS (Days)</i>	<i>Medicaid* Utilization Rate (%)</i>
2000	51.76	4.86	20.90
2001	49.45	4.94	19.74
2002	49.24	4.99	19.46

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

B. Project Description

Gilmore Memorial Hospital requests Certificate of Need (CON) authority to establish a change of 16 short term skilled nursing facility beds (Transition Care Center) to 16 swing beds at the hospital. There will be no refurbishment/renovation required for the proposed project. GMH also states that there will be no ancillary staff required to provide the additional volume of services; the total licensed bed capacity will remain the same; and there will be no capital expenditure for the proposed project.

The purpose of the project is to extend the flexibility and maximize the existing bed space. The current Transition Care Center Unit (TCC) has 16 dedicated beds which qualify for skilled nursing care. The intention of the project is to transfer the current 16 beds to a swing

bed category. The new 16 swing beds will be located within the medical/surgical areas of the hospital. These beds can be used as acute beds when necessary and still qualify for extended skilled nursing beds when needed. The current TCC beds are not at 100% capacity, therefore, are underutilized throughout large portions of the year. Also, there will be a reduction of three full-time employees (2 RNs, 1 Activities Director).

II. TYPE OF REVIEW REQUIRED

Projects which propose the establishment of a swing-bed program are reviewed in accordance with Section 41-7-191, subparagraphs (1)(d)(x) and (7), of the Mississippi Code of 1992 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 March 4, 2004.

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

A. State Health Plan (SHP)

The *FY 2004 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 transitional care center component, licensed to operate 79 acute care beds and 16 transitional care beds. The current TCC beds are not at 100% capacity, therefore, are underutilized throughout large portions of the year. The intention of the project is to transfer the current 16 beds to a swing bed category, thereby maximizing the existing bed space and providing the flexibility to utilize unoccupied skilled nursing beds for acute patient care when necessary.

The application contained a copy of the Resolution adopted by its governing board approving the proposed participation in the swing-bed program.

SHP Criterion 2 - Maximum Number of Beds

The project is to transfer the current 16 transitional care center beds to a swing bed category. GMH affirms that it will comply with this criterion.

SHP Criterion 3 - Eligible Patients

GMH affirms that upon receiving CON approval and meeting all federal and state requirements for participation in the swing-bed program, it will 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 4 - Non-Eligible Patients

The applicant affirms that it 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 for more than 30 days per admission, unless the hospital receives prior approval for such patient from the Division of Medicaid, Office of the Governor.

SHP Criterion 5 - Transfer Agreements

Gilmore Memorial Hospital provided a copy of its current referral/transfer agreements with Beverly Healthcare of Amory, Mississippi, in the application.

B. Federal Regulations

GMH complies with the eligibility criteria specified in Section 1883 of the Omnibus Budget Reconciliation Act of 1987, amended.

C. General Review Criteria

Chapter 8 of the Mississippi Certificate of Need Review Manual, Revised 2000, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with applicable general review criteria.

IV. Financial Feasibility

A. Expenditure Summary

There is no capital expenditure for this project.

B. Method of Financing

There is no capital expenditure for this project, therefore, financing is not applicable.

C. Effect on Operating Cost

GMH projects excess operating revenues over operating expenses of \$626,102, \$932,515 and \$1,258,800 for the year 2005, 2006, and 2007, respectively. See Attachment 1 for the applicant's Three-Year Projected Operating Statement and Utilization, Cost, and Charges.

Note: The above statement is based on total facility cost. The applicant projects the first year cost for the swing-bed program will be \$987,517.

D. Cost to Medicaid/Medicare

Based on the gross patient revenue projected in this project, the impact of the project on third party payers is as follows for the first year:

Cost to Medicaid/Medicare & Other Payers			
Payer Mix	Utilization Percentage	Patient Days	First Year Cost
Medicaid	10.0%	361	\$ 98,751.70
Medicare	90.0%	3,245	\$ 888,765.30
Other Payers	0.0%	0	\$ 0.00
Total	100.0%	3,605	\$ 987,517.00

There will be no increased annual operating expense for the first full year.

V. Recommendation of Other Affected Agencies

The Division of Medicaid was provided a copy of this application for review. No comments were received regarding the project's impact on the Medicaid program.

VI. Conclusion and Recommendation

This project is in substantial compliance with the criteria and standards for swing bed services as contained in the FY 2004 State Health Plan; Chapter 8 of the Certificate of Need Review Manual, Revised 2000; 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 by Gilmore Memorial Hospital.

Attachment 1

GILMORE MEMORIAL HOSPITAL
Amory, Mississippi
Projected Statements of Operations
Under the Hypothetical Assumptions in Note 1
Years Ending September 30,

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Unrestricted Revenues, Gains and Other Support:			
Net patient service revenue	\$ 35,398,668	\$ 36,991,503	\$ 38,656,121
Other operating revenue	790,550	826,134	863,310
Total Revenues, Gains and Other Support	<u>36,189,217</u>	<u>37,817,637</u>	<u>39,519,431</u>
Expenses:			
Salaries and benefits	20,877,726	21,712,836	22,581,349
Professional fees	236,561	244,983	254,783
Other fees	2,278,662	2,369,808	2,464,600
Supplies and other expenses	7,638,514	7,944,053	8,261,818
Interest expense	71,633	48,066	19,448
Provision for depreciation	2,095,204	2,095,204	2,095,204
Provision for uncollectible accounts	2,540,384	2,654,701	2,774,162
Total Expenses	<u>35,737,684</u>	<u>37,067,640</u>	<u>38,451,364</u>
Operating Income	451,443	749,997	1,068,067
Nonoperating Gains	<u>174,659</u>	<u>162,518</u>	<u>180,733</u>
Excess of Revenues Over Expenses	626,102	932,515	1,258,800
Net Assets - Beginning of Year	<u>27,705,171</u>	<u>28,331,273</u>	<u>29,263,788</u>
Net Assets - End of Year	<u>\$ 28,331,273</u>	<u>\$ 29,263,788</u>	<u>\$ 30,522,588</u>