

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
FEBRUARY 19, 2019**

**CON REVIEW: NH-A-0119-001
COMMUNITY PLACE
AMENDMENT TO CON R-0786
(CON REVIEW NH-CRF-0908-039)
CONSTRUCTION/REPLACEMENT/RELOCATION OF COMMUNITY PLACE NURSING HOME
FROM HINDS COUNTY TO RANKIN COUNTY
(COMMUNITY PLACE RELOCATION)
ORIGINAL CAPITAL EXPENDITURE: \$9,870,000.00
ADDITIONAL CAPITAL EXPENDITURE: \$0.00
REVISED CAPITAL EXPENDITURE: \$8,375,502.00
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Community Place is a Mississippi not-for-profit corporation located at 1129 Langley Avenue, Jackson, MS 39204. The entity has twenty-one (21) members on its Board of Directors. Community Place presently operates a 60-bed Medicare and Medicaid certified long-term care nursing home facility. Community Place provided a Certificate of Good Standing with the State of Mississippi dated June 15, 2015, indicating that the applicant is in good standing.

B. Project Background

Community Place requested Certificate of Need (CON) authority to construct, replace, and relocate its existing sixty (60) bed skilled nursing home from Hinds to Rankin County. Both Hinds and Rankin counties are located within Long-Term Care Planning District (LTCPD) III.

The applicant states that the originally proposed project involved the construction of six (6) cottages which would have had ten (10) beds each for a total of sixty (60) long-term care beds. The applicant affirms that Community Place's cottages would have been located on a 10-acre piece of land just inside of Rankin County within the city limits of Pearl, Mississippi. The applicant's long range plan is to provide a continuum of care for elders in the Metro Jackson Community.

The applicant previously stated that the current facility was appraised at \$600,000. Gateway Rescue Mission (Gateway) has submitted to Community Place a letter of intent dated August 27, 2008, to purchase the existing building for \$500,000. Gateway intends to convert the nursing facility to a women's and children's shelter. The applicant affirms that Community Place will use the money generated from the sale of the current facility to help pay for the new construction project.

The original capital expenditure for the proposed project was \$9,870,000. The original project was composed of the following: new construction – 80.98 percent; land – 2.29 percent; site preparation – 3.67 percent; fees – 3.34 percent; fixed equipment – 3.89 percent; non-fixed equipment – 1.52 percent; capitalized interest – 1.52 percent, other legal and accounting fees – 1.27 percent; and contingency reserve – 1.52 percent. The applicant proposed to finance the original proposed project through a commercial loan with Trustmark National Bank, Jackson. The application included a letter from Mr. Nelson F. Gibson, First Vice President of the bank, indicating an interest in financing the project.

B. Project Description

Community Place now requests CON authority for an Amendment to CON No. R-0786. The Amendment application filed with the Department requests CON authority to amend Community Place's authority to construct, replace, and relocate its existing sixty (60) bed skilled nursing home from Hinds to Rankin County. The applicant states that there are three (3) distinct revisions in scope from the original proposed project. These revisions are physical relocation, facility redesign and construction, and change in the previously approved CON capital expenditure.

The applicant's original intent was to relocate and construct a new facility in Rankin County on a 22.6-acre tract in Pearl, Mississippi. The applicant states that after the CON was issued, Community Place discovered the Pearl tract contained substantial wetlands. The applicant further states The Corps of Engineers would not issue a permit for construction in wetlands unless Community Place undertook plans to remedy the wetlands. The applicant affirms that this remedy would have cost approximately \$400,000 and required purchasing offsite land and placing a conservation easement thereon. As a non-profit corporation, Community Place affirms that their facility could not afford this expenditure for the wetlands.

The applicant states that Community Place began an intensive search for a new site over a period of eight (8) years and found a proposed site located at 116 Lake Vista Place, Brandon, Mississippi 39047. The applicant received approval for the newly proposed site from the Division of Fire Safety and Construction, Bureau of Health Facilities and Certification on September 12, 2016. Community Place is requesting a change in physical location within Rankin County, associated with the Lake Vista Place site. The applicant affirms that the Lake Vista Place site is 6.38 acres, significantly smaller than the 22.6-acre in the original CON approved site. Therefore, the applicant suggests that a facility redesign and construction is required. Originally, Community Place intended to design and construct a new nursing facility based upon the Eden Alternative. After further research, the applicant decided that the Eden Alternative was not the best design to support their residents. Community Place believes that a single story design will better fit the need of their residents. Consequently, Community Place is requesting approval of a change in nursing facility design from that of multiple cottages to a single one (1) story sixty (60) bed facility with private rooms and baths for the residents.

The applicant states that the original CON has an approved capital expenditure of \$9,870,000.00. The CON Amendment requests a revised total capital

expenditure of \$8,375,502.00. The applicant states that the lower amount is based on the reduction in the facility design and construction cost.

The applicant states that financing will commence upon approval of the CON amendment pertinent to the Lake Vista Place site. The applicant confirms that this is a condition of the approved bank loan with The First Bank; whereby loan funds cannot be drawn until the approved CON amendment has been issued.

The applicant states that the proposed project should be completed within fourteen (14) months pending the final CON approval by the Department. The applicant projects that the project will be completed and ready to operate in June, 2020.

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Section 41-7-173, 41-7-191 (1)(d)(viii), and 41-7-193 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 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 March 1, 2019.

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

A. State Health Plan (SHP)

The *FY 2018 State Health Plan* contains policy statements, criteria and standards which the applicant is required to meet before receiving CON authority for the relocation of Community Place. This application is in substantial compliance with the applicable policy, criteria and standards stated in the *Plan*.

The *FY 2009 Mississippi State Health Plan (MSHP)* was in effect at the time the original application was submitted to the Department, and the original application was found to be in substantial compliance with the *FY 2009 MSHP*. The amendment project was submitted under the *FY 2018 Mississippi State Health Plan*. The amendment is found to be in substantial compliance with the *FY 2018 MSHP*.

B. General Review (GR) Criteria

The *Mississippi Certificate of Need Review Manual, Revised February 23, 2008* was in effect at the time the original application was submitted to the Department. The original project was in substantial compliance with the *CON Review Manual, 2008 Revision*. The CON amendment application is in compliance with applicable General Review Criteria and Standards contained in the *Mississippi CON Review Manual, April 2017 Revision*.

IV. FINANCIAL FEASIBILITY

Capital Expenditure Summary

A. Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost	7,992,337	4,117,870	(3,874,467)
2. Construction/Renovation	0	0	0
3. Land	0	834,720	834,720
4. Site Work	588,586	1,629,190	1,040,604
5. Fixed Equipment	384,077	916,840	532,763
6. Non-Fixed Equipment	150,000	500,000	350,000
7. Contingency	150,000	0	(150,000)
8. Fees (Architectural, Consultant, etc.)	455,000	201,400	(253,600)
9. Capitalized Interest	150,000	175,000	25,000
10. Other	0	0	0
Total Capital Expenditure	9,870,000	8,375,502	(15%)

*The above table represents approximately a 15% decrease in the capital expenditure by Community Place. No additional capital expenditure was requested for completion of the proposed project.

The applicant states that the proposed project involve 40,351 square feet of construction.

B. Method of Financing

The applicant states that the project is being partially funded by a loan in the amount of \$6,376,000 from The First Bank, a lending institution authorized to do business in Mississippi. The remaining amount of the capital expenditure will come from the Community Place operating funds, investment accounts and other funding sources.

C. Effect on Operating Cost

The applicant's projections of gross revenues for the first year of operation, expenses, revenue, net income, cost, operating expense, charges, depreciation schedule and One-Year Projected Operating Statement are shown in Attachment 1.

D. Cost to Medicaid/Medicare

The applicant does not anticipate any change in the effect of the project on Medicaid patients, Medicare patients or other payers as a result of this Amendment.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment; however, the Division of Medicaid has not provided a comment on the proposed project as of the date of this staff analysis.

VI. CONCLUSION AND RECOMMENDATION

This project continues to be in substantial compliance with the overall objectives of the *FY 2018 Mississippi State Health Plan; Certificate of Need Review Manual, April 9, 2017 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of approval.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Community Place for an amendment to CON No. R-0786. The amendment will allow Community Place to proceed with the revisions notated above in the Project Description.

**Attachment 1
 Community Place
 Community Place Relocation**

	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$5,431,580.00	\$5,513,053.00	\$5,595,748.00
Outpatient Revenue	\$ 0	\$ 0	\$ 0
Gross Patient Revenue	\$5,431,580.00	\$5,513,053.00	\$5,595,748.00
Charity	\$ 0	\$ 0	\$ 0
Deductions from Revenue	\$ 0	\$ 0	\$ 0
Net Patient Care Revenue	\$5,431,580.00	\$5,513,053.00	\$5,595,748.00
Other Operating Revenue	\$ 20,805.00	\$ 21,013.00	\$ 21,223.00
Total Operating Revenue	\$5,452,385.00	\$5,534,066.00	\$5,616,971.00
Operating Expenses			
Salaries	\$2,488,474.00	\$2,519,580.00	\$2,551,075.00
Benefits	\$ 271,947.00	\$ 275,346.00	\$ 278,788.00
Supplies	\$ 495,027.00	\$ 501,214.00	\$ 507,480.00
Services	\$1,216,905.00	\$1,232,116.00	\$1,247,518.00
Lease Expenses	\$ 444,000.00	\$ 449,550.00	\$ 455,169.00
Depreciation	\$ 11,443.00	\$ 11,586.00	\$ 11,731.00
Interest	\$ 0	\$ 0	\$ 0
Other	\$ 326,376.00	\$ 330,456.00	\$ 334,586.00
Total Operating Expenses	\$5,254,172.00	\$5,319,848.00	\$5,386,347.00
Net Operating Income (Loss)	\$ 198,213.00	\$ 214,218.00	\$ 230,624.00