

**Division of Health Planning and Resource Development
November 2004**

CON Review NH-RLS-0904-042

Lamar Community Care Center, LLC

d/b/a Windham House of Hattiesburg

Transfer/Relocation of 13 Nursing Facility Beds from Perry

Healthcare, LLC, Richton

Capital Expenditure: \$37,564

Location: Hattiesburg, Mississippi

Staff Analysis

I. PROJECT SUMMARY

A. Application Information

Lamar Community Care Center, LLC is a Mississippi Limited Liability Company (LLC) formed in June 2003. The sole member of Lamar Community Care Center, LLC is CommCare Mississippi. The LLC operates a Continuing Care Retirement Community (CCRC) and a 20-bed Medicaid certified nursing unit known as Windham House of Hattiesburg. The CCRC currently operates 30 skilled nursing facility beds with 16 personal care apartments and 2 independent living units on the site. Windham House has a management agreement with Magnolia Ancillary Services, Inc. who reports to the board of Lamar Community Care Center, LLC. The governing board of the facility consists of three members.

B. Project Description

Lamar Community Care Center, LLC is requesting CON authority to transfer/relocate 13 Medicaid certified skilled nursing home beds from Perry Healthcare, LLC of Perry County. The application contains an agreement between Lamar Community Care Center, LLC and Perry Healthcare, LLC for the purchase and transfer of these 13 beds. As stated earlier, the applicant currently owns and operates Windham House of Hattiesburg which is licensed to operate 20 Medicaid certified skilled nursing facility beds, 30 private pay beds as part of a CCRC, 16 personal care apartments, and 2 independent living units. The 13 beds to be transferred have been placed in abeyance by Perry Healthcare, LLC. Lamar Community Care Center, LLC proposes to renovate 5 personal care apartments, approximately 1,750 square feet of space, to accommodate the 13 nursing facility beds.

The applicant expects to purchase certain ancillary services, e.g., speech therapy, physical therapy, occupational therapy services, etc. The applicant states that a limited amount of work would be required for services and therapy. They estimate that the apartment space can be converted within 90 days.

The applicant does not anticipate the need for additional personnel as the result of the additional beds.

The MSDH Division of Health Facilities Licensure and Certification has approved the site for the additional 13 nursing facility beds. The applicant proposes that the project will be completed within 90 days from the approval of the CON.

II. Type of Review Required

This project for the relocation of long-term care facility beds is reviewed in accordance with Section 41-7-191 subparagraph (1)b and c 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 on December 6, 2004.

III. Conformance with the *State Health Plan* and Other Adopted Criteria and Standards

A. *State Health Plan*

The *FY 2005 State Health Plan* contains criteria and standards that an applicant must meet prior to establishing a new nursing home facility. This application proposes no new nursing facility beds, but rather to relocate existing beds from a facility located in Perry County to its existing facility located in Lamar County. Both facilities are located within Long Term Care Planning District (LTCPD) IV.

SHP Criterion 1 - Need

The applicant submits that the *FY 2005 State Health Plan* shows a need in Lamar County for 93 beds above the current approval for the county while Perry County shows a need for only 14 beds above the current approval for

the county. Perry County Nursing Center is licensed for 60 nursing facility beds and has stored the 13 additional beds which are authorized for the county. During the recent years, Perry County Nursing Center has not used nor staffed for the 13 beds held in excess of the current 60 beds being operated by the facility.

Lamar Community Care states that Windham House has been able to offer a true continuum of care by now offering services to residents across all health needs, from assisted living to Medicaid skilled nursing facility. The addition of 13 SNF beds will continue to allow persons who spend down their resources to stay at their new home.

SHP Criterion 2 - Facility Size

The applicant proposes to relocate 13 nursing facility beds from Perry County to its facility in Lamar County.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, May 13, 2000*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 2 - Long Range Plan

The applicant affirmed that this project is part of a long range plan to improve the occupancy by offering services to more clients as they spend down their resources and need Medicaid assistance.

GR Criterion 3 - Less Costly/More Effective Alternative

In considering alternatives, the applicant stated that both operations realize that 13 beds as a stand alone facility is not economically feasible. Additionally, the MSDH does not approve construction of new or replacement facilities for less than 60 beds. Therefore, the applicant believes the best practice would be the transfer of the 13 SNF beds to an existing facility with the ability to convert space for these services.

GR Criterion 4 - Economic Viability

The applicant projects net income of \$50,058 the first year, \$31,778 the second year and \$17,286 the third year of operation. Therefore, the project

appears to be economically viable. The applicant had an occupancy rate of 75.11 percent for its currently licensed beds, and projects 92 percent utilization of the 13 beds being transferred.

GR Criterion 5 - Need for the Project

As stated earlier, the applicant currently operates a CCRC along with Medicaid certified beds. This application seeks to transfer 13 beds from Perry County to Lamar County, wherein the subject facility is located. Perry County Nursing Center currently has an excess of 13 nursing facility beds which it has placed in abeyance. Lamar Community Care Center, LLC has entered into an agreement with Perry Healthcare, LLC, owner of Perry County Nursing Center, to purchase these 13 beds and transfer same to Lamar County. The *FY 2005 State Health Plan* shows a need in Lamar County for 93 additional nursing facility beds while Perry County shows a need for only 14 additional beds.

In the case of the relocation of a facility or service, the Department must consider factors which include, but are not limited to, the need that the population presently served has for the service and the extent to which that need will be met adequately by the proposed relocation or by alternative arrangements. The *2005 State Health Plan* indicates that LTCPD IV has a need for 2,011 new nursing facility beds district-wide. Lamar County has a need for 93 additional beds, while Perry County has a need for 14 additional nursing facility beds. In addition, the 13 beds to be relocated are currently held in abeyance by Perry County Nursing Center. The applicant believes that the beds will better serve the residents of LTCPD IV by being relocated to Hattiesburg where there is a greater need.

GR Criterion 6 - Accessibility

The applicant submits that Windham House has a non-discriminatory policy for all admissions.

GR Criterion 7 - Information Requirement

Windham House of Hattiesburg affirmed that it will record and maintain the information required by this criterion and shall make same available to the Mississippi State Department of Health within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

The application contains an agreement with Perry Healthcare for the transfer of the 13 beds to Lamar Community Care Center, LLC. As stated earlier, Lamar County has a need for 93 additional nursing facility beds.

Given the need for additional beds in the area, this project is not expected to have an adverse impact on existing providers in the area.

GR Criterion 9 - Availability of Resources

The applicant submits that Windham House currently employs 56.5 employees at an estimated annual cost of \$1,297,929. No additional employees are projected for the project. However, the applicant proposes to enter into contractual agreements for various needs.

GR Criterion 16 - Quality of Care

Windham House is certified for participation in the Medicare and Medicaid programs for a distinct section. The facility is in compliance with *Minimum Standards for Institutions of Aged or Infirm*, according to the Division of Health Facilities Licensure and Certification.

IV. Financial Feasibility

A. Capital Expenditure Summary

Capital Improvements	\$ 5,000
Non-Fixed Equipment	28,064
Fees	1,000
Contingency Reserve	3,500
Total Capital Expenditure	\$37,564

The proposed capital expenditure will provide for renovation of approximately 1,750 square feet of space at an estimated cost of \$6 per square foot.

B. Method of Financing

The applicant submits that the project will be self funded, with initial operating funds coming from CommCare Mississippi, the sole member of Lamar Community Care Center, LLC.

C. Effect on Operating Cost

The applicant projects the following expenses and results from operation for the first three years following completion of the proposed project:

Expenses	Year One	Year Two	Year Three
General & Administrative	\$ 114,880	\$ 119,753	\$ 123,480
Plant Operations	82,689	83,491	84,046
Dietary	57,970	58,699	60,234
Laundry	11,357	11,672	11,987
Housekeeping	15,737	16,006	16,773
Nursing Services	249,799	255,124	260,509
Consultants	13,800	13,800	14,904
Activities	8,617	8,617	8,904
Social Services	5,673	6,248	6,478
Medical Records	7,568	7,568	7,568
Management Fees	36,093	41,485	42,072
Total Expenses	\$ 604,183	\$ 622,463	\$ 636,955
Gross Revenues	\$ 654,241	\$ 654,241	\$ 654,241
Net Income	\$ 50,058	\$ 31,778	\$ 17,286
Assumptions			
Occupancy Rate	92%	92%	92%
Total Patient Days	4,386	4,386	4,386
Cost/Patient Day	\$ 137.75	\$ 141.92	\$ 145.22
Charge/Patient Day	\$ 149.17	\$ 149.17	\$ 149.17

D. Cost to Third Party Payors

Based on gross revenues projected by the applicant, the project is projected to have the following impact on various payors:

Patient Mix	Utilization Percentage	First Year Cost
Medicaid*	100.00	\$ 654,241
Medicare	0	
Other Payors	<u>0</u>	
Total	100.00	\$ 654,241

*Effective October 1, 2004, the Medicaid per diem rate for this facility is \$149.61.

Applicant projects 4.57 percent care for bad debt patients and 4.5 percent care to charity care patients.

V. Recommendation of Other Affected Agencies

The Division of Medicaid expects that this project will increase Medicaid expenditures by approximately \$700,000 annually in total funds, based on a stable occupancy rate. However, the Division does not oppose the approval of this project.

VI. Conclusion and Recommendation

This project is in substantial compliance with the Long Term Care Chapter of the *FY 2005 State Health Plan; Certificate of Need Review Manual, May 13, 2000*; 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 Lamar Community Care Center, LLC d/b/a Windham House, for the relocation of 13 Medicaid certified skilled nursing home beds from Perry County to Lamar County.