

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
JANUARY 2007**

**CON REVIEW: NH-RLS-1106-032
MID-SOUTH ASSOCIATES, LLC
RELOCATION OF FOUR NURSING HOME BEDS FROM CRYSTAL HEALTH
AND REHABILITATION OF GREENWOOD TO
INDIANOLA HEALTH AND REHABILITATION CENTER
CAPITAL EXPENDITURE: \$9,192
LOCATION: INDIANOLA, SUNFLOWER COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Indianola Health and Rehabilitation Center (IHRC) is a freestanding 75-bed skilled nursing facility managed by Dynamic Operating Company Indianola (DOCI), LLC. The properties of Crystal Health and Rehabilitation of Greenwood, (CHRG) and Indianola Health and Rehabilitation Center are owned/leased by Mid-South Associates (MSA), LLC. These facilities are located in Greenwood, LeFlore County, and Indianola, Sunflower, County, Mississippi, respectively.

Indianola Health and Rehabilitation Center offers 24-hour care to elderly and handicapped residents and participates in the Medicaid and Medicare programs. On May 9, 2000, Mid-South Associates, LLC received verification from the Secretary of State's Office indicating that the facility is in good standing with the State of Mississippi; however, MSA is incorporated in the State of Delaware. The company is presently governed by a four-member Board.

B. PROJECT DESCRIPTION

Crystal Health and Rehabilitation of Greenwood (LeFlore County) and Indianola Health and Rehabilitation Center (Sunflower, County) are located in Long-Term Care Planning District (LTPD I). In this district, Mid-South Associates, LLC requests CON authority to relocate four existing licensed nursing home beds from Crystal Health and Rehabilitation of Greenwood (LeFlore County) to Indianola Health and Rehabilitation Center (Sunflower, County). Currently, CHRG and IHRC are licensed for 110 and 75 skilled nursing home beds, respectively. If the CON is approved, 110 licensed beds from CHRG will decrease to 106 and 75 beds at IHRC will increase to 79.

The applicant proposes to convert semi-private patient rooms at CHRG to private occupancy rooms. At the same time, IHRC will convert two private patient rooms to a semi-private occupancy and refurbish one non-patient room from the current usage to a semi-private patient room by adding toilet facilities to the room space.

Mid-South Associates, LLC states there will be no new construction or major renovations needed to relocate/add the four licensed skilled nursing beds. The site has been approved by the Mississippi State Department of Health (MDH), Division of Licensure and Certification.

The applicant includes a capital expenditure summary, three year projected operating statement, financial statements for 2004-2005, and a statement of operations for 2006. No additional staffing will be required as a result of this project. The applicant proposes to implement the four bed relocation/addition of skilled nursing home beds immediately upon CON approval.

II. TYPE OF REVIEW REQUIRED

The Mississippi Department of Health reviews applications for the relocation of nursing home beds under the statutory requirements of Section 41-7-191, subparagraphs (1)(b) and (e), and 41-7-193, Mississippi Code of 1972, as amended, and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi 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 5, 2007.

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

A. State Health Plan (SHP)

The *FY 2006 State Health Plan* does not contain criteria and standards for construction/replacement and relocation of beds as proposed by this application. However, the *Plan* gives guidelines for all health planning in Mississippi. The *Plan* states that: "Mississippi's planning and health regulatory activities have the following purposes:

- To prevent unnecessary duplication of health resources
- To provide cost containment
- To improve the health of Mississippi residents
- To increase the accessibility, acceptability, continuity, and quality of health services”.

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

In the *FY 2006 Mississippi State Health Plan (FY 2006 MSHP)*, the Plan in effect at the time this application was submitted, Map VIII-1 indicates there are four Long-Term Care Planning Districts in the state of Mississippi.

Sunflower County is located in the Southern part of LTCPD I and based on the ratio calculation, four beds are needed in Sunflower County and 1,284 beds are needed in District I as a whole. LeFlore County is overbedded by 57 beds. This application is in substantial compliance with applicable criteria and standards.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2006 Revisions*, address 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)

General Review (GR) Criterion 1 states that CON applications will be reviewed under the *State Health Plan* in effect at the time the application was received by the Department. This application is in compliance with applicable criteria and standards.

GR Criterion 2 - Long Range Plan

Mid-South Associates, LLC would like to increase accessibility to residents of Sunflower County by relocating four existing, licensed skilled nursing home beds from CHRG to IHRC. The applicant does not provide a long range development plan for the proposed project; however, the applicant asserts the proposed project was planned and agreed upon through a resolution by the Board of Directors of Mid-South Associates, LLC. The CON process will allow IHRC to fill an unmet nursing home bed need in Sunflower County, LTCPD I.

GR Criterion 3- Availability of Alternatives

The applicant states that MSA considered the following alternatives before deciding to relocate four skilled nursing home beds: (1) leave the bed capacity for IHRC as is; (2) construct an addition to IHRC to house four additional patients; and (3) relocate four existing, licensed skilled nursing home beds from CHRГ to IHRC.

The applicant believes the first alternative would cause the nursing care services to remain the same despite positive changes in the nursing home care industry and the second alternative would prove to be too costly due to construction costs. In this case, the applicant believes the third alternative will be the most cost effective method to provide care to the residents of Sunflower County while filling an unmet skilled nursing home bed need in that county.

GR Criterion 4 - Economic Viability

The applicant provided a three-year projected operating statement and indicated that net revenue over a projected three year period will increase from \$151,882 to \$193,210. In addition, the statement shows that the net income will increase from \$107,091 to \$136,865 over three years. The applicant affirms the proposed costs and charges associated with the project are comparable to similar nursing home facilities in the state.

Staff reviewed health care data from the *2000 through 2005 Report on Institutions for the Aged and Infirm* and the *FY 2006 MSHP*. From year 2000 through 2005, staff determined that LeFlore County’s skilled, licensed nursing home bed capacity remained at 410; however, Sunflower County’s bed capacity changed in 2001 and 2005 (see table below).

2000 through 2005 Licensed Beds Capacity (LDC)						
	2000	2001	2002	2003	2004	2005
LeFlore County	410	410	410	410	410	410
Sunflower County	231	236	236	236	236	244

Occupancy rates and average daily census for 2003, 2004, and 2005 are shown in the following tables below:

2003, 2004, and 2005			
County Occupancy Rates and Average Daily Census (ADC)			
	Occupancy Rates		
	2003	2004	2005
LeFlore County	92	93	85
Sunflower County	74	83	82
ADC			
LeFlore County	376	372	347
Sunflower County	173	195	199

2003, 2004, and 2005			
Facility Occupancy Rates and Average Daily Census (ADC)			
	Occupancy Rates		
	2003	2004	2005
CHRG*	84	88	77
ADC			
IHRC*	86	94	88

*Crystal Health and Rehabilitation of Greenwood

*Indianola Health and Rehabilitation Center

Based on revenue listed in the three-year operating statement, the project will be financially feasible. Since the proposed project is for the relocation of four existing, licensed, skilled nursing home beds in LTCPD I, staff finds the applicant can meet the projections without encroaching on the ability of existing providers to provide these services.

Since the capital expenditure for this project is \$9,192 and does not exceed \$2,000,000, a feasibility study is not required for this project.

GR Criterion 5 - Need for the Project

Crystal Health and Rehabilitation of Greenwood and Indianola Health and Rehabilitation Center are located in the Southern part of LTCPD I in LeFlore and Sunflower Counties. Staff finds that CHRG is located about 32 miles or 41 minutes from IHRC.

Mid-South Associates, LLC affirms that the population in LeFlore County (LTCPD I), including low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly will continue to have access to nursing home care services.

Mid South Associates, LLC states that the decline of the ADC and decline in the demand for nursing home services in LeFlore County may be attributed to patients needing more short-term rehabilitation services than long-term nursing care. Based on the health care data listed above and the unmet need of four beds indicated in the *FY 2006 MSHP*, the applicant believes that four skilled nursing home beds located at CRHG would be best utilized in Sunflower County.

In March 2002 and August 2005, the Center for Policy Research and Planning, Mississippi Institutions of Higher Learning published the *MISSISSIPPI, Population Projections for 2005, 2010, and 2015*, and the *MISSISSIPPI, Population Projections for 2010, 2015, and 2020*. According to the projections reported for 2005 and 2010, LeFlore County's population decreased from 37,728 to 35,522; however, for the same years, Sunflower County's population increased from 33,554 to 33,626.

Based on the 2006 Projected Nursing Home Bed Need in the *FY 2006 MSHP*, Sunflower County needs four beds while LeFlore County is overbedded by 57 beds. The relocation of these skilled nursing home beds from Greenwood to Indianola is not expected to have an adverse impact on other nursing home facilities in LTCPD I.

Four endorsement letters from various community officials were included in the CON application. According to the applicant, the community officials support MSA and IHRC's efforts to serve all patients in LTCPD I regardless of race, creed, sex, or ability to pay.

GR Criterion 6- Accessibility

The applicant states that the 2004 and 2005 percentage of gross patient revenue and the actual dollar amount of health care MSA provided to medically indigent patients were: 0.12%, (\$4,368), and 0.14%, (\$5,091), respectively.

Mid-South Associates, LLC affirms that IHRC is in compliance with federal and state regulations in regard to serving all patients in LTCPD I regardless of race, creed, sex, or ability to pay.

The applicant projects that 0.15% of the patients served at IHRC will be medically indigent patients. The applicant indicates the expected payor mix by type payor will be as follows: Medicaid will be 81%, Medicare, 19%, and other 1%.

Mid-South Associates, LLC asserts that IHRC's staff will provide nursing care and rehabilitation services 365 days per year, 24 hours per day.

GR Criterion 7- Information Requirement

The applicant affirms that IHRC will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

The applicant states there are no other nursing home facilities located in the city of Indianola; however, Ruleville Nursing and Rehabilitation Center and Walter B. Crook Nursing Facility are comparable, Medicaid and Medicare certified nursing facilities located in Sunflower County.

Mid-South Associates, LLC states that IHRC has transfer agreements with the following health care providers: Sunflower County Hospital; Greenwood LeFlore Hospital; University of Mississippi Medical Center in Jackson; and home health agencies in Indianola, Mid Delta and Sta-Home.

The applicant asserts that the relocation of four existing skilled nursing home beds should not have a significant impact on the health care system in LTCPD I. The four beds will be relocated from CHRG to IHRC to deliver skilled nursing home and rehabilitation care to the elderly and handicapped population of Sunflower County.

GR Criterion 9 - Availability of Resources

The applicant states that IHRC currently employs a Medical Director, attending physicians, health, management, and other personnel to meet the medical needs of the patients. The applicant indicates that no additional staffing will be required as a result of this project.

Mid-South Associates, LLC states that IHRC has demonstrated a successful staffing history and asserts that sufficient physicians are available to ensure proper implementation of this project.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts MSA currently provides ancillary and support services and there will be no increase in the utilization of these services as a result of this project.

GR Criterion 11- Health Professional Training Programs

The applicant affirms that MSA will continue to provide staff and health professional training programs at CHRG and IHRC in LeFlore and Sunflower counties. The applicant asserts that proposed relocation of

nursing home beds by MSA will not have an adverse effect upon the health professional training programs in LTCPD I.

GR Criterion 12- Access by Health Professional Schools

The applicant affirms that students enrolled in health professional schools will continue to have access to nursing care services at IHRC for training purposes.

GR Criterion 16 - Quality of Care

For a number of years, IHRC has been providing skilled nursing home care services to residents of Sunflower County and LTCPD I. Through Mid-South Associates, LLC, IHRC provided copies of inspection reports posted by MDH on Medicare’s website. Although a small number of deficiencies were indicated, the applicant states and reports show the “level of harm/severity of deficiency” were minimal. By adding four beds to IHRC, the applicant believes this will enhance the delivery of healthcare by increasing accessibility to area residents.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Estimate Cost	%of the Total
Construction Cost -New		
Construction Cost-Renovation		
Capital Improvements, i.e. (minor painting and repairs, refurbishing)	4,000	43.52%
Total Fixed Equipment Cost		
Total Non-Fixed Equipment Cost	4,092	44.52%
Land Cost		
Site Preparation Cost		
Fees (Legal and Accounting)	350	3.81%
Contingency Reserve		
Capitalized Interest		
Other Cost (CON Filing Fee)	750	8.16%
TOTAL PROPOSED CAPITAL EXPENDITURE	\$9,192	100.00%

B. Method of Financing

Mid-South Associates, LLC indicates that the \$9,192 required to fund the project is available in cash reserves.

C. Effects on Operating Costs

The applicant projects gross revenues of \$151,882, \$172,159, and \$193,210, the first, second, and third year of operation, respectively; and expenses of \$44,791, \$50,482, and \$56,345. Also, net income for the first three years of operation is as follows: \$107,091, \$121,677, and \$136,865. Utilization, cost, and charges are included in the applicant's Three-Year Projected Operating Statement (See Attachment 1).

D. Cost to Medicaid/Medicare

Payor	Utilization Percentage	First Year Revenue
Medicaid	81%	\$122,438
Medicare	19%	\$ 28,353
Other	1%	<u>\$ 1,092</u>
Total	100%	<u>\$151,882</u>
MSA projects 2.5% percent bad debt. Medically indigent and charity care are approximately 2.5% of gross patient revenues.		

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application; however, no written comments were received from the Division.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the overall objectives of the *2006 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2006 Revision*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Mid-South Associates, LLC for the relocating of four existing, licensed nursing home beds from Crystal Health and Rehabilitation of Greenwood to Indianola Health and Rehabilitation Center.

Attachment 1
Mid South Associates. LLC
Three-Year Projected Operating Statement
(Project Only)

	First Year	Second Year	Third Year
Revenue			
Inpatient Care Revenue	\$ 151,882	\$ 172,159	\$ 193,210
Outpatient Care Revenue	\$ -	\$ -	\$ -
Gross Patient Care Revenue	\$ 151,882	\$ 172,159	\$ 193,210
Charity Care	\$ -	\$ -	\$ -
Deductions from Revenue	\$ -	\$ -	\$ -
Net Patient Care Revenue			
Other Operating Revenue	\$ -	\$ -	\$ -
Total Operating Revenue	\$ 151,882	\$ 172,159	\$ 193,210
Operating Expense			
Salaries			
Benefits			
Supplies	\$ 8,379	\$ 9,498	\$ 10,660
Services			
Lease			
Depreciation			
Interest			
Other	\$ <u>36,411</u>	\$ <u>40,983</u>	\$ <u>45,685</u>
Total Operating Expense *	\$ <u>44,791</u>	\$ <u>50,482</u>	\$ <u>56,345</u>
Net Operating Income (Loss) *	\$ <u>107,091</u>	\$ <u>121,677</u>	\$ <u>136,865</u>
Inpatient days	1,022	1,022	1,022
Charge per inpatient day	\$ 149	\$ 168	\$ 189
Cost per inpatient day	\$ 44	\$ 49	\$ 55

Note: * Applicant's totals are off by \$1 due to rounding.