

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
AUGUST 2002**

**CON REVIEW NH-CB-0602-036
GEORGE COUNTY HOSPITAL
CONSTRUCTION/ESTABLISHMENT OF A 60-BED NURSING FACILITY
COUNTY: GEORGE, LTC PLANNING DISTRICT IV
CAPITAL EXPENDITURE: \$369,000
LOCATION: LUCEDALE, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

George County Medical Center (GCH), is a Mississippi Community hospital which is owned by George County. George County Hospital is governed by a six-member Board of Trustees appointed by the Board of Supervisors of George County. The Hospital is a short-term, non-profit acute care hospital, which is currently licensed for 53 acute care beds.

The Hospital's occupancy rate, average lengths of stay (ALOS) and the Medicaid utilization rates for the medical/surgical beds for the three most recent fiscal years are shown below:

**GCH
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
1999	44.21	3.34	19.49
2001	44.47	3.27	22.06
2002	41.86	3.41	20.80

Source: Division of Health Facilities Licensor and Certification, MSDH

B. Project Description

GCH requests Certificate of Need (CON) authority for construction/establishment of a 60-bed skilled nursing facility in George County, Mississippi. The project will encompass a total of 25,307 square feet of space on the campus of the Hospital. The proposed nursing facility will be located at 856 Welmer Street, Lucedale, Mississippi 39452. According to the applicant, the GCH proposed to utilize existing space within the Hospital to offer long term care services.

The applicant believes that to utilize existing Hospital space is the most cost effective alternative for the addition of long term care services to the George County service area .

The proposed GCH's nursing home will include twelve private care rooms, twenty-four (24) semi-private rooms, a dining/recreation room, courtyard, and physical therapy room. GCH asserts that the nursing home will provide the expansion of already existing services required to initiate long term care services:

Rehabilitative and Restorative Care
Recreational Activities, including
 Individual Activities Services
Physical, Occupational and Speech Therapy
 Audiology
Nursing Care and Supervision

Applicant projects 75.1 full-time equivalents personnel at an estimated cost of \$931,892 the first year for the proposed nursing facility.

The total proposed capital expenditure is \$369,000, which is composed of the following: new construction - 87 percent, capital improvements - 0.01 percent, non-fixed equipment - 0.04 percent, site preparation - 0.01 percent, fees - 0.05 percent, and contingency reserve - 0.03 percent. The applicant proposes to finance the proposed project from accumulate cash reserves.

According to the applicant, the requested capital expenditure for the proposed project will be obligated by the Hospital upon CON approval. The construction is expected to be completed within 18 months of CON approval.

The application includes a copy of a letter from the Division of Health Facilities Licensure and Certification, MSDH approving the site for the proposed project.

II. TYPE OF REVIEW REQUIRED

This application for the construction/establishment of 60 nursing facility beds is reviewed in accordance with Section 41-7-191, subparagraphs (1)(a) and (2)(q)(i),(q)(ii), (q)(iii), and (q)(iv), and (q)(v) of the Mississippi Code of 1972 Annotated, as amended, (Senate Bill 2679, 1999 Regular Legislative Session), and duly adopted rules, procedures, plans, criteria and standards of the Mississippi State Department of Health.

Senate Bill 2679 authorized the Mississippi State Department of Health to issue a Certificate of Need during the next four fiscal years for the construction or expansion of nursing facility beds in each county in the State having a need for 50 beds or more additional nursing facility beds, as shown in the *Fiscal Year 1999 State Health Plan*. George County is one of the six counties authorized for additional beds during the year 2003. Other counties authorized within the State for additional beds during fiscal year 2003 are: Tallahatchie, Yalobusha, Monroe, Newton, and Covington.

The Department received three applications for the 60 beds authorized for George County. These applications were deemed complete on July 1, 2002, and entered into the July-September 2002 review cycle as competing applications. (See Attachment I for a listing of the competing applications).

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 September 4, 2002.

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

A. State Health Plan (SHP)

The *Fiscal Year 1999 State Health Plan* addresses policy statements and specific criteria and standards which an applicant is required to meet before receiving CON authority to construct/establish nursing home beds. The proposed project is in substantial compliance with the policy statements and criteria and standards for these type of projects.

SHP Criterion 1 - Need

George County Hospital proposes to construct/establish a 60-bed nursing home facility in George County, which is in Long Term Care Planning District IV. The District as a whole shows a need for 1,404 more beds than the 5,335 existing/CON approved beds in LTCPD IV. Currently there is one existing nursing home facility located in George County. The **Plan** shows that George County has a need for 74 nursing home beds.

The 1999 Legislative Session, pursuant to Senate Bill 2679, authorized the approval of 60 nursing home beds in George County. The need for additional nursing home beds for the area has definitely been established by the **State Health Plan**.

SHP Criterion 2 - Facility Size

George County Hospital proposes to construct a 60-bed facility in LTC Planning District IV, George County. The applicant is in compliance with this criterion.

SHP Criterion 3 - Statistical Need/Competing Applications

This application competes with two other proposals for the 60-bed nursing facility in LTC Planning District IV. (See Attachment 1). George County shows a statistical need for 74 beds. The Plan shows a need for 1,404 additional long term care beds in LTCPD IV. In Planning District IV, there are currently 5,335 existing or approved nursing home beds.

B. **General Review (GR) Criteria**

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

GR Criterion 3 - Availability of Alternatives

The applicant believes that the proposed project will best meet the needs of long LTC Planning District IV and George County, Mississippi. Since the proposed project involves the use of certain existing space at the Hospital and enhances continuity of care for George County and LTC Planning District IV residents, the applicant believes that the proposal provides the most cost-effective alternatives for the addition of long term care in the area.

GR Criterion 4 - Economic Viability

Based on the operation projections provided by the applicant, this appears to be an economically viable project. Financial projections in the application reflect a net income of \$59,893 in the first year, \$155,740 in year two and \$142,586 in year three of operation of the proposed facility.

The applicant indicates that the operating capital will originate from accumulated cash reserves for the proposed project.

GR Criterion 5 - Need for Project

Applicant states that GCH does not, and will not, upon implementation of the proposed project, discriminate against low income persons, racial and ethnic minorities, elderly, women, handicapped persons or any other under served groups in the provision of its long term care services.

The Plan indicates that 1,404 additional long term care beds are needed in LTCPD IV. Furthermore, 74 nursing home beds are needed in George County.

The applicant indicates that the proposed project is needed because of the need identified by the citizens of George County, the **State Health Plan** and the elderly patient population statistics in George County and LTCPD IV. GCH asserts that the proposed project will best meet the needs of LTCPD IV and George County, by providing access to, and convenient skilled nursing long term care in George county.

According to the applicant, the project's objectives are to promote quality and continuity of care offered to the residents of George County, Mississippi and LTC Planning District IV. The applicant believes that completion of the proposed project will permit enhanced continuity and access to care by offering acute care and LTC services at a single location.

The applicant received numerous letters of support from community members (**various public officials, George County Board of Supervisors, the Mayor, city officials, physicians and many residents**) of the area for the proposed project.

GR Criterion 6 - Accessibility

The applicant submits that all residents of the service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, elderly, will have access to the services of GCH and will have access to the proposed long-term care services. The applicant projects approximately two percent of the patients utilizing the services will be bad debt and charity.

GR Criterion 7 - Information Requirement

GCH affirms that it will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

There is one existing nursing home located in George County. The proposed long term care facility will be located in District IV, George County. According to the Plan, currently there are 5,335 existing/CON approved nursing home beds in District IV. The location of the site is George County where there is a need for 74 nursing home beds.

The applicant asserts that the proposed project's request for CON approval for the addition of locally available long term care services are crucial to the delivery of health care to the residents of George County and the surrounding service area. GCH asserts that the relationship of long term care services with the existing health care delivery system, particularly acute care services, is a significant factor to the overall delivery of health care to the long term care patient.

GR Criterion 9 - Availability of Resources

The applicant asserts that the Hospital will recruit any needed personnel from its present recruiting efforts and affiliation arrangements during the ordinary course of business for the proposed facility.

GR Criterion 15 - Competing Applications

See Attachment II for a comparative analysis on the three applications for the 60 nursing home beds in George County.

GR Criterion 16 - Quality of Care

George County Hospital is not a current provider of long term care services in Mississippi.

GCH is in compliance with the Minimum Standards of Operation for Mississippi Hospitals, according to the Division of Health Facilities Licensure and Certification, MSDH.

The applicant asserts that the proposed facility will meet all Licensure standards of the Department and intends to be certified for participation in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Construction	\$319,000
Capital Improvements (minor painting and repairs, refurbishing)	\$ 2,500
Non-Fixed Equipment	\$ 15,000
Site Preparation	\$ 2,500
Fees (Architectural, Consultant, etc.)	\$ 20,000
Contingency Reserve	\$ 10,000
Total Capital Expenditure	\$369,000

The above estimated capital expenditure is proposed for construction of 25,307 square feet of space at a per square foot cost of \$13.99 . The cost per bed is approximately \$6,150. The cost per bed is below the low range of cost for nursing homes as listed in MCCD 2002. According to MCCD 2002, the low range cost for nursing homes this size is \$31,000 per bed, and \$71.50 per square foot. It also involves purchases of non-fixed equipment.

B. Method of Financing

Applicant states that the proposed project will be financed from the Hospital's accumulated cash reserves.

According to the applicant the operating capital will originate from accumulated cash reserves.

C. Effect on Operating Cost

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

Item	First Year	Second Year	Third Year
Salaries, Wages and Benefits	\$1,025,081	\$1,265,039	\$1,411,867
Professional Fees	\$ 60,000	\$ 60,000	\$ 60,000
Supplies and Miscellaneous	\$ 126,664	\$ 150,872	\$ 155,241
Purchased Services	\$ 250,557	\$ 281,612	\$ 285,028
Bad Debt	\$ 9,741	\$ 11,388	\$ 12,664
Total Expenses	\$1,483,531	\$ 1,780,970	\$1,936,901

Revenues

Gross Patient Rev.	\$1,948,297	\$2,277,600	\$2,419,950
Total Deduction	\$(405,623)	\$ (341,640)	\$ (341,213)
Net Patient Rev.	\$1,542,674	\$1,935,960	\$2,078,737
Net Income	\$ 59,893	\$ 155,740	\$ 142,586

Utilization, Cost and Charges

Occupancy Rate (%)	68%	80%	85%
Patient Days	14,987	17,520	18,615
Cost/Patient Day	\$98.34	\$101.65	\$104.05
Charge/Patient Day	\$102.98	\$110.50	\$111.67

The applicant's projections appear to be realistic and comparable to other nursing homes of the same size.

D. Cost to Medicaid/Medicare

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

Payor Mix	Utilization Percentage	Patient Days	Cost First Year
Medicaid	35	5,245	\$ 364,528
Medicare	46	6,894	\$ 831,946
Other Payers*	19	2,848	\$ 277,316
Total	100	14,987	\$1,473,790

*Includes 2 percent for bad debt and charity care patients for the proposed project.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid is not opposed to the approval of this application. According to the Division of Medicaid, the approval of this project is expected to increase Medicaid expenditures by approximately \$938,066 annually in total funds based on a stable occupancy rate. Medicaid projects the per diem rate to be \$109.55 for the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for nursing home beds as contained in the *1999 State Health Plan*, the *Mississippi Certificate of Need Review Manual*, revised 2000, and all adopted rules, procedures and plans of the Mississippi State Department of Health.

The project also complies with Senate Bill 2679 of the 1999 Legislative Session, which authorized the Mississippi State Department of Health to issue a CON for the construction, or expansion of nursing facility beds or the conversion of other beds to nursing facility beds in each county in the state having a need for 50 beds or more additional nursing facility beds, as shown in the **State Health Plan**.

The MSDH received three applications requesting a Certificate of Need for all of the nursing home beds (60 long term care beds) for George County. All applications were deemed complete and entered into the July-September quarterly review cycle as competing applications.

All projects were found to be in substantial compliance with the projection of need. However, with competing applications, the Department must determine which applicant, if any, is the most appropriate applicant for providing the proposed nursing home bed/services. Based on comparative analysis prepared by the Department, staff has determined that the application submitted on behalf of George County Hospital is the most appropriate application to provide the proposed nursing facility services authorized by Senate Bill 2679 (See Attachment II). Approval of this application precludes approval of any other application submitted by any other applicant.

(08/02)
GCH
NH-CB-0602-036
PAGE 9

Consequently, the Division of Health Planning and Resource Development recommends approval of the application submitted on behalf of George County Hospital and finds that George County Hospital obtained the lowest composite score of all three applicants seeking CON authority to construct a 60-bed nursing facility in George County according to the following factors: size in square feet, capital expenditure, cost/square foot, cost/bed, staffing, Medicare utilization, first year cost to Medicaid, per diem cost to Medicaid, continuum of care services, and a signed agreement that the applicant will operate the nursing facility for a minimum of three years following licensure.

Attachment I

Competing Applicants for 60 Nursing Facility Beds for George County

CON REVIEW NH-CB-0602-036
George County Hospital, Lucedale
Establishment/Construction of a 60-Bed Nursing Home Facility
Capital Expenditure:\$390,000

CON REVIEW NH-CB-0602-037
Delco, Inc. dba Glen Oaks Nursing Home, Lucedale
Establishment/Construction of a 60-Bed Nursing Home Facility
Capital Expenditure:\$ 786,162

CON REVIEW NH-CB-0602-038
HTC Healthcare II, Inc. dba HTC Healthcare II, Inc., Lucedale
Establishment/Construction of a 60-Bed Nursing Home
Capital Expenditure:\$700,000

**Attachment II
COMPARATIVE ANALYSIS
PROPOSED 60-BED NURSING FACILITIES
GEORGE COUNTY, MISSISSIPPI
(THIRD YEAR OF OPERATION)**

		George County Hospital		Glen Oaks		HTC Healthcare, II Inc.
SIZE (sq. Ft.)	1	25,307	3	15,036	2	17,850
CAPITAL EXPENDITURE	1	\$369,000	3	\$786,162	2	\$700,000
COST/SQ. FT.	1	\$13.99	3	\$52.28	2	\$35.85
COST/BED (TOT.COST)	1	\$6,150	3	\$13,102.70	2	\$11,667
GROSS REVENUE		\$2,419,950		\$2,681,341		\$3,542,325
DEDUCTIONS		\$(341,213)		\$(385,753)		\$(217,715)
NET REVENUES		\$2,078,737		\$2,295,588		\$3,324,610
EXPENSES		\$1,936,901		\$1,954,020		\$3,211,546
NET INCOME		\$142,586		\$341,568		\$123,064
OCCUPANCY RATE		85%		98.33%		85%
PATIENT DAYS		18,615		21,535		18,615
COST/PATIENT DAY		\$104.05		\$90.74		\$172.52
CHARGE/PATIENT PAY		\$111.67		\$106.60		\$190.29
PERSONNEL REQUIRED ANNUAL COST 1 st YEAR	2	75.1 \$931,892	3	57.5 \$694,597	1	82.75 \$1,497,850
MEDICAID UTILIZATION (%)		35%		56%		13.89%
MEDICARE UTILIZATION (%)	2	46%	3	22%	1	69.44%
PRIVATE PAY UTILIZATION (%)		19%		22%		16.67%
COST TO MEDICAID (1 st YEAR)	2	\$364,528	3	\$708,246	1	\$133,590
PER DIEM COST TO MEDICAID 1 st YEAR	1	\$69.50	3	\$73.72	2	\$73.20
CONTINUUM OF CARE (Yes/No)	1	Yes	1	Yes	1	Yes
SIGNED AGREEMENT	-1	Yes	-1	Yes	-1	Yes
COMPOSITE SCORE	11		24		13	