

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2014**

**CON REVIEW NH-CB-1213-018
RULEVILLE NURSING AND REHABILITATION CENTER, LLC
TRANSFER/ADDITION OF TWO NURSING HOME BEDS FROM
WALTER B. CROOK NURSING FACILITY TO RULEVILLE
NURSING AND REHABILITATION
CAPITAL EXPENDITURE: \$0
LOCATION: RULEVILLE, SUNFLOWER COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Ruleville Nursing and Rehabilitation Center, LLC (RN&RC) is a Mississippi limited liability company. RN&RC is owned 50% by DTDHC, LLC, a New York limited liability company, and 50% by D & N, LLC, a New York limited liability company. Currently RN&RC is a 109-bed skilled nursing home facility.

B. PROJECT DESCRIPTION

Ruleville Nursing and Rehabilitation Center, LLC (Ruleville, Sunflower County) is located in Long-Term Care Planning District (LTCPD) I. In this district, Ruleville Nursing and Rehabilitation Center, LLC requests CON authority to add two skilled nursing beds increasing the facility from 109 to 111 skilled nursing home beds. The facility is proposing to acquire two skilled nursing home beds from Walter B. Crook Nursing Facility in Ruleville. The two nursing home beds at Walter B. Crook Nursing Facility are currently not used and are held in abeyance. The application contains a Purchase Agreement between North Sunflower Medical Center, the owner of Walter B. Crook Nursing Facility, and RN&RC for the two skilled nursing home beds. RN&RC would implement the two additional skilled nursing home beds by using the space that is presently licensed and used as personal care beds at the facility.

The applicant does not anticipate a capital expenditure but a three-year projected operating statement is included in the application for the proposed project.

According to the applicant, the project is anticipated to be completed within 60 days of CON approval. This is conditional on approval of de-licensing the two personal care beds and licensure approval of the two skilled nursing beds at the facility.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the addition of nursing home beds under the statutory requirements of Section 41-7-191, subparagraph (1)(c), Mississippi Code of 1972, 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 March 13, 2014.

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

A. State Health Plan (SHP)

The *FY 2014 Mississippi State Health Plan* does contain criteria and standards for addition of nursing home of beds as proposed by this application. Since the two beds are currently included in the *Plan*, the Department finds that the two beds would not constitute new beds to the total inventory to the State and specifically LTCPD I. Therefore the Department finds that the moratorium language in Section 41-7-191, subparagraph (2), Mississippi Code of 1972, as amended, does not apply to this project.

The *Plan* provides the following need criterion for nursing home care beds:

Need Criterion: The applicant shall document a need for nursing home care beds using the need methodology as presented herein: The Long-Term Care Planning District wherein the proposed facility will be located must show a need using the following ratio:

**0.5 beds per 1,000 population aged 64 and under
10 beds per 1,000 population aged 65-74
36 beds per 1,000 population aged 75-84
135 beds per 1,000 population aged 85 and older**

The proposed project is to relocate two nursing home beds within Sunflower County, specifically within Ruleville. The *Plan* has a calculation of nursing home bed need within LTCPD I showing a need for

273 nursing beds, however, it does show that Sunflower County, Mississippi is over-bedded of 98 nursing home beds (see Attachment 1). We note that some of the surrounding counties to Sunflower County do show some need for nursing home beds. Because the project is to relocate existing nursing home beds within Sunflower County, this is permissible despite the over-bedding in Sunflower County.

In the case of a relocation of nursing home beds from one existing nursing home to another within the same Long-Term Care Planning District, the Department has analyzed the need for the beds at the location where they are currently versus the need for the beds at the proposed location. In this case, the beds are currently at Walter B. Crook nursing home in Ruleville, Sunflower County, Mississippi, but are not presently in service and evidenced by its willingness to transfer the beds to another facility that the beds are not anticipated to be put in service at that location. The proposed site is also within Ruleville, Sunflower County, Mississippi. Therefore, we find that despite that the current over-bedding of Sunflower County, we could approve the relocation of the two beds.

The table below shows the most current utilization of nursing home beds in Sunflower County by facility.

Facility	Licensed Beds	Occupancy Rate	Average Daily Census
Liberty Health & Rehab of Indianola	75	81.11%	60.83
Ruleville Nursing & Rehab Center	109	99.46%	108.42
Walter B. Crook Nursing Facility	60	98.83%	59.30
Total for Sunflower County	244	93.67%	228.55

Source: 2012 Report on Institutions for the Aged or Infirm

RN&RC has the highest occupancy rate at 99.46% in Sunflower County and had very little, if at all, ability to take further residents in its facility. While Walter B. Crook Nursing Facility also has a high utilization at 98.83%; however, it is currently operating with 60 nursing home beds, the maximum nursing unit size. The increase from 60 to 62 nursing home beds at Walter B. Crook Nursing Facility may result in higher operating costs for the facility. RN&RC is currently operating with two nursing home units and could expand to 120 nursing home beds before being required to add another nursing home unit. It is more efficient for RN&RC to acquire two additional nursing home beds through a transfer from Walter B. Crook Nursing Facility than for Walter B. Crook Nursing Facility to add them to their facility.

The *Plan* also gives guidelines for all health planning in Mississippi. The *Plan* states that:

Mississippi's planning and health regulatory activities have the following purposes:

To improve the health of Mississippi residents

The applicant submits that the proposed project will allow two unused nursing home beds to put in service at its facility that provides a high level of complex quality services. In addition, the two beds will not only help address the nearly full capacity at RN&RC but also, provide an increase in nursing home services and access to the general population in LTCPD I.

To increase the accessibility, acceptability, continuity, and quality of health services

The applicant submits that it is a high quality provider of services as demonstrated through recent surveys and quality ratings. The additional two beds at this facility will increase, to that extent, nursing home services to the residents of LTCPD I including Medicaid recipients, racial and ethnic minorities, women, handicapped persons and elderly.

To prevent unnecessary duplication of health resources

Ruleville Nursing & Rehabilitation Center asserts that it has for the last two years operated at or very near full capacity. RN&RC does not anticipate that the addition of the two beds will decrease utilization of its facility and thus the addition of the two beds is not anticipated to be a duplication or be unused as it is presently. The Department finds the transfer of the two nursing home beds held in abeyance at Walter B. Crook Nursing Facility to the applicant would not be a duplication of health resources. The proposed project does not contemplate the addition of any new beds or new services in Sunflower County or in LTCPD I. Furthermore, not only is the proposed project not a duplication of health resources, it is an improvement in access of an existing health service.

To provide some cost containment

Ruleville Nursing & Rehabilitation Center asserts that the proposed project to add the two additional beds at its facility can be accomplished without any further capital costs or significant increase in operating costs and with no reduction in the quality of care at the facility.

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

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2011 revision*, 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

Ruleville Nursing & Rehabilitation Center asserts that the project is consistent with its long range plan to serve the needs of complex long-term Medicaid patients that are best served in the nursing home facility.

GR Criterion 3 - Availability of Alternatives

The applicant considered and rejected the following advantages and disadvantages of each alternative as well as the reason they were not chosen:

(1) Taking No Action: The applicant submits that its high occupancy history over the past ten years, suggests that there is an unmet need for additional nursing home beds and services at its facility. The facility looked to expand the number of beds in order to address its high occupancy and address the needs for nursing home services in the community.

(2) Adding New Beds Through New Construction: The applicant considered its chances to acquire new beds but was doubtful that the facility would obtain necessary approval. The construction of new beds is a less efficient means for the facility to address its need for more beds.

(3) Relocate Beds From Another Facility: The applicant chose this alternative because it identified two unused nursing home beds in its LTCPD. It would be able to put the beds in service using existing space that is currently utilized as personal care beds.

GR Criterion 4 - Economic Viability

The applicant asserts that the proposed charges for the two nursing home beds for the proposed project will be identical to the charges for the current 109 nursing home beds at the facility. The financial forecasts with the two additional nursing home beds show a greater profit for the facility than without the project. The Department anticipates that the additional beds will be utilized at the facility and the result will be as projected with the facility being more profitable with the additional two beds. The Department finds that the project is economically viable.

GR Criterion 5 - Need for the Project

Access by Population Served: According to the applicant, RN&RC has historically served a diverse population that includes low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups. The applicant asserts that the addition of the two nursing home beds will enable RN&RC to expand their services to the underserved population.

Relocation of Services: Currently, the proposed two nursing home beds are held in abeyance and unused at Walter B. Crook Nursing Facility in Ruleville. The applicant asserts that because the beds are not in service at the current facility that no loss of services or impact will occur at the current facility. The addition of the two nursing home beds will increase access to that extent as discussed above.

Current and projected Utilization of Like Facilities in the Area: The applicant states that the proposed project would not impact other facilities or providers in the area. RN&RC is currently operating and providing skilled nursing home care in Sunflower County within LTCPD I and the Department finds no basis for any measurable impact on other facilities or services as proposed by the applicant.

Probable Effect on Existing Facilities in the Area: The applicant asserts that it expects no effect on existing facilities providing similar services in the area. The Department has no evidence to suggest that any existing facility in the area will be impacted by this project.

Community Reaction: The application contains three copies of letters of support for the addition of two nursing home beds at RN&RC. The Department has not received any negative letters from members of the community.

GR Criterion 6- Accessibility

The applicant states that all residents of the service area (LTCPD I), including Medicaid residents, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the existing facility and services. The project will expand that access by the proposed additional two nursing home beds.

The applicant asserts that it will work with medically indigent patients to be served to ensure that their case is reviewed properly and the appropriate periodic resource is determined. The applicant has included its admission policy and it asserts that it will not change because of the proposed project.

Ruleville Nursing and Rehabilitation Center, LLC asserts that it will continue to provide nursing care services 365 days per year and 24 hours per day.

GR Criterion 7- Information Requirement

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

GR Criterion 8 - Relationship to Existing Health Care System

Ruleville Nursing and Rehabilitation Center, LLC is currently located in Ruleville, Sunflower County and Long-Term Care Planning District I. The applicant does not propose to add new long-term care beds to LTCPD I, only to relocate two existing beds within the same Planning District and County.

The applicant believes the project will have no adverse impact on any of the existing facilities within Sunflower County or within RN&RC's service area, LTCPD 1.

GR Criterion 9 - Availability of Resources

The applicant projects that the addition of the two nursing home beds will not result in the need for any new staff at the facility. Since the project anticipates, the de-licensure of two personal care beds to transfer/add/operate the two nursing home beds, there will not be any staffing changes.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts that it will not make any changes or accommodations in ancillary or support services to implement the addition of the two nursing home beds at its facility. The applicant expects minimal or no increase in costs and charges because of the project.

GR Criterion 16 - Quality of Care

Ruleville Nursing and Rehabilitation Center, LLC is licensed by the Mississippi State Department of Health and is certified to participate in Medicare and Medicaid Programs.

Ruleville Nursing and Rehabilitation Center, LLC asserts that its quality measure with Medicare consistently rates the facility as "Above Average" or "Much Above Average".

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The proposed project does not involve a capital expenditure.

B. Method of Financing

The proposed project does not require any financing.

C. Effects on Operating Costs

The applicant projects gross revenues of \$8,847,255, \$9,024,200, and \$9,204,684, the first, second, and third year of operation, respectively; and expenses of \$8,652,028, \$8,817,060, and \$8,985,220. Also, net income for the first three years of operation is as follows: \$133,827, \$144,511, and \$155,583. Utilization, cost, and charges are included in the applicant's Three-Year Projected Operating Statement in the application.

D. Cost to Medicaid/Medicare

Based on the applicant's projections, RN&RC provides the following revenue source projections for each payor category listed below:

Payor	Utilization Percentage	First Year Revenue
Medicaid	66.00%	\$ 5,854,696
Medicare	33.00%	\$ 2,886,873
Self Pay	1.00%	\$ 102,880
Other (Commercial)	-0-%*	2,806
Charity Care	-0-%	-0-
Total	100.00%	<u>\$8,847,255</u>
*Note the Commercial pay is less than 1%		

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application and the Department received written comments from the agency. The correspondence indicates that the proposed project is not expected to increase cost to the Division of Medicaid. The Division of Medicaid is not opposed to the project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the overall objectives of the *2014 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Consequently, the Division of Health Planning and Resource Development recommends approval of this application submitted by Ruleville Nursing and Rehabilitation Center, LLC, for the addition of two nursing home beds.

As a note, Ruleville Nursing and Rehabilitation Center, LLC will acquire two nursing home beds through a transfer from Walter B. Crook Nursing Facility. Both nursing home facilities are located in Ruleville, Sunflower County, Mississippi in LTCPD I.

Attachment 1
FY 2014 Mississippi State Health Plan
Table 2-3 (Continued)
2015 Projected Nursing Home Bed Need

District I												
County	Population 0 - 64	Bed Need (0.5/1,000)	Population 65 - 74	Bed Need (10/1,000)	Population 75 - 84	Bed Need (36/1,000)	Population 85+	Bed Need (135/1,000)	Total Bed Need	# Beds in Abeyance	Licensed/CON Approved Beds	Difference
Attala	16,237	8.12	1,843	18.43	1,331	47.92	804	108.54	183	0	120	63
Bolivar	30,972	15.49	3,129	31.29	1,566	56.38	904	122.04	225	60	290	-125
Carroll	7,865	3.93	1,166	11.66	661	23.80	344	46.44	86	0	60	26
Coahoma	21,973	10.99	2,146	21.46	1,287	46.33	741	100.04	179	8	170	1
DeSoto	172,781	86.39	13,826	138.26	6,690	240.84	3,162	426.87	892	0	320	572
Grenada	19,430	9.72	2,062	20.62	1,366	49.18	792	106.92	186	10	237	-61
Holmes	16,915	8.46	1,269	12.69	869	31.28	470	63.45	116	10	138	-32
Humphreys	7,840	3.92	739	7.39	477	17.17	271	36.59	65	0	60	5
Leflore	28,992	14.50	2,253	22.53	1,353	48.71	802	108.27	194	8	402	-216
Montgomery	8,923	4.46	1,071	10.71	782	28.15	488	65.88	109	0	120	-11
Panola	31,041	15.52	2,779	27.79	1,737	62.53	945	127.58	233	0	190	43
Quitman	6,602	3.30	561	5.61	385	13.86	217	29.30	52	0	60	-8
Sunflower	24,677	12.34	1,821	18.21	1,026	36.94	579	78.17	146	2	242	-98
Tallahatchie	10,472	5.24	1,196	11.96	771	27.76	433	58.46	103	1	97	5
Tate	24,165	12.08	2,389	23.89	1,343	48.35	698	94.23	179	0	120	59
Tunica	10,375	5.19	857	8.57	416	14.98	216	29.16	58	0	60	-2
Washington	43,986	21.99	4,533	45.33	2,589	93.20	1,433	193.46	354	2	298	54
Yalobusha	11,592	5.80	1,273	12.73	897	32.29	508	68.58	119	0	122	-3
District Total	494,838	247.42	44,913	449.13	25,546	919.66	13,807	1,863.95	3,480	101	3,106	273