

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
AUGUST 2001**

**CON REVIEW: NH-CB-0601-029
ATTALA HEALTH CARE CENTER, INC.
CONSTRUCTION OF A 60-BED FACILITY IN ATTALA COUNTY
Capital Expenditure: \$1,636,760
Location: Kosciusko, Mississippi**

Staff Analysis

I. Project Summary

A. Applicant Information

Attala Health Care Center, Inc. is a newly formed, for-profit Mississippi corporation, with Chris Plumlee serving as the President and only officer. The applicant operates a 60-bed nursing facility in Hinds County.

B. Project Description

Attala Health Care Center, Inc. requests Certificate of Need authority for the construction of a 60-bed nursing facility in Kosciusko, Mississippi. The proposed 60-bed nursing facility will contain 26,136 square feet of space and will require 79.0 full-time equivalent personnel at an estimated annual cost the first year of \$914,804. The applicant plans to finance the proposed project with a loan from Community Bank of Jackson in the amount of \$1,700,000 for 20 years. Also, the applicant plans for a multi-level continuing care complex, with a 20-bed assisted living unit.

The Division of Health Facilities Licensure and Certification has approved the site for the proposed project, and the applicant agrees not to sale or lease the facility for a period of not less than three years from initial licensure.

II. Type of Review Required (60-Bed Nursing Facility)

This application for the construction/establishment of 60-bed nursing facility beds is reviewed in accordance with Section 41-7-191, subparagraphs (1)(a) and (2)(q)(i), (q)(ii), (q)(iii), (q)(iv), and (q)(v) Mississippi Code of 1972 Annotated, as amended (Senate Bill 2679, 1999 Regular Session), and duly adopted rules, procedures, plans, criteria, and standards of the Mississippi State Department of Health. Senate Bill 2679 authorized the Department to issue Certificates of Need during the next four fiscal years for the construction expansion of nursing facility beds in each county in the state having a need for 50 or more additional nursing facility beds, as shown in the Fiscal Year 1999 State Health Plan.

Attala County is one of six counties eligible to receive a Certificate of Need for 60 nursing facility beds in Fiscal Year 2002. The department received four applications for the 60-bed nursing facility authorized for Attala County. The applications listed below were deemed complete on July 1, 2001 and entered into Review Cycle 3 as competing applications:

NH-CB-0601-027
Attala County Board of Supervisors
Construction of a 60-Bed Nursing Facility in Attala County
Capital Expenditure: \$1,825,017

NH-CB-0601-028
Garry V. Hughes d/b/a The Kennington, Kosciusko
Construction of a 60-Bed Nursing Facility in Attala County
Capital Expenditure: \$968,424

NH-CB-0601-029
Attala Health Care Center, Inc.
Construction of a 60-Bed Nursing Facility in Attala County
Capital Expenditure: \$1,636,760

NH-CB-0601-030
Sentry North, L.P. d/b/a Sentry Attala
Construction of a 60-Bed Nursing Facility in Attala County
Capital Expenditure: \$1,234,436

In accordance with Section 41-7-797(2) of the Mississippi Code of 1972 Annotated, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The hearing fee of \$4,000 must be paid at the time of the request, to be valid. The opportunity to request a hearing expires on September 4, 2001.

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

A. State Health Plan (SHP)

The FY 1999 State Health Plan addresses policy statements and specific's criteria and standards which an applicant is required to meet prior to receiving Certificate of Need authority to construct/establish nursing facility beds. This application is in substantial compliance with policy statements and criteria and standards for these types of projects.

SHP Criterion 1 - Need

Attala County is located in Long-Term Care Planning District I (LTCPDI). The FY 1999 State Health Plan shows an unmet need in Attala County of 58 nursing facility beds and a total unmet need of 283 nursing facility beds for LTCPDI. Approval of this request for 60 nursing facility beds will reduce the unmet need for nursing facility beds in LTCPD I by 60 beds.

SHP Criterion 2 - Facility Size

Senate Bill 2679 (1999 Regular Session) authorized the approval of a Certificate of Need for 60 additional nursing facility beds in Attala County in FY 2002, and this application is in compliance with this criterion and the statute.

SHP Criterion 3 -Statistical Need/Competing Applications

Attala County is located in Long Term Planning District I. The FY 1999 State Health Plan shows an unmet need in Attala County of 58 nursing facility beds and a total unmet need in LTCPDI of 283 beds. As previously mentioned, the Department received four competing applications for the 60 nursing facility beds authorized by Senate Bill 2679 for Attala County in FY 2002. Also, all

nursing facility applications filed with the Department by June 1, 2001 for the FY 2002 authorization are mandated to be reviewed under the FY 1999 State Health Plan.

B. General Review Criteria

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

GR Criterion 3 - Availability of Alternatives

According to the applicant, this project is the most appropriate method of meeting the needs of the elderly who need nursing facility care.

GR Criterion 4 - Economic Viability

According to the applicant's projected operating statement, gross revenues for the first three years will be \$2,835,899, \$3,067,408 and \$3,199,205, respectively. Net income for the first three years is projected to be \$177,649, \$223,845 and \$103,696, respectively. Consequently, the proposed project appears to be economically viable.

GR Criterion 5 - Need

Attala County is located in Long-Term Care Plan District I (LTCPD I). The FY 1999 State Health Plan shows an unmet need in Attala County of 58 nursing facility beds and a total unmet need in LTCPD I of 283 beds. Approval of this request for 60 nursing facility beds would reduce the unmet need in LTCPD I by 60 beds. The application contained 174 letters of support for this project and one letter of opposition from the Attala County Board of Supervisors.

GR Criterion 6 - Accessibility

The applicant indicated that all residents of the service area, including Medicaid and Medicare recipients, medically indigent, minorities, women, handicapped persons and the elderly, will have access to the facility. The applicant projects that the payor mix will be as follows: Medicaid - 32.50 percent; Medicare - 42.50 percent; and Private Pay - 25.00 percent.

GR Criterion 7 - Information Requirement

Attala Health Care Center, Inc. affirms that it will record and maintain the information required by this criterion and will make it available to the Mississippi State Department of Health within 15 business days of such request.

GR Criterion 8 - Relationship to Existing Health Care System

There are two nursing facilities located in Attala County, totaling 270 nursing facility beds: Attala County Nursing Center - 120; and Mississippi State Veteran's Home - 150. The annual occupancy rate for the two facilities in 2000 was 97.10 percent. The applicant has a transfer agreement with Madison County Medical Center. The application contained 174 letters of support and one letter of opposition from the Attala County Board of Supervisors.

GR Criterion 9 - Availability of Resources

Attala Health Care Center, Inc. indicated that all required staff will be recruited from the local labor market and expects no problems in recruiting needed personnel. The applicant projects that the staffed facility will utilize 79.0 full-time equivalents, costing \$914,804 the first year.

GR Criterion 15 - Competing Applications

The Department received four applications for the 60 nursing facility beds authorized for Attala County in FY 2002. See Appendix I for a comparative analysis of the four competing applications.

CR Criterion 16 - Quality of Care

Attala Health Care Center, Inc. will be licensed under the Minimum Standards of Operations for Institutions for the Aged or Infirm by the Mississippi State Department of Health.

IV. Financial Feasibility

A. Capital Expenditure Summary

New Construction Cost	\$1,277,760
Fixed Equipment	32,000
Non-Fixed Equipment	178,000
Land Cost	50,000
Site Preparation	10,000
Fees	20,000
Contingency Reserve	39,000
Capitalized Interest	30,000
TOTAL PROPOSED CAPITAL EXPENDITURE	\$1,636,760

The above estimated capital expenditure is proposed for the new construction of 26,136 square feet of space at a per square foot cost of \$53.90. The cost per bed, based on the total capital expenditure, is \$27,279. Means Construction Cost Data 2001 shows the low range per square foot to be \$69.25 and the low range per bed cost to be \$30,000. This project is below the low range for both square foot and bed cost listed in Means.

B. Method of Financing

The applicant proposes to finance the proposed project with a loan from Community Bank of Jackson in the amount of \$1,700,000 for a period of 20 years.

C. Effect on Operating Cost

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

EXPENSES	Year 1	Year 2	Year 3
TOTAL EXPENSES	\$2,658,250	\$2,843,563	\$3,095,508

REVENUES	Year 1	Year 2	Year 3
Gross Patient Revenue	\$2,835,899	\$3,057,408	\$3,199,205
Total Deductions	-0-	-0-	-0-
Net Revenue	\$2,835,899	\$3,057,408	\$3,199,205

	Year 1	Year 2	Year 3
Occupancy Rate (%)	60.00%	85.00%	95.00%
Patient Days	17,520	18,615	20,805
Cost/Patient Day	\$151.73	\$152.76	\$148.79
Charge/Patient Day	\$161.87	\$164.24	\$153.77
NET INCOME(LOSS)	\$177,649	\$223,845	\$103,696

The applicant projects that the per diem cost to Medicaid for the first year would be \$70.64.

Applicant's projections appear reasonable and comparable to other nursing facilities of similar size and payor mix.

D. Cost to Medicaid/Medicare

The impact of the project on third party payers is as follows for the first year:

Payor Mix	Utilization Percentage	First Year Cost
Medicaid	32.5	\$301,688
Medicare	42.5	\$2,165,505
Private Pay	25.0	\$368,706
Total	100.00	\$2,835,899

V. Recommendation of Other Affected Agencies

The Division of Medicaid was provided a copy of this application for comment. According to the Division of Medicaid, this project is expected to increase Medicaid expenditures by approximately \$ in total funds based on a stable occupancy rate.

VI. Conclusion and Recommendation

This project is in substantial compliance with the criteria and standards for nursing facility beds as contained in the FY 1999 State Health Plan, the 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 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 a need for 50 or more additional nursing facility beds, as shown in the FY 1999 State Health Plan.

Attala County is one of six counties eligible to receive a Certificate of Need for 60 nursing facility beds in FY 2002. The Department received four applications for the 60 nursing facility beds authorized for Attala County. All four applications were deemed complete on July 1, 2001 and entered into Review Cycle 3 as competing applications. With competing applications, the Department must determine which applicant, if any, is the most appropriate applicant for providing the proposed service. After a thorough examination and analysis of each of the four competing applications filed for a 60-bed

nursing facility in Attala County, including the development and utilization for a comparative analysis and consideration of the comments from the Division of Medicaid, the Division of Health Planning and Resource Development has determined that the application submitted by Garry V. Hughes d/b/a The Kennington is the most appropriate applicant to provide the proposed nursing facility services in the 60-bed facility authorized by Senate Bill 2679 for Attala County in FY 2002 (See Appendix I). Approval of this application precludes approval of any other competing application in Attala County.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of the application submitted by Attala Health Care Center, Inc.

**APPENDIX I
COMPARATIVE ANALYSIS
PROPOSED 60-BED NURSING FACILITIES
ATTALA COUNTY
(THIRD YEAR OF OPERATION)**

		Attala HCC		Kennington		Sentry Attala		Attala CC
Size (Sq. Foot)	1	26,136	3	15,919	4	15,653	2	22,484
Capital Expenditure	3	1,636,760	1	968,424	2	1,234,436	4	1,825,017
Cost/Sq. Foot	2	\$53.90	1	\$50.72	3	\$58.25	4	\$73.71
Cost/Bed (Total Cost)	3	\$27,279	1	\$16,140	2	\$20,574	4	\$30,417
Gross Revenue		\$3,199,205		\$2,897,825		\$2,884,020		\$2,670,768
Deductions		-0-		(\$1,150,106)		(\$21,360)		(396,100)
Net Revenue		\$3,199,205		\$1,747,720		\$2,862,660		\$2,274,668
Expenses		\$3,095,508		\$1,604,823		\$2,663,907		\$1,861,691
Net Income		\$103,696		\$127,540		\$198,753		\$412,978
Occupancy Rate		95.0%		99.0%		95.0%		98.0%
Patient Days		20,805		21,681		20,808		21,462
Cost/Patient Day		\$148.79		\$74.02		\$128.02		\$86.74
Charge/Patient Day		\$153.77		\$80.61		\$137.57		\$105.99
Personnel Required	1	79	2	77	3	62.49	4	55
First Year Cost		\$914,804		\$611,069		\$1,126,043		\$744,918
Medicaid Utilization (%)		32.5		42.0		45.61		60.0
Medicare Utilization(%)	1	42.5	3	35.0	2	35.09	4	20.0
Private Pay Utilization (%)		25.0		23.0		19.30		20.0
Cost to Medicaid (1 st yr)	1	\$301,688	2	\$441,782	3	\$507,998	4	\$684,008
Per Diem Costs Medicaid (1 st yr)	1	\$70.64	2	\$71.59	4	\$87.42	3	\$73.19
Continuum of Care (yes/no)	1	yes	1	yes	1	yes	4	no
Community of Support Letters	4	174	1	1,635	3	553	2	1,389
Signed Agreement	-1	yes	-1	yes	-1	yes	-1	yes
Composite Score	17		16		26		34	