

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
NOVEMBER 2003**

**CON REVIEW #NH-A-0903-027  
YALOBUSHA GENERAL HOSPITAL AND NURSING HOME, WATER VALLEY  
ADDITION OF 12 NURSING HOME BEDS  
AMENDMENT TO CON #R-0617  
(ADDITION OF 48 NURSING HOME BEDS)  
APPROVED CAPITAL EXPENDITURE: \$925,000  
LOCATION: WATER VALLEY, MISSISSIPPI; YALOBUSHA COUNTY**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

Prior to November 2000, Yalobusha General Hospital and Nursing Home (YGHNH) operated a 72-bed nursing home facility in Water Valley, Mississippi; Yalobusha County. In November 2000, YGHNH constructed a new 82-bed capacity nursing home facility and moved the residents from the 72-bed facility to the new facility. At the time of application, the building was being used as office space. On July 31, 2003, the applicant was granted a CON to provide 48 nursing home beds by placing residents in the old building. The facility will be operated as a public facility. In addition, the facility will be owned and operated by Yalobusha County, Mississippi, governed by the Yalobusha County Board of Supervisors and the Yalobusha General Hospital and Nursing Home Board of Directors. YGHNH will offer long-term care, short-term care, and rehabilitation services. As of January 29, 2002, YGHNH had a six-member Board of Trustees and five-member governing board that consists of the Yalobusha County Board of Supervisors. The facility will be certified to participate in the federal and state Medicaid programs. The facility has been approved for renovation by the Mississippi State Department of Health, Division of Licensure and Certification.

**B. PROJECT BACKGROUND (CON #R-0617)**

Yalobusha General Hospital and Nursing Home (YGHNH) was granted a Certificate of Need (CON) NH-CB-0502-025 on July 31, 2003, to renovate 24,870 square feet of space in an existing building and add 48 nursing home beds to the 72 licensed nursing home beds with a capital expenditure of \$925,000.

The CON granted to YGHNH gave the nursing home the authority to renovate the following: paint and finish each existing room, remove asbestos, install new plumbing, upgrade electrical wiring and lighting, add a sprinkler system, upgrade heating and cooling units, and install new fan coil units. At the time of application, the applicant stated that the FY 1999 Mississippi State Health Plan showed a bed need in each county and the 1999 Senate Bill 2679 decreased the bed shortages in Mississippi counties by authorizing more long-term care beds. However, the applicant felt there will be more long-term care beds needed in the near future because of the increasing elderly population.

In June 2002, YGHNH had a waiting list of over 350 people seeking nursing home care. Even with the approved CON for 48 additional nursing home beds, there continues to be a long-term care bed shortage. With the addition of 12 beds, maybe this will reduce the shortage and maybe keep some residents from seeking care in other counties. With this in mind, the applicant states its primary goal as a county owned facility is to try to offer services to the Yalobusha County residents rather than primarily concentrating on profits. Thus, the applicant feels the renovation and addition of nursing home beds will provide much needed service to Yalobousha County.

Initially, the applicant included a schematic drawing of the facility and a letter from the architect stating the project will involve the renovation of 24,870 square feet of space at an estimated cost of \$37.19 per square foot. The square footage of the present building constructed in 1999 (south and east wings of the facility) is 28,200 square feet. The approval of the CON provided total square footage of 53,070. The fixed equipment costs were estimated at \$85,000. Currently, there are 103 personnel. To operate the facility with a 48 bed addition, 150 full-time employees (FTEs) will be required at an estimated annual cost of \$1,159,586, yielding an increase of 47 employees. The application included the capital expenditure summary, a Three Year Projected Operating Statement, and three-year audited financial statements. The applicant indicates a commercial loan of \$900,000 from a local bank and \$25,000 through cash reserves will be used to finance the project.

### **C. PROJECT DESCRIPTION**

Yalobusha General Hospital and Nursing Home (YGHNH) requests CON authority to add 12 beds to its approved 48 bed project. Also, YGHNH would like to increase the total square feet of renovation from 24,840 to 26,870, which is a difference of 2,030. The applicant states the initial project description has not changed; however, the applicant states their pharmacy wing will be moved. In turn, the new opening will create space for six semi-private rooms which will be used to house 12 more residents. The applicant states there will be no structural changes; however, it will cost less than \$3,000 to paint and make cosmetic improvements to the 2,030 square feet of space. These improvements will be completed by YGHNH maintenance staff.

The amendment application includes a capital expenditure summary, an audited Financial Statement, and a revised First Year Projected Operating Statement. The original application indicated that YGHNH will hire 47 FTE personnel at an estimated annual cost of \$1,159,586. If the CON amendment is approved, YGHNH will require an additional 8.4 FTE employees. The applicant states the additional employees will be recruited from the local labor force and through in-house training. The transfer agreements made at the time of application will not change. YGHNH indicates a commercial loan of \$900,000 from a local bank and \$25,000 through cash reserves will be used to finance the project. No additional debt financing will be required for the amendment project and it is estimated to be completed by September 2004.

## **II. TYPE OF REVIEW REQUESTED**

The State Health Officer reviews all projects for cost overrun and amendments in accordance with 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 December 4, 2003.

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

### **A. State Health Plan (SHP)**

The original project was in substantial compliance with the *FY 1999 State Health Plan* as required by Senate Bill 2679. This project continues to be in substantial compliance with the *FY 1999 State Health Plan*.

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

The original project was in substantial compliance with Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000 revisions*. This application continues to be in substantial compliance with general review criteria contained in the Manual.

**IV. FINANCIAL FEASIBILITY**

<b>A. CAPITAL EXPENDITURE SUMMARY</b>			
	<b>Original Approved (Capital Expenditure)</b>	<b>Revised (Capital Expenditure)</b>	<b>Increase or (Decrease) Capital Expenditure</b>
<b>Construction Cost -New</b>			
<b>Construction Cost-Renovation</b>	<b>\$610,250.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Capital Improvements, i.e. (minor painting and repairs, refurbishing)</b>	<b>\$125,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Total Fixed Equipment Cost</b>	<b>\$85,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Total Non-Fixed Equipment Cost</b>	<b>\$40,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Land Cost</b>			
<b>Site Preparation Cost</b>			
<b>Fees (Architectural, Consultant, etc.)</b>	<b>\$64,750.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Contingency Reserve</b>			
<b>Capitalized Interest</b>			
<b>Other Cost (Specify)</b>			
<b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>	<b>\$925,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

The above capital expenditure was approved on July 31,2003. It was for the renovation of 24,870 square feet of space at a cost of \$37.19 per square foot. At the time of application, the cost per bed was approximately \$19,270.83. The cost per bed was comparable to the median range for nursing homes of this size as listed in the *Means Building Construction Cost Data FY 2002*. According to the *Means Construction Cost Data*, the median cost for nursing homes was \$38,200 per bed and \$92.00 per square foot.

**B. Method of Financing**

The original Certificate of Need (CON) NH-CB-0502-025 indicated a commercial loan and cash reserves will be used to finance the project. The Peoples Bank & Trust Company submitted a letter to the applicant expressing an interest in financing the project and included an amortization schedule. The schedule indicates that the bank will finance \$900,000 at a rate of 6.250%, payable in 120 payments of \$10,105.24 per month.

In regard to the amendment application, the applicant states the cost to make improvements will be less than \$3,000 and no additional debt will be required for the project.

**C. Effect on Operating Costs**

The applicant projects gross revenues of \$2,220,135, expenses of \$1,865,767, and net income of \$354,368 for the first year of operation in regard to the amendment and cost overrun of this project.

	<b>Initial First Year</b>	<b>Revised First Year</b>
Medicaid Income	1,350,759	<b>1,665,101.00</b>
Private Pay Income	219,891	<b>555,034.00</b>
<b>Total Revenues</b>	<b>\$1,570,650</b>	<b>2,220,135.00</b>
Nursing Home Wing A	866,743	<b>1,054,933.00</b>
Nursing Home Pharmacy	13,588	<b>18,588.00</b>
Medical Records	19,377	19,377.00
Dietary	178,373	<b>193,703.00</b>
Nursing Home-Overhead	50,439	<b>78,810.00</b>
Housekeeping	72,771	<b>75,771.00</b>
Laundry	43,663	46,663.00
Patient Accounting	19,377	19,377.00
Data Processing	12,089	<b>16,089.00</b>
Nursing Home Administration	76,776	<b>101,970.00</b>
Nursing home Social Work	21,530	21,530.00
Nursing Home Activities	21,530	21,530.00
Depreciation	55,065	55,065.00
Employee Benefits	71,566	<b>88,006.00</b>
Interest	54,355	54,355.00
<b>Total Operating Expenses</b>	<b>\$1,577,242</b>	<b>1,865,767.00</b>
<b>Net Income/Loss (-)</b>	<b>(-\$6,592)</b>	<b>354,368.00</b>

Utilization, cost, and charges are projected as follows:

	Initial Year 1	Revised Year 2
Occupancy Rate (%)	90.00%	90.00%
Patient Days	15,768.00	19,710.00
Cost/Patient Day	\$100.03	\$94.66
Charge/Patient Day	\$99.61	\$112.64

**D. Cost to Medicaid/Medicare**

Payor	Utilization Percentage	Patient Days	First Year Revenue
Medicaid	75%	14,782.50	\$ 1,665,101.00
Medicare	0%	0.00	\$ 0.00
Other	25%	4,927.50	\$ 555,034.00
<b>Total</b>	<b>100.00%</b>	<b>19,710.00</b>	<b>\$ 2,220,135.00</b>

YGHNF projects 0.5% percent bad debt of gross patient revenues.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for comment and the Division does not oppose the application.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the overall objectives of the *FY 1999 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2000*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of the approval. The project continues to be in substantial compliance with applicable criteria and standards and adopted rules, procedures and plans of the Department.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Yalobusha General Hospital and Nursing Home (YGHNH).