

**Division of Health Planning  
and Resource Development  
November 2003**

**CON Review HG-SB-0903-025  
Brandywine Health Services of Mississippi, Inc.  
d/b/a Choctaw County Medical Center  
Establishment of Five Swing Beds  
Capital Expenditure: \$15,000  
Location: Ackerman, Mississippi**

**Staff Analysis**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Brandywine Health Services of Mississippi, Inc. is a for-profit Mississippi corporation having its principal office, place of business and mailing address in Wiggins, Mississippi. Choctaw County Medical Center is a 15-bed critical access ("CAH") hospital owned by Choctaw County Board of Supervisors and leased to Brandywine Health Services of Mississippi, Inc. The governing board of the facility consists of the president, vice president, treasurer, and the secretary.

The facility, currently licensed for 15 acute care beds, has 12 beds set up and staffed. Choctaw County Medical Center, which was closed in 2002, originally had the capacity for 27 patient rooms. The current average length of stay is 3.26 days with an average daily census of 4.

**B. Project Description**

The applicant requests CON authority to establish swing-bed services at Choctaw County Medical Center. The proposed project involves converting five patient rooms which are currently being used for storage to swing-bed use. The involved rooms have been painted and new heating/air conditioning units were installed. The only immediate expenditure would be for furnishings for the rooms.

Applicant anticipates a slight increase in ancillary services. Also, there will be a slight increase in Laboratory and Radiology procedures which can be accommodated by existing staff. The greatest increase will be in therapy services. The applicant states that these services will be provided under contract through Trinity Rehabilitation, Inc.

Choctaw County Medical Center projects an addition of 2.5 FTE personnel at a cost of \$35,360 the first year. Most of the positions are for nonprofessional personnel. Applicant believes that due to the high unemployment rate of Choctaw County, there will be many unskilled persons available for these jobs.

The MSDH Division of Health Facilities Licensure and Certification has approved the site for swing beds. The applicant anticipates that the project will be initiated upon CON approval by the MSDH.

## **II. TYPE OF REVIEW REQUIRED**

Projects which propose the establishment of a swing-bed program are reviewed in accordance with Section 41-7-191, subparagraphs (1)(d)(x) and (6), of the Mississippi Code of 1992 Annotated, 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 1972 Annotated, as amended, any 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 December 4, 2003.

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

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

The *FY 2004 State Health Plan* addresses criteria and standards which an applicant is required to meet before receiving CON authority to establish a swing-bed program. This application is in substantial compliance with applicable criteria and standards.

### **SHP Criterion 1 - Need**

The applicant submits that Choctaw County Medical Center is licensed and certified as a Critical Access Hospital (CAH). As per CAH Regulations, it has 15 acute beds with lengths of stay not to exceed 96 hours. The facility will add five (5) additional beds to accommodate the swing-bed patients.

Choctaw County Medical Center submits that Choctaw County has a higher than average population of elderly persons. The elderly comprise nearly 100 percent of swing-bed admissions to all facilities. Those over the age of 65 comprise the majority of acute care admissions to Choctaw County Medical Center.

The application contained a copy of the Resolution adopted by its governing board approving the proposed participation in the swing-bed program.

### **SHP Criterion 2 - Maximum Number of Beds**

The addition of five (5) swing-beds will bring the hospital's total bed count to 20.

### **SHP Criterion 3 - Eligible Patients**

Choctaw County Medical Center affirms that upon receiving CON approval and meeting all federal and state requirements for participation in the swing-bed program, it will render services provided under the swing-bed concept to any patient eligible for Medicare (Title XVIII of the Social Security Act) who is certified by a physician to need such services.

### **SHP Criterion 4 - Non-Eligible Patients**

The applicant affirms that it shall not permit any patient who is eligible for both Medicaid and Medicare or is eligible only for Medicaid to stay in the swing-beds for more than 30 days per admission, unless the hospital receives prior approval for such patient from the Division of Medicaid, Office of the Governor.

### **SHP Criterion 5 - Transfer Agreements**

Choctaw County Medical Center is only licensed to operate 15 acute care beds, and with the additional five (5) beds will be licensed for 20 beds; therefore compliance with the requirements of this criterion is not applicable.

**B. Federal Regulations**

Choctaw County Medical Center complies with the eligibility criteria specified in Section 1883 of the Omnibus Budget Reconciliation Act of 1987, amended.

**C. General Review Criteria**

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

## **IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The capital expenditure for this project is \$15,000 for capital improvements.

**B. Method of Financing**

The capital expenditure will be financed through Accumulated Cash Reserves.

C. Effect on Operating Cost

The applicant projects the following results from operations the first three years of operation:

Expenses	Year 1	Year 2	Year 3
Salaries & Wages	\$1,884,891	\$2,261,869	\$2,488,056
Benefits	405,650	486,780	535,458
Physician Fees	373,303	634,615	825,000
Other Fees	211,542	232,696	255,965
Supplies	406,073	446,681	491,349
Repairs& Leases	165,624	182,187	200,405
Utilities	68,270	75,097	82,606
Depr. & Amorization	13,571	14,928	16,420
Insurance	101,308	111,439	122,583
Interest Expense	70,359	73,877	77,570
Other	98,830	103,772	108,960
Bad Debts	544,583	871,333	1,132,733
Allocation	<u>119,273</u>	<u>125,237</u>	<u>131,499</u>
<b>Total</b>	<b>\$4,463,277</b>	<b>\$5,620,511</b>	<b>\$6,468,604</b>
Revenue:			
Operating Revenue	\$6,339,861	\$8,385,541	\$10,120,826
Other Revenue	<u>2,704</u>	<u>3,245</u>	<u>3,894</u>
Total Gross Revenue	\$6,342,565	\$8,388,786	\$10,124,720
Deductions	<u>-\$1,811,724</u>	<u>-\$2,536,414</u>	<u>-\$3,297,338</u>
<b>Net Revenue</b>	<b>\$4,530,841</b>	<b>\$5,852,372</b>	<b>\$6,827,382</b>
Excess or Revenue Over Expense	\$ 67,564	\$231,861	\$358,778

Note: The operating statement is based on the entire facility cost. The applicant projects that the additional cost incurred as a result of this project will be \$548,382, with 1,095 patient days. Based on these projections, cost per day is expected to be \$501.

D. Cost to Medicaid/Medicare

Choctaw County Medical Center projects that the swing-bed service will be 17.5 percent Medicaid, 61 percent Medicare, and 21.5 percent private pay. It estimates that the project will cost Medicaid an additional \$95,967 per year.

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this project for their review and comments. No comments were received regarding the project's impact on the Medicaid program.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for swing bed services as contained in the FY 2004 State Health Plan; Chapter 8 of the Certificate of Need Review Manual, Revised 2000; and all adopted rules, procedures, and plans of the Mississippi State Department of Health. Choctaw County Medical Center also complies with the eligibility criteria specified in Section 1883 of the Omnibus Budget Reconciliation Act of 1987, amended.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Choctaw County Medical Center for the establishment of a swing-bed program.