

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
FEBRUARY 2012**

**CON REVIEW NH-CRF-1211-023
HINDS COUNTY NURSING & REHABILITATION CENTER, LLC
CONSTRUCTION/RELOCATION AND REPLACEMENT OF 119
NURSING HOME BEDS/SERVICES
CAPITAL EXPENDITURE: \$9,236,436
LOCATION: BYRAM, HINDS COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Hinds County Nursing & Rehabilitation Center, LLC (HCN&RC) is a Mississippi limited liability company. Trend Consultants, LLC – Management Company of Natchez, Adam County, Mississippi manage and operates the 119-bed skilled nursing home facility. The company is governed by an eight-member Board.

B. PROJECT DESCRIPTION

Hinds County Nursing & Rehabilitation Center, LLC (Hinds County) is located in Long-Term Care Planning District (LTCPD) 3. In this district, Hinds County Nursing & Rehabilitation Center, LLC requests CON authority to relocate its facility, consisting of 119 licensed nursing home beds from 3454 Albermarle Road to Byram Parkway in Byram, Mississippi, Hinds County. The applicant indicates that the proposed replacement facility will be approximately 17 miles from the existing facility location. The application contains a copy of the contract of the sale and purchase of real estate between the buyer; Trend Consultants, LLC, the management company of HCN&RC; and the seller, Richardson Properties, Inc. concerning the proposed project. The applicant asserts that the proposed replacement facility will continue to accept private pay, Medicare, and Medicaid residents.

The current building is three stories with a common and administrative space on the first floor and resident rooms on the second and third floors. According to the applicant, this prevents HCN&RC from establishing an Alzheimer's/Dementia Care Unit.

According to the applicant, upon completion of the Hinds County Nursing & Rehabilitation Center replacement facility, the applicant intends to sell the current existing facility and the proceeds will be used towards the cost of the replacement facility.

The applicant proposes to construct a new state of the art facility on Byram Parkway in Byram, Mississippi to replace the current out-dated, inefficient building currently housing the Hinds County Nursing & Rehabilitation Center, LLC facility located in Jackson, Mississippi. The proposed replacement nursing home facility will be a 119 bed, containing approximately 62,580 square feet of new construction. The skilled nursing facility involves a single story wood framed, wood decked, asphalt shingled, courtyard style skilled nursing facility. The facility will have 6 resident wings and secure Alzheimer's unit with separate day, dining, courtyard and nursing areas as required. The facility will meet space requirements for dining, activities, administration, nursing, food preparation and laundry.

The HVAC systems will be a combination of split central systems for the common area, offices, and individual thru-wall AC/heat unit for the resident rooms. The electrical systems will include high voltage and low voltage, a back-up generator and emergency circuits as required by state and local authorities. The plumbing and hot water systems will include everything required by the same authorities. All hot water heaters, furnaces, laundry dryers and kitchen cooking equipment will be natural gas fired. The building will have a fire sprinkler system (living floor and attic). The site and grounds will include concrete paving and parking, concrete walks as required and nicely landscaped property with an automatic irrigation systems. There will be two courtyards, both of which will include gazebos, walking and outdoor activity areas. Positive drainage will be installed using a combination of gutters, grading and underground storm drainage. The applicant states that there will be no additional beds or services as a result of this project.

Hinds County Nursing & Rehabilitation Center, LLC asserts that upon completion of the proposed replacement facility, HCN&RC will lease (operating lease) from Kelly Holdings, LLC for a monthly amount of approximate \$60,956 for a term of 10 years, renewable by said parties for an additional 10 year period. The application contains a copy of a written assurance to lease (operating lease) between HCN&RC and Kelly Holdings, LLC concerning the proposed project.

The total proposed project cost is \$9,236,435. The project will entail approximately 62,580 square feet of space at an estimated cost of \$140.92 per square foot. Hinds County Nursing & Rehabilitation Center, LLC's total cost for fixed and non-fixed equipment will be \$600,000 (See capital expenditure summary page 10). The applicant proposes to finance 90% (\$8,312,792) of the proposed capital expenditure through a commercial loan with Trustmark National Bank, Jackson, and 10% (\$923,644) by equity contribution by the owner. The application includes

a letter from Mr. Nelson F. Gibson, First Vice President of the bank, indicating an interest in financing the project.

The applicant includes a capital expenditure summary, a three-year projected operating statement, and a financial feasibility study for the proposed project.

According to the applicant, the capital expenditure will be obligated April 1, 2012, and the project will be completed June 1, 2013.

The Mississippi State Department of Health, Division of Health Facilities Licensure and Certification find the site to be acceptable for the proposed project.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the relocation of nursing home beds under the statutory requirements of Section 41-7-191, subparagraphs (1)(b) and (e), and 41-7-193, 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 8, 2012.

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

A. State Health Plan (SHP)

The *FY 2012 Mississippi State Health Plan* does not contain criteria and standards for construction/replacement and relocation of beds as proposed by this application. However, the *Plan* gives guidelines for all health planning in Mississippi. The *Plan* states that: Mississippi's planning and health regulatory activities have the following purposes:

- To prevent unnecessary duplication of health resources;
- To provide some cost containment;
- To improve the health of Mississippi residents; and
- To increase the accessibility, acceptability, continuity, and quality of health services.

The applicant believes that the proposed project will work in accordance with the *FY 2012 Plan*. Hinds County Nursing & Rehabilitation Center asserts that according to the 2009 Report on Institutions for the Aged or Infirm, its existing facility experienced an occupancy rate of 73%, which was the lowest in Hinds County in LTCPD III. Hinds County Nursing &

Rehabilitation Center believes that its low occupancy rate is largely attributed to the fact that its current location is not favored by all potential residents. The applicant states that Hinds County Nursing & Rehabilitation Center, LLC is located at 3454 Albermarle Road in Northwest Jackson. The applicant believes that due to companies and people relocating to newer and safer areas. This area of the city has become home to vacant buildings and houses. The applicant believes as a result, crime has increased in the area. Potential residents and families who tour the facility don't feel comfortable or safe and are not interested in completing the admission process due to the location of the facility. In addition, the applicant's current facility design prevents it from offering certain services that the current aging population is requesting. The applicant believes that by replacing the existing facility with a new state-of-the-art facility in a safer location in Hinds County with improved therapy areas and establishing a Alzheimer's/Demential Care Unit, Hinds County Nursing & Rehabilitation Center, LLC's occupancy rate will drastically improve and will better meet the needs of the elderly population of Hinds County and LTCPD III.

Staff obtained/evaluated data pertaining to the location of the facility and areas surrounding HCN&RC, and staff determined that crime within the vicinity of Albermarle Road is minimal or none at all.

The *FY 2012 State Health Plan* indicates that LTCPD III has need for 627 new nursing facility beds district-wide. However, Hinds County where (Hinds County Nursing & Rehabilitation Center is currently located) has a need for 68 additional nursing facility beds.

According to the 2009 and 2010 *Report on Institutions for the Aged or Infirm*, Hinds County Nursing & Rehabilitation Center had an occupancy rate of 73% in 2009 and 76.90% in 2010. The occupancy rates of nursing home facilities in Hinds County range from 76.90% to 97.98%. See attachment 3.

Based on the applicant's occupancy rate of 76.90% for 2010 and 73% for 2009, the facility shows an increase. Staff believes the rate increase contradicts the applicant's assertion that HCN&RC's low occupancy is due largely to the current location not favored by all potential residents.

Based on the 2010 Census, the city populations for Byram and Jackson Mississippi are as follows:

City	Population by Age 65 & Over	Total Population
Byram	832	11,489
Jackson	17,328	173,514

Staff is concerned that the population of Byram is not large enough to support another nursing home because there is currently a nursing home in Byram, Mississippi.

The project is not consistent with the above stated goals of health planning. Specifically, the project is a duplication of health resources, does not promote cost containment, and does not increase accessibility, acceptability, and continuity of skilled nursing services.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, 2011 revision*, addresses general criteria by which all CON applications are reviewed. This application is not in substantial compliance with general review criteria.

GR Criterion 2 - Long Range Plan

Hinds County Nursing & Rehabilitation Center asserts that it is committed to meeting the evolving needs of the elderly population requiring skilled nursing care. The facility will accomplish this by offering a more spacious and homelike setting to respect the dignity of its residents and provide an improved therapy department. The facility's therapy department will be complete with separate physical therapy and occupational therapy spaces equipped with kitchen and restroom training. The applicant asserts that it will seek certification to become a certified Alzheimer's/Dementia Care unit which the Mississippi State Department Health encourages in the *FY 2012 State Health Plan*.

According to the applicant, the proposed project will improve access to beds in Hinds County where there is a documented need for additional beds according to the *Plan*.

GR Criterion 3 - Availability of Alternatives

The applicant states that two alternatives have been considered for this project. The first alternative was to renovate the existing facility. After careful consideration, this alternative was not considered the best option. The current facility is approaching 35 years old and is becoming functionally and structurally obsolete. The building is three stories with common and administrative space on the first floor and resident rooms on

the second and third floors. This layout prevents the applicant from establishing an Alzheimer's/Demential Care unit as encourage by the *Plan*. The applicant further states that the entire facility would be affected by major renovations and would have to be temporarily relocated during the renovation which would cause undue stress on the residents. The applicant asserts that the second alternative, and the most cost effective alternative, was to relocate the 119 beds to a newer facility within Hinds County. This would allow HCN&RC to construct a brand new, state of the art, energy efficient, meeting all life safety requirements. The applicant asserts that the facility would be constructed on one level allowing greater accessibility to its residents who currently have to use an elevator to get to common areas such as dining room, activity areas and therapy.

The applicant asserts that the project will provide an alternative and unique service by offering a more spacious and homelike setting to respect the dignity of its residents and provide an improved therapy department. The applicant's therapy department will be complete with separate physical therapy and occupational therapy spaces equipped with kitchen and restroom training.

GR Criterion 4 - Economic Viability

According to the applicant, the three-year projected operating statement contained in the application indicates net income of \$1,398,741 the first year, \$1,395,706 the second year, and \$1,391,363 the third year of operation.

The application contains a letter signed by Spencer Holder, Trends Consultants, CFO, Management Company of Hinds County Nursing & Rehabilitation Center attesting to the financial feasibility of this project.

According to the applicant, the proposed costs and charges appear to compare favorably to similar facilities. The applicant proposed to charge \$284 per patient day for years one, two and three of operation. In addition, the applicant states that the cost per patient day will be \$191 for year one, \$192 for year two, and \$193 for year three of operation. (See attachment 1).

The applicant indicates that the projected occupancy rates for the first three years of operation are: 95%; 97%; and 100%, respectively.

The applicant believes that by replacing the existing facility with a brand new state-of-the-art facility in a better location, the facility's projected occupancy rate versus the current 73% occupancy rate will drastically improve and will better meet the needs of the elderly population of Hinds County and LTCPD III.

According to the application, it appears that the applicant is targeting a change in its patient population from the residents who are currently dependent on its nursing home facility/services. The application shows

that HCN&RC last actual utilization for its current facility as follows: Medicare 38%, Medicaid 61% and self pay 1%. For projected years one through three, the applicant indicates the proposed project (only) will experience a higher utilization for Medicare (65%), and a lower utilization for Medicaid (35%). The self pay category will remain at 1%. If CON approved, it seems that the proposed relocation/replacement of the applicant's current facility will serve a different payor source than its existing payor mix. Thus, the change in the Medicare and Medicaid utilization will be indicative of the projected elderly population in the Byram area.

GR Criterion 5 - Need for the Project

According to the applicant, there are no additional beds or services being proposed to the service area of Hinds County, Long Term-Care Planning District III. Hinds County Nursing & Rehabilitation Center, LLC, affirms that all residents, in particular low income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups will continue to have access to the nursing home facility.

In determining the need for this project, Hinds County Nursing & Rehabilitation Center, LLC asserts that the existing facility is experiencing an occupancy rate of 73%, which is the lowest in Hinds County in LTCPD III. The applicant states that the average occupancy rate for facilities in Hinds County is 91.51%, as identified by the 2009 Report on Institutions for the Aged or Infirm. The applicant believes that its low occupancy rate is largely attributed to the fact that its current location is not favored by potential residents. In addition, the applicant states that the existing Hinds County Nursing & Rehabilitation Center, LLC was constructed in 1977 and completed in November 1978. While the facility is in operable condition, it is approaching 35 years old and is becoming functionally and structurally obsolete due to the design and layout. The current facility design prevents the applicant from offering certain services that the current aging population is requesting. The applicant believes that by replacing the existing facility with a brand new state-of-the-art facility in a better location with improved therapy areas and establishing a Alzheimer's/Dementia Care Unit, the applicant's occupancy rate will drastically improve, will better meet the needs of the elderly population, and offer a better balance of licensed beds of Hinds County and LTCPD III.

The applicant states that the proposed replacement facility will establish an Alzheimer's/Dementia Care unit as encourage by the *State Health Plan*. The applicant asserts that the current facility layout prevents HCN & RC from offering an Alzheimer's/Dementia care unit.

The *FY 2012 Mississippi State Health Plan* indicates that there is a need for 68 additional beds in Hinds County. The applicant believes that the new location will increase access to beds in Hinds County where there is a documented need for additional beds per the *Plan*.

According to the 2010 *Report on Institutions for the Aged or Infirm*, Hinds County Nursing & Rehabilitation Center had an occupancy rate of 76.90% in 2010. The occupancy rates of the facilities in Hinds County range from 76.90% to 97.98%.

Staff reviewed health care data from the 2010 *Report on Institutions for the Aged or Infirm* and determined that there are 15 nursing home facilities in Hinds County. The licensed bed capacity (LBC), occupancy rates, and average daily census (ADC) for the referenced facilities in Hinds County for years 2009 and 2010 are shown in Attachment 3.

The zip codes of nursing home facilities within the Jackson area represent nursing homes located downtown, near Central Mississippi Medical Center, Central Jackson, East of Jackson and two in the Clinton area. The number of nursing home beds range from 60 to 180 beds with an occupancy rate 80% to 98% for FY 2010. The relocation of the proposed facility will increase the occupancy rate of most or all facilities to capacity. Due to a projected high occupancy rate, new patients who seek skilled care would have to find other locations outside of the county. As a result, the proposed project would cause a burden on the patient's family and affect the existing nursing homes in the area.

The application does not contain letters of support for the proposed project. The applicant asserts that the proposed project will have no effect on existing facilities in the area since there are no additional beds or services being added.

The application received a letter of opposition from Willow Creek Retirement Center in Byram, Mississippi.

In case of a relocation of a facility or service, the Department must consider factors which include, but are not limited to, the need that the population presently served has for and the extent to which that need will be met adequately by the proposed relocation or by alternative arrangements. Also, the Department must acknowledge the effect of the relocation of the facility/service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups, and the elderly, to obtain needed health care.

The relocation of the existing 119-bed nursing home requested in this project from Northwest Jackson in Zip Code 39213, or that part of Hinds County will result in no skilled nursing facility in proximity to that patient population of Northwest Jackson except for Magnolia Senior Care, which has a 60 bed capacity. The applicant failed to address the need that the population presently served has for the service, the extent to which that need will be met adequately by the proposed relocation or by alternative arrangements. Also, Hinds County Nursing & Rehabilitation Center, LLC did not analyze the effect the propose project would have on the ability of low income persons, racial and ethnic minorities, women, handicapped

persons, other underserved groups, and the elderly in accessing needed health care. Furthermore, the applicant did not evaluate the probable effect that the proposed project would have on existing nursing homes in the area to which the project is proposed to relocate.

The application does not offer any direct evidence to support how the current facility is becoming functionally and structurally obsolete due to the design and layout. While the age of the facility and its historic design may be reasons for replacement, in this case the application does not demonstrate the need for replacement together with the relocation to another community in Hinds County. Thus, the project does not appear to be in compliance with the applicant's need to relocate its facility.

GR Criterion 6- Accessibility

The applicant states that all resident of the service area, including Medicaid residents, charity/medically indigent patients, racial and ethnic minorities, handicapped persons, and the elderly requiring long term nursing care will have access to the proposed services. The applicant believes that the proposed project will better meet the current unmet needs of Medicare, Medicaid, and medically indigent residents.

The following table shows the actual and projected percentage of estimated gross patient revenue and dollar amount of health care provided to medically indigent patients for the past two fiscal years at Hinds County Nursing & Rehabilitation Center, LLC:

Fiscal Year	Percent of Gross Patient Revenue	Dollar Amount
Historical Year 2010	2.5%	\$214,365
Historical Year 2011	2.5%	\$206,048
Projected Year 1	2.5%	\$293,136
Projected Year 2	2.5%	\$200,757

The applicant states that while living in a nursing home setting, indigent residents normally qualify for Medicaid resulting in very little charity care.

Hinds County Nursing & Rehabilitation Center, LLC, asserts that the proposed replacement facility will operate 24 hours per day, seven days a week, 365 days a year.

GR Criterion 7- Information Requirement

The applicant affirms that Hinds County Nursing & 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

Hinds County Nursing & Rehabilitation Center, LLC is currently located in Hinds County and Long-Term Care Planning District III. The proposed long-term care facility will be located in the same county and LTCPD III, Hinds County. The applicant does not propose to add new long-term care beds to LTCPD III, only to relocate the same existing beds within the same Planning District and County.

Hinds County Nursing & Rehabilitation Center, LLC indicates that since it is proposing to relocate 119 existing beds/service from its current location in Northwest Jackson, Mississippi in Zip Code 39213 to Byram, Mississippi in Zip Code 39272. There should be no adverse impact of the proposed project on any health care facilities in the LTC Planning District III.

Staff concludes that given the nursing home facility currently located in Byram, Mississippi, staff believes that, if this project is approved it would adversely impact the existing long-term care provider in Byram, Mississippi, and providers in Hinds County, LTCPD III. Further, there was no plan to demonstrate how current residents and residents of Northwest Jackson needs will be met by the relocation.

As previously mentioned, the application received a letter of opposition from Willow Creek Retirement Center in Byram, Mississippi.

GR Criterion 9 - Availability of Resources

The applicant project an addition of 13.5 FTE personnel for the proposed project at an annual cost of \$250,000.

According to the applicant, all the existing employees at the existing facility in Jackson will be relocated to the proposed replacement facility. The new staff will be hired as needed to address the staffing needs of the additional census.

The applicant asserts that Hinds County Nursing and Rehabilitation Center, LLC maintains a full complement of staff without a need to employ temporary agency staffing. Wages are competitive and are above average market levels.

GR Criterion 10 - Relationship to Ancillary or Support Services

The application contains copies of proposed contracts with various vendors concerning this criterion for the proposed project.

GR Criterion 14 - Construction Projects

The application contains schematic drawings and a site plan of the project. In addition, the application contained a cost estimate from Stephen L. Jordan, Architecture and Planning.

The applicant states that it will comply with state and local building codes, zoning ordinances, and/or appropriate regulatory authority.

The applicant states that the proposed project consists of approximately 62,580 square feet of new construction.

The project consists of approximately 62,580 square feet of new construction at \$140.92 per square foot. The *RSMeans Building Construction Cost Data, 2012 Edition* states the cost per square foot for new construction of a nursing home ranges for \$114 - \$181. The cost of the project is below the median range (\$147) new construction of nursing homes listed in the *RSMeans Building Construction Cost Data, 2012 Edition*. The applicant's cost per bed \$77,617 is above the median range of cost of \$63,500 for nursing homes as listed in *RSMeans Construction Cost Data, 2012 Edition*

GR Criterion 16 - Quality of Care

Hinds County Nursing & Rehabilitation Center, LLC is licensed by the Mississippi State Department of Health and is certified for participation in Medicare and Medicaid Programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Estimate Cost	% of the Total
Construction Cost –New	\$ 7,822,500	84.70%
Construction Cost-Renovation		
Capital Improvements, i.e. (minor painting and repairs, refurbishing)		
Total Fixed Equipment Cost	600,000	6.49%
Total Non-Fixed Equipment Cost		
Land Cost	362,000	3.91%
Site Preparation Cost	38,500	0.42%
Fees (Legal and Accounting)	124,600	1.36%
Contingency Reserve		
Capitalized Interest	233,111	2.52%
Other Cost (pre construction land interest)	40,725	0.44%
Legal and accounting fees	15,000	0.16%
TOTAL PROPOSED CAPITAL EXPENDITURE	\$9,236,436	100%

To construct a 62,580 square foot skilled nursing home facility, Hinds County Nursing & Rehabilitation Center, LLC, states it will cost \$140.92 per square foot. According to the *RSMMeans Construction Cost Data, 2012 Edition* the median range cost for a nursing home facility of this size is \$147 per square foot. Based on the numbers provided by the applicant and the new construction formula listed in the CON Manual, staff contends it will cost \$140.92 per square foot to complete the project (see Attachment 2). The cost is below the median range (\$147) for construction costs associated with a nursing home facility, according to the *RSMMeans Construction Cost Data, 2012 Edition*. The applicant’s cost per bed \$77,617 is above the median range of cost of \$63,500 for nursing homes as listed in *RSMMeans Construction Cost Data, 2012 Edition*

B. Method of Financing

As previously mentioned, the applicant proposes to finance 90% (\$8,312,792) of the proposed capital expenditure through a commercial loan with Trustmark National Bank, Jackson, and 10% (\$923,644) by equity contribution by the owner.

C. Effects on Operating Costs

The applicant projects gross revenues of \$11,725,427, \$12,030,289, and \$12,343,076, the first, second, and third year of operation, respectively; and expenses of \$7,881,165, \$8,125,480, and \$8,377,373. Also, net income for the first three years of operation is as follows: \$1,398,741, \$1,395,706, and \$1,391,363. Utilization, cost, and charges are included in the applicant's Three-Year Projected Operating Statement (See Attachment 1).

D. Cost to Medicaid/Medicare

Payor	Utilization Percentage	First Year Revenue
Medicaid	53.00%	\$ 6,214,477
Medicare	46.00%	\$ 5,393,696
Self Pay	1.00%	\$ 117,254
Other	-0-%	-0-
Charity Care	-0-%	<u>-0-</u>
Total	100.00%	<u>\$11,725,427</u>
<p>HCM&RC projects 2.5% percent medically indigent of gross patient revenues, for years one and two of operation for the proposed project. As previously mentioned, the applicant asserts that while living in a nursing home setting, indigent residents normally qualify for Medicaid resulting in very little charity care.</p>		

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application; however, the Department received no response, as of the date of this staff analysis.

VI. CONCLUSION AND RECOMMENDATION

This project is not in substantial compliance with the overall objectives of the *2012 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. Specifically,

State Health Plan: The project is not consistent with the goals of health planning as established in the *State Health Plan*.

GR Criterion 4 – Economic Viability: Staff contends that the economic viability of this project is questionable. It appears that the applicant is targeting a change in its patient population base from the residents who are currently dependent

upon its nursing home facility/services, to a higher patient payor source. The applicant's projections of occupancy rates will probably impact the viability of the existing provider of long-term care services in the Byram, Hinds County, LTCPD III.

GR Criterion 5 – Need: The applicant's proposal for the construction/relocation and replacement of 119 nursing home beds/services from Northwest Jackson in Zip Code 39213 to Byram in Zip Code 39272.

Hinds County Nursing & Rehabilitation Center, LLC, did not adequately demonstrate a need for the proposed project.

GR Criterion 8 – Relationship to Existing Health Care System:

Staff contends that this project cannot be viable without causing an adverse impact on an existing provider in the area.

Consequently, the Division of Health Planning and Resource Development recommends disapproval of this application submitted by Hinds County Nursing & Rehabilitation Center, LLC, for the construction/relocation and replacement 119 nursing home beds/services.

**Hinds County Nursing & Rehabilitation Center, LLC
Construction/Relocation and Replacement Facility of
119 Nursing Home Beds/Services
Three-Year Projected Operating Statement**

	First Year	Second Year	Third Year
Revenue			
Inpatient Care Revenue	\$ 11,725,427	\$ 12,030,289	\$ 12,343,076
Outpatient Care Revenue	\$ -	\$ -	\$ -
Gross Patient Care Revenue	<u>\$ 11,725,427</u>	<u>\$ 12,030,289</u>	<u>\$ 12,343,076</u>
Charity Care	\$ -	\$ -	\$ -
Deductions from Revenue	\$ 2,445,521	\$ 2,509,104	\$ 2,574,341
Net Patient Care Revenue	\$ 9,279,907	\$ *9,521,186	\$ *9,768,736
Other Operating Revenue	\$ -	\$ -	\$ -
Total Operating Revenue	<u>\$ 9,279,907</u>	<u>\$ *9,521,186</u>	<u>\$ *9,768,736</u>
Operating Expense			
Salaries	\$ 2,794,136	\$ 2,880,754	\$ 2,970,058
Benefits	\$ 178,135	\$ 183,657	\$ 189,351
Supplies	\$ 177,462	\$ 182,963	\$ 188,635
Services	\$ 1,223,331	\$ 1,261,254	\$ 1,300,353
Lease	\$ 731,477	\$ 754,153	\$ 777,532
Depreciation	\$ 22,680	\$ 23,383	\$ 24,108
Interest	\$ 9,927	\$ 10,235	\$ 10,552
Other	\$ 2,744,017	\$ 2,829,082	\$ 2,916,783
Total Operating Expense	<u>\$ 7,881,165</u>	<u>\$ *8,125,480</u>	<u>\$ *8,377,373</u>
Net Operating Income (Loss)	<u>\$ 1,398,741</u>	<u>\$ *1,395,706</u>	<u>\$ 1,391,363</u>
Inpatient days	41,245	42,340	43,432
Charge per inpatient day	\$ 284	\$ 284	\$ 284
Cost per inpatient day	\$ 191	\$ 192	\$ 193

***Note:** For years two and three, totals are off by a dollar amount for the project.

ATTACHMENT 2
Hinds County Nursing & Rehabilitation Center, LLC
COMPUTATION OF CONSTRUCTION COST

	<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>
A	New Construction Cost	\$7,822,500	\$7,822,500
B	Renovation Cost	\$0	
C	Total Fixed Equipment Cost	\$600,000	\$600,000
	Total Non-Fixed Equipment Cost	\$0	
	Capital Improvement	\$0	
	Land Cost	\$362,000	
D	Site Preparation Cost	\$38,500	\$38,500
E	Fees (Architectural, Consultant, etc.)	\$124,600	\$124,600
F	Contingency Reserve	\$0	
G	Capitalized Interest	\$233,111	\$233,111
	Other Cost (pre construction land interest)	\$40,725	\$0
	Legal and accounting fees	\$15,000	\$0
	Total Proposed Capital Expenditure	\$9,236,436	\$8,818,711
	Square Footage	62,580	62,580
	Allocation Percent		100.00%
	Costs Less Land, Non-Fixed Equipment, Capital Improvement & Others	\$8,818,711	\$8,818,711
	Cost Per Square Foot	\$140.92	\$140.92

Source: Mississippi Certificate of Need Review Manual, 2011 revision.

2009 and 2010 Utilization Data of Nursing Facilities in Hinds County

	FY 2009	FY 2009	FY 2009	FY 2010	FY 2010	FY 2010
Facility	LBC	Occupancy %	ADC	LBC	Occupancy %	ADC
Belhaven Senior Care 39202	60	95.52	57.31	60	92.64	55.58
Chadwick Nursing & Rehab Center 39204	102	93.66	95.53	102	93.52	95.40
Clinton Healthcare 39056	121	93.77	113.46	121	92.34	111.72
Compere's Nursing Home 39202	60	93.29	55.98	60	93.30	55.98
Cottage Grove Nursing Home 39206	120	77.00	92.40	120	82.22	98.68
**Community Place 39204	60	97.79	58.67	60	96.48	57.88
Forest Hill Nursing Center 39212	87	94.55	82.26	87	93.56	81.40
*Hinds County Nursing & Rehab Center 39213	119	73.00	86.87	*113	76.90	86.90
Lakeland Nursing & Rehab 39216	105	95.80	100.59	105	95.26	100.04
Mississippi State Veterans Home Jackson 39209	150	92.11	138.16	150	92.36	138.52
Pleasant Hills Community Living Center 39204	120	95.39	114.47	120	95.44	114.52
Trinity Mississippi Health Rehab Clinton 39056	145	93.10	135.10	145	95.96	139.12
Willow Creek 39272	88	94.49	83.15	88	91.88	80.86
Magnolia Senior Care 39213	60	91.82	55.09	60	94.62	56.78
Manhattan Nursing & Rehab Center 39206	180	96.72	174.93	180	97.98	176.36

Note: *Six beds were in abeyance for FY 2010.

** Has CON to locate to Pearl, Rankin County, Mississippi