

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
JULY 24, 2017**

**CON REVIEW: NH-A-0617-006
BEDFORD CARE CENTER-WARREN HALL, LLC
D/B/A BEDFORD CARE CENTER-PICAYUNE
AMENDMENT AND COST OVERRUN TO CON R-0643
(CON REVIEW NH-RLS-0304-003)
120-BED NURSING HOME REPLACEMENT FACILITY IN PICAYUNE MISSISSIPPI
ORIGINAL CAPITAL EXPENDITURE: \$6,530,500.00
ADDITIONAL CAPITAL EXPENDITURE: \$7,637,248.00
REVISED CAPITAL EXPENDITURE: \$14,167,748.00
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Bedford Care Center-Warren Hall, LLC d/b/a Bedford Care Center-Picayune ("Bedford-Picayune"), is a Mississippi limited liability company formed on October 26, 2001. Bedford is governed by a four-member Board of Managers. According to the applicant, appointment to the Board of Managers is made without regard to economic status, physical status, race, ethnic origin, sex or age. Bedford Care Center-Warren Hall, LLC presently operates a 60 bed Medicaid certified skilled nursing facility in Picayune, Pearl River County, Mississippi. Michael E. McElroy, Jr., Sonya S. McElroy, Jack A. Bevon, III, and Nicole M. Bevon are the current managers of Bedford Care Center-Warren Hall, LLC.

B. Project Background

Bedford Care Center-Warren Hall, LLC requested Certificate of Need (CON) authority to replace and relocate its 120-bed nursing home (Bedford-Picayune) from Forrest County to Pearl River County. The applicant states that Bedford-Picayune will implement this project into two phases. The applicant confirms that Phase I of this project has been completed.

Bedford Care Center-Warren Hall, LLC applied for a Six Month Extension on May 24, 2017, and was approved for the Six Month Extension on July 5, 2017. The extension will expire on December 24, 2017.

B. Project Description

Bedford Care Center-Warren Hall, LLC requests CON authority for an Amendment and Cost Overrun of \$7,637,248.00 to CON No. R-0643. Thus, the cost overrun application filed with the Department requests CON authority to increase the capital expenditure of CON No. R-0643 from \$6,530,500.00 to \$14,167,748.00 The applicant asserts the project involves the construction of a 120-bed replacement nursing facility in Picayune, Pearl River County, by Bedford Care Center- Warren Hall LLC, d/b/a Bedford Care Center-Picayune, and is

being implemented in two phases.

Phase I of the proposed project consisted of construction of the initial 60 skilled nursing facility beds. The applicant completed Phase I of the proposed project and the 60 beds were licensed effective October 2, 2015, and Medicaid certified effective November 13, 2015.

The applicant states that construction on Phase I expended \$5,857,646.00. The approved capital expenditure for proposed project is \$6,530,500.00. The applicant states that in order to complete Phase II, Bedford-Picayune is requesting approval of a CON amendment and cost overrun in the amount of \$7,637,248.00. The additional capital expenditure will enable Bedford-Picayune to construct the remaining 60 nursing facility beds, which will consist of 28 private and 32 semi-private beds in a building comprising approximately 25,000 square feet.

The applicant states that it expects the project architects to commence the preparation of detailed architectural plans in the third or fourth quarter of 2017. Bedford-Picayune states the bid package is projected to be released in the first quarter of 2018, with construction commencing in mid-2018. The applicant states that the proposed project should be completed within twelve (12) months of commencement of construction.

The applicant states that the CON amendment and cost overrun does not change the scope of the proposed project. Bedford-Picayune states that additional capital expenditure is required to complete Phase II of the proposed project, which involves the construction of the remaining sixty (60) beds. The applicant states the proposed project is being built in stages to establish a smooth and orderly process for the recruitment of staff, the admission of residents, and the expansion of facility operations.

Bedford-Picayune has a Transfer Agreement with Highland Community Hospital in Picayune.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health (MSDH) reviewed the original project for the construction of a replacement facility/relocation of long term care beds in accordance with Section 41-7-191, subparagraphs (1)(b) and (e) of the Mississippi Code of 1972 Annotated, as amended, and duly adopted rules, procedures, plans, criteria and standards of the Mississippi State Department of Health.

The State Health Officer reviews all projects for cost overruns 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 10 days of publication of this staff analysis. The opportunity to request a hearing expires on August 3, 2017.

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

A. State Health Plan (SHP)

The *FY 2004 Mississippi State Health Plan (MSHP)* was in effect at the time the original application was submitted to the Department, and the original application was found to be in substantial compliance with the *FY 2004 MSHP*. The amendment and cost overrun project was submitted under the *FY 2015 Mississippi State Health Plan*. The amendment and cost overrun is found to be in substantial compliance with the *FY 2015 MSHP*.

B. General Review (GR) Criteria

The *Certificate of Need Review Manual, 2000 Revision* was in effect at the time the original application was submitted to the Department. The original project was in substantial compliance with the *CON Review Manual, 2000 Revision*. The CON amendment and cost overrun application is in compliance with applicable General Review Criteria and Standards contained in the *CON Review Manual, 2017 Revision*.

IV. FINANCIAL FEASIBILITY

Capital Expenditure Summary

A. Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost	\$4,800,000	\$10,069,686	\$5,269,686
2. Construction/Renovation	0	0	0
3. Land	\$370,500	\$770,500	\$400,000
4. Site Work	\$85,000	\$165,000	\$80,000
5. Fixed Equipment	\$220,000	\$400,138	\$180,138
6. Non-Fixed Equipment	\$400,000	\$785,000	\$385,000
7. Contingency	\$100,000	\$739,411	\$639,411
8. Fees (Architectural, Consultant, etc.)	\$350,000	\$853,013	\$503,013
9. Capitalized Interest	\$125,000	\$255,000	\$130,000
10. Other	\$80,000	\$130,000	\$50,000
Total Capital Expenditure	\$6,530,500	\$14,167,748	\$7,637,248

*The above table represents approximately a 116.95% increase in the capital expenditure by Bedford Care Center-Warren Hall, LLC, d/b/a Bedford Care Center-Picayune. The additional capital expenditure requested is for completion of Phase II of the proposed project.

B. Method of Financing

The original project was financed through a commercial loan with Hancock Bank of Hattiesburg, Mississippi. The applicant asserts the funding sources for Phase II of the proposed project will be financed through Magnolia State Bank of Hattiesburg, Mississippi.

C. Effect on Operating Cost

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses, revenue, net income, cost, operating expense, charges, depreciation schedule and Three-Year Projected Operating Statement are shown in Attachment 1.

D. Cost to Medicaid/Medicare

The applicant asserts that the amendment and cost overrun for this project will not have a material impact on Medicare, Medicaid or other payers because those programs do not reimburse nursing facilities based on direct capital costs.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. The Division of Medicaid states that the proposed project is expected to increase the cost to the Division of Medicaid. The Division of Medicaid opposes the project.

VI. CONCLUSION AND RECOMMENDATION

This project continues to be in substantial compliance with the overall objectives of the *FY 2015 Mississippi State Health Plan; Certificate of Need Review Manual, 2017 Revision*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of approval.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Bedford Care Center-Warren Hall, LLC d/b/a Bedford Care Center-Picayune for an amendment and cost overrun to CON No. R-0643. The amendment and cost overrun project will allow Bedford Care Center-Warren Hall, LLC d/b/a Bedford Care Center-Picayune to increase the authorized capital expenditure from \$6,530,500.00 to \$14,167,748.00 for the 120-Bed Nursing Home Replacement Facility in Picayune, Mississippi.

**Attachment 1
 Bedford Care Center-Picayune
 120-Bed Nursing Home Replacement Facility**

	Current 60 Beds	Additional 60 Beds	Total 120 Complete
	Year 1	Year 2	Year 3
Revenue			
Inpatient Care Revenue	\$ 5,795,749	\$ 5,563,919	\$ 11,359,668
Outpatient Revenue	0	0	0
Gross Patient Revenue	\$ 5,795,749	\$ 5,563,919	\$ 11,359,668
Charity	0	0	\$ 0
Deductions from Revenue	447,738	470,125	917,863
Net Patient Care Revenue	\$ 5,348,011	\$ 5,093,794	\$ 10,441,805
Other Operating Revenue	0	0	0
Total Operating Revenue	\$ 5,348,011	\$ 5,093,794	\$ 10,441,805
Operating Expenses			
Salaries	\$ 2,013,195	\$ 1,847,040	\$ 3,860,235
Benefits	448,018	424,819	872,837
Supplies	582,849	553,706	1,136,555
Services	714,101	678,396	1,392,497
Lease Expenses	396,000	396,000	792,000
Depreciation	55,350	55,350	110,700
Interest	44,460	44,460	88,920
Other	930,203	883,693	1,813,896
Total Operating Expenses	\$ 5,184,176	\$ 4,883,464	\$ 10,067,640
Net Operating Income (Loss)	\$ 163,835	\$ 210,330	\$ 374,165

*Additional 60 beds assumes that first full year of stabilized occupancy.