

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
JUNE 11, 2021**

**CON REVIEW NUMBER: LTACH-AB-0421-002  
SELECT SPECIALTY HOSPITAL – BELHAVEN, LLC  
D/B/A SELECT SPECIALTY HOSPITAL - BELHAVEN  
ADDITION OF LONG-TERM ACUTE CARE HOSPITAL BEDS  
CAPITAL EXPENDITURE: \$2,035,105.00  
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Select Specialty Hospital – Belhaven, LLC, d/b/a Select Specialty Hospital – Belhaven, is a Mississippi limited liability company, registered with the Mississippi Secretary of State on April 26, 2016, by C. T. Corporation System. The entity has a three (3) member governing board. Select Specialty Hospital – Belhaven is a twenty-five (25) bed long-term acute care hospital (“LTACH”) located at 1225 North State Street, 5<sup>th</sup> Floor, Jackson, Mississippi. A Certificate of Good Standing dated April 21, 2021, indicates Select Specialty Hospital – Belhaven, LLC is in good standing with the State of Mississippi.

**B. Project Description**

Select Specialty Hospital-Belhaven (“SSH-Belhaven”) requests Certificate of Need (CON) authority to add eleven (11) long term acute care (LTACH) beds at their facility. The applicant submits that on December 4, 2020, the Mississippi State Department of Health (“MSDH”) issued an emergency approval for the temporary addition of eight (8) LTACH beds at SSH-Belhaven, in response to the COVID-19 public health crisis. The applicant states in approving this emergency request, the MSDH noted that SSH-Belhaven was operating at greater than ninety percent (90%) occupancy during the 2020 calendar year and regularly experienced maximum capacity. Further, the applicant notes MSDH’s approval stipulated the temporary approval of the additional beds would cease upon the lifting of the public health state of emergency, unless the beds are approved through the CON process.

The applicant states the additional LTACH beds will be implemented in two phases: Phase I involves implementation and licensure of eight (8) beds immediately upon CON approval and Phase II involves renovation to accommodate three (3) additional beds, including construction of patient rooms, adding bathrooms, and associated infrastructure.

SSH-Belhaven estimates it will hire 26.3 full-time equivalent (FTE) personnel during the first year of the project. The application reveals the additional FTE personnel

include: registered nurses, licensed practical nurses, RT & Rehab, and case management. The estimated annual cost for the additional personnel is \$2,275,708.

The applicant projects a total capital expenditure of \$2,035,105.00 as itemized in Section IV of this Staff Analysis. SSH-Belhaven anticipates the capital expenditure for the project will be obligated within thirty (30) to sixty (60) days upon CON approval, and the project will be completed within ten (10) months following commencement of construction.

The application contains a letter dated March 16, 2021, documenting the Mississippi State Department of Health (MSDH) Division of Health Facilities Licensure and Certification's approval of the site for the additional beds.

## II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Sections 41-7-173, 41-7-191(1)(c), and 41-7-193 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. MSDH will also review applications for CON according to the general criteria listed in the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision*; all adopted rules, procedures, plans, criteria and standards of MSDH; and the specific criteria and standards listed below. The Department reviews projects for the addition of LTACH beds, regardless of the capital expenditure.

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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on June 21, 2021.

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

### A. State Health Plan (SHP)

The *FY 2020 State Health Plan* contains policy statements, criteria, and standards which the applicant is required to meet before receiving CON authority for the Addition of LTACH Beds. This application is in substantial compliance with the applicable policy, criteria, and standards stated in the *Plan*.

### **Certificate of Need Criteria and Standards for the Establishment of a Long-Term Acute Care Hospital and Addition of Long-Term Acute Care Hospital Beds**

#### **SHP Criterion 1 – Projected Need**

SSH-Belhaven submits during Fiscal Year 2020, the facility (1) operated twenty-five (25) licensed LTACH beds, (2) maintained an average daily census of 24.48, (3) achieved an occupancy rate of 97.9%, (4) had 319 restorative care admissions, and (5) had an average length of stay (“ALOS) of 28.37 days. The applicant states due to the combination of the facility’s limited number of licensed LTACH beds and its high ALOS, SSH-Belhaven was restricted in its ability to admit a higher number of patients.

The applicant projects SSH-Belhaven will achieve 12,550 inpatient days, or an occupancy rate of 96%, by the end of the third year of operation following the implementation of the additional eleven (11) proposed LTACH beds. The applicant further states based on this utilization rate, SSH-Belhaven will have an excess of 450 clinically appropriate restorative care admissions by the end of the third year of operation with the additional licensed beds. In addition, SSH-Belhaven projects the ALOS in future years will be consistent with the current ALOS of 28.37 days.

#### **SHP Criterion 2 – Financial Feasibility**

SSH-Belhaven submits the Financial Analysis Tables contained in the application projects positive net income of \$4,527,577.00, which demonstrates the financial feasibility of the proposed project.

#### **SHP Criterion 3 – Bed Licensure**

SSH-Belhaven certifies the additional eleven (11) beds requested will be licensed as general acute care beds offering long-term acute care hospital services.

#### **SHP Criterion 4 – Licensure**

The applicant confirms this criterion is not applicable as the project does not propose the transfer or relocation of existing beds.

#### **SHP Criterion 5 – Indigent/Charity Care**

The applicant states SSH-Belhaven is accessible to medically underserved-populations, but due to its status as a specialty hospital with high utilization by Medicare beneficiaries, the percentage of care to medically indigent patients is not material, but consistent with that of similar providers.

#### **SHP Criterion 6 – Project Cost**

The applicant submits the renovation cost per square foot for this project is \$219.00. The applicant compares the cost of renovation for the project to two projects approved by the Mississippi State Department of Health in 2019. Encompass Health Rehabilitation Hospital of Gulfport (CON Review HR-RB-0819-009) was approved to

add ten (10) Level II Comprehensive Medical Rehabilitation beds at a renovation cost of \$441.26 per square foot. Also, Garden Park Medical Center (CON Review HG-NIS-0119-003) was approved to provide catheterization and PCI services without open-heart surgery at a renovation cost of \$578.28 per square foot. Therefore, the applicant submits the renovation cost associated with the project is less than comparable projects approved by the Department of Health.

### **SHP Criterion 7 – Floor Area and Space Requirements**

SSH-Belhaven states the area of the LTACH to be renovated consists of 2,404 square feet of light renovation for eight (8) patient rooms and 1,017 square feet of heavy renovation for the remaining three (3) rooms. The applicant states these areas do not place any restraints on the proposed project or involve any special considerations.

### **SHP Criterion 8 – Transfer Agreement**

The applicant states SSH-Belhaven has a Patient Transfer Agreement with Mississippi Baptist Medical Center, Inc. Further, the applicant states SSH-Belhaven refers patients to comprehensive medical rehabilitation facilities, including Methodist Rehabilitation Center in Jackson, Mississippi, when clinically appropriate.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2019*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with the general review criteria contained in the manual.

### **GR Criterion 1- State Health Plan**

The applicant asserts the project is consistent with all applicable policies, standards and criteria governing the addition of LTACH beds, as set forth in the *Fiscal Year 2020 Mississippi State Health Plan*.

### **GR Criterion 2 – Long Range Plan**

The applicant submits Select Medical's hospitals partner with premier health care systems across the country to provide communities with exceptional post-acute care. The applicant states through its affiliation with Mississippi Baptist Medical Center, SSH-Belhaven offers critical illness recovery and helps patients with the most complex, chronic medical conditions recover and have quality of life. The applicant further states to ensure that its services are accessible to patients in need of long-term acute care, SSH-Belhaven engages in an on-going planning process that evaluates the demand for LTACH services and the availability of clinical resources to respond to that demand. The applicant submits this proposal is the result of a process that included discussions among SSH-Belhaven's management

team, consultations with medical staff and nursing personnel, and collaboration with Mississippi Baptist Medical Center executives. The applicant states all participants in the planning process agreed that additional bed capacity was needed at SSH-Belhaven, based on the current and projected utilization of LTACH services by patients in need of that care.

### **GR Criterion 3 – Availability of Alternatives**

- a. Advantages and Disadvantages:** The applicant states there are no alternatives to the proposed project that would meet the health care needs of the community served by SSH-Belhaven. The applicant further states SSH-Belhaven is currently operating at a level that justifies additional bed capacity. Furthermore, the applicant states this project is the only option that enables SSH-Belhaven to address the need for additional LTACH beds at that facility. If not implemented, SSH-Belhaven states it may be faced with having to deny or limit patient admissions due to the lack of a sufficient number of LTACH beds.
- b. New Construction Projects:** The applicant affirms the proposed project does not entail new construction. SSH-Belhaven states the additional beds will be accommodated through use of existing space and limited renovation.
- c. Beneficial Effects to the Health Care System:** The applicant states the proposed bed addition will benefit the health care system by increasing LTACH service capacity in direct response to patient needs.
- d. Effective and Less Costly Alternatives:**
  - i. Unnecessary Duplication of Services:** The applicant states the proposed project involves the addition of beds at an existing facility.
  - ii. Efficient Solution:** The applicant asserts there is not a more effective and less costly alternative to the proposed project.
- e. Improvements and Innovations:** The applicant asserts the additional LTACH beds proposed can be implemented at a modest cost, while ensuring continued patient access to the high-quality inpatient care provided by SSH-Belhaven.
- f. Relevancy.** SSH-Belhaven asserts the community need for the project is demonstrated by the consistently high occupancy rate maintained by SSH-Belhaven.

### **GR Criterion 4 - Economic Viability**

- a. Proposed Charge:** The applicant submits the proposed charges for services offered by SSH-Belhaven are based on the facility's historical

charge structure.

- b. Projected Levels of Utilization:** The applicant states SSH-Belhaven's current and projected levels of utilization reflect the need for additional bed capacity at the facility.
- c. Financial Feasibility Study:** The application contains a letter dated March 22, 2021, signed by the Vice President of Financial Operations of Select Specialty Medical Corporation. The letter affirms the Vice President's opinion that SSH-Belhaven can undertake the project.
- d. Financial Forecasts:** The applicant states SSH-Belhaven does not project any significant deviations from the facility's historical financial experience.
- e. Impact of Proposed Project on Health Care Cost:** The applicant states SSH-Belhaven does not anticipate the project will fail to meet projected revenues but has financial resources available to cover expenses.

#### **GR Criterion 5 - Need for the Project**

- a. Access by Population Served:** The applicant asserts the expansion of LTACH services at SSH-Belhaven is proposed in direct response to the needs of the population served by the facility. The applicant assures all residents of General Hospital Service Area 5 (GHSA 5), including the medically underserved groups identified by this criterion, will continue to have access to the services provided.
- b. Relocation of Services:** The applicant affirms this criterion is not applicable as SSH-Belhaven does not propose the relocation or replacement of services.
- c. Current and Projected Utilization of Comparable Facilities:** The applicant submits the proposed bed addition is based on the institution-specific needs of SSH-Belhaven. The applicant documents that the LTACH's current and projected utilization and occupancy rates also meet the State Health Plan's requirements for the addition of licensed acute care beds.
- d. Probable Effect on Existing Facilities in the Area:** The applicant asserts the proposed project will not have an adverse impact on other LTACH's in GHSA 5. The applicant submits the eleven (11) additional acute care beds requested are intended to accommodate present and future demand for services specifically at SSH-Belhaven.
- e. Community Reaction:** The application contains two (2) letters of support from physicians who currently admit patients to SSH-Belhaven.

#### **GR Criterion 6 - Access to the Facility or Service**

- a. **Access to Services.** The applicant submits SSH-Belhaven is accessible to all residents of its service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly.

The applicant asserts SSH-Belhaven is accessible to medically underserved populations, but due to its status as a specialty hospital with high utilization by Medicare beneficiaries, the percentage of care provided to medically indigent patients is not material, but consistent with that of similar providers.

- b. **Existing Obligations:** The applicant submits SSH-Belhaven does not have any obligations under any federal regulations requiring provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs of Medicare/Medicaid and Medically Indigent Patients:** The applicant states SSH-Belhaven will continue to serve the needs of all residents of the service area, including Medicare, Medicaid, and medically indigent patients.
- d. **Access to Proposed Facility:** The applicant submits the services offered by SSH-Belhaven are accessible to residents of the area served by the facility.
- e. **Access Issues:**
- i. **Transportation and Travel:** The applicant submits SSH-Belhaven is readily accessible from Interstate 55 in Jackson, Mississippi.
  - ii. **Restrictive Admissions Policy:** The application contains a copy of the Admissions Policy which does not restrict admissions.
  - iii. **Access to Care by Medically Indigent Patients:** The applicant assures that SSH-Belhaven is accessible to medically indigent patients.
  - iv. **Operational Hours of Service:** The applicant states the SSH-Belhaven operates twenty-four (24) hours a day, seven (7) days a week.

#### **GR Criterion 7 - Information Requirement**

SSH-Belhaven affirms it will record, maintain, and provide the required information within fifteen (15) business days of request by the Mississippi State Department of Health.

### **GR Criterion 8 - Relationship to Existing Health Care System**

- a. Comparable Services.** The applicant states the only other long-term acute care hospitals located in GHSA 5 are Select Specialty Hospital of Jackson and Promise Hospital of Vicksburg.
- b. Effect on Existing Health Services**
  - i. Complement Existing Services:** The applicant states long-term acute care hospitals specialize in the treatment of patients with serious medical conditions that require care on an on-going basis but no longer require the intensive care provided in an acute care hospital. The applicant further states patients in an LTACH require more care than they can receive in a skilled nursing facility or rehabilitation center.
  - ii. Provide Alternative or Unique Service:** The applicant submits LTACHs play a unique role in the overall healthcare system's continuum of care.
  - iii. Provide a service for a specified target population:** The applicant states LTACHs serve a patient population that requires a level of care between the services offered by short-term acute care hospitals and skilled nursing facilities.
  - iv. Provide services for which there is an unmet need:** The applicant asserts the unmet need for the additional beds proposed by SSH-Belhaven is best evidenced by the high inpatient occupancy rates experienced at the facility.
- c. Adverse Impact.** The applicant submits if the proposed project is not implemented, patients in need of long-term acute care may experience a delay in access to such services at SSH-Belhaven, due to the facility's consistently high occupancy rate.
- d. Transfer/Referral/Affiliation Agreements.** The applicant submits SSH-Belhaven has a Patient Transfer Agreement with Mississippi Baptist Medical Center, Inc.

### **GR Criterion 9 - Availability of Resources**

- a. New Personnel.** The applicant states SSH-Belhaven has sufficient physicians and personnel available to serve and staff the additional beds proposed in the application.
- b. Contractual Services.** The applicant affirms this criterion is not applicable.

- c. **Existing Facilities or Services.** The applicant states SSH-Belhaven is accredited by the Joint Commission, licensed by the Mississippi State Department of Health, and fully complies with applicable regulations on staffing.
- d. **Alternative Uses of Resources.** The applicant affirms due to the high utilization of services at SSH-Belhaven, the application proposes the best use of resources in responding to patient needs.

#### **GR Criterion 10 – Relationship to Ancillary or Support Services**

- a. **Support and Ancillary Services.** The applicant asserts SSH-Belhaven is an accredited, licensed and Medicare-certified facility that currently has all the necessary support and ancillary services needed for the proposed project.
- b. **Changes in Costs or Charges.** The applicant states SSH-Belhaven does anticipate a material change in costs or charges because of this project. The cost and charge information are presented in Attachment 1 of this Staff Analysis.
- c. **Accommodation of Changes in Cost or Charges.** The applicant affirms this criterion is not applicable.

#### **GR Criterion 11 – Health Professional Training Programs**

The applicant affirms SSH-Belhaven works with health professional training programs in the service area.

#### **GR Criterion 12 – Access by Health Professional Schools**

The applicant states SSH-Belhaven offers programs to meet the clinical needs of area health professional training programs.

#### **GR Criterion 13 – Access by Individuals Outside Service Area**

The applicant affirms this criterion is not applicable to this project.

#### **GR Criterion 14 - Construction Projects**

The application contains a Construction Cost Estimate submitted by Dean and Dean/Associates Architects.

#### **GR Criterion 15 – Competing Applications**

There are no competing applications on file with the Mississippi State Department of

Health for the addition of LTACH beds.

**GR Criterion 16 - Quality of Care**

- a. **Past Quality of Care.** The applicant submits SSH-Belhaven is accredited by the Joint Commission, licensed by the Mississippi State Department of Health, and certified for participation in the Medicare program.
- b. **Improvement of Quality of Care.** The applicant asserts the proposed project will increase licensed bed capacity at SSH-Belhaven, thereby increasing access to services offered by the facility.
- c. **Accreditations and/or Certifications.** The applicant submits SSH-Belhaven is accredited and Medicare-certified.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

Cost Item	Projected Cost	Percentage of Cost (%)
Construction Cost – New	\$ 0.00	0.00%
Construction - Renovation	679,375.00	33.38%
Capital Improvement	0.00	0.00%
Total Fixed Equipment	405,477.00	19.92%
Non-fixed Equipment	685,164.00	33.67%
Land Cost	0.00	0.00%
Site Preparation	0.00	0.00%
Fees (Architectural)	59,785.00	2.94%
Fees (Legal & Acct.)	0.00	0.00%
Contingency Reserve	67,938.00	3.34%
Capitalized Interest	0.00	0.00%
Other (soft, IT Network)	137,366.00	6.75%
<b>Total Expenditure</b>	<b>\$ 2,035,105.00</b>	<b>100.00%</b>

The applicant proposes to renovate 3,420 square feet of space at a cost of approximately \$219.00 per square foot.

**B. Method of Financing**

The applicant proposes to finance the project with cash reserves. The application contains a letter from the Vice President of Financial Operations of Select Specialty Medical Corporation, attesting to the financial feasibility of the project.

**C. Effect on Operating Cost**

The Hospital’s three-year projected operating statement is presented in Attachment

1.

**D. Cost to Medicaid/Medicare**

The applicant projects gross patient revenue cost to third party payors as follows:

<b>Payor Mix</b>	<b>Utilization Percentage (%)</b>	<b>First Year Revenue (\$)</b>
<b>Medicare</b>	82.00%	\$30,247,522.00
<b>Medicaid</b>	0.00%	\$0.00
<b>Commercial</b>	9.00%	\$3,296,539.00
<b>Self Pay</b>	0.00%	\$0.00
<b>Charity Care</b>	0.00%	\$0.00
<b>Other</b>	9.00%	\$3,456,323.00
<b>Total</b>	<b>100.00%</b>	<b>\$37,000,384.00</b>

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. On May 25, 2021, the Division of Medicaid commented: “Effective October 1, 2012, the Division of Medicaid changed the methodology by which it reimburses inpatient services so that the cost incurred subsequent to that date will only affect cost outlier payments”. The Division states increased cost outlier payments resulting from this project cannot be determined at this time; therefore, the Division had no opinion on the project.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the addition of Long-Term Acute Care Hospital Beds as contained in the *FY 2020 Mississippi State Health Plan and the Mississippi Certificate of Need Review Manual, September 1, 2019 Revision*; and duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by Select Specialty Hospital – Belhaven, LLC for the Addition of Eleven (11) Long-Term Acute Care Hospital Beds.

**Attachment 1**

<b>Select Specialty Hospital – Belhaven, LLC Addition of Long-Term Acute Care Hospital Beds Three-Year Operating Statement (Project Only)</b>			
	Year 1	Year 2	Year 3
<b>Revenue</b>			
Patient Revenue:			
Inpatient	\$37,000,384.00	\$41,721,923.00	\$42,389,591.00
Outpatient			
<b>Gross Patient Revenue</b>	<b>\$37,000,384.00</b>	<b>\$41,721,923.00</b>	<b>\$42,389,591.00</b>
Charity Care	\$ 0.00	\$ 0.00	\$ 0.00
Deductions from Revenue	\$30,936,987.00	\$ 34,885,925.00	\$35,444,771.00
<b>Net Patient Revenue</b>	<b>\$ 6,063,397.00</b>	<b>\$ 6,835,998.00</b>	<b>\$ 6,944,771.00</b>
Other Operating Revenue	\$ 0.00	\$ 0.00	\$ 0.00
<b>Total Operating Revenue</b>	<b>\$ 6,063,397.00</b>	<b>\$ 6,835,998.00</b>	<b>\$ 6,944,820.00</b>
<b>Expenses</b>			
Operating Expenses:			
Salaries	\$ 1,939,458.00	\$ 2,192,755.00	\$ 2,236,610.00
Benefits	336,250.00	380,335.00	387,941.00
Supplies	502,469.00	572,406.00	583,853.00
Services	862,471.00	972,900.00	982,629.00
Lease	80.00	0.00	0.00
Depreciation	256,139.00	260,854.00	265,720.00
Interest	0.00	0.00	0.00
Other	135,609.00	151,528.00	153,043.00
<b>Total Expenses</b>	<b>\$ 4,032,476.00</b>	<b>\$ 4,530,778.00</b>	<b>\$ 4,609,796.00</b>
<b>Net Income (Loss)</b>	<b>\$ 2,030,921.00</b>	<b>\$ 2,305,220.00</b>	<b>\$ 2,335,024.00</b>
<b>Assumptions</b>			
Inpatient days	3,269	3,650	3,650
Outpatient days	0	0	0
Procedures	0	0	0
Charge/outpatient day	N/A	N/A	N/A
Charge per inpatient day	\$ 11,319.00	\$ 11,431.00	\$ 11,614.00
Charge per procedure	\$ 0.00	\$ 0.00	\$ 0.00
Cost per inpatient day	\$1,234.00	\$1,241.00	\$ 1,263.00
Cost per outpatient day	NA	NA	NA
Cost per procedure	N/A	N/A	N/A