

**Division of Health Planning and Resource Development
March 2004**

CON Review NH-RLS-0104-002

Stone County Nursing and Rehabilitation Center, Inc.

**Relocation of 29 Nursing Home Beds and Conversion of
Personal Care Beds to Nursing Home Beds**

Capital Expenditure: \$-0-

Location: Wiggins, Mississippi

Staff Analysis

I. PROJECT SUMMARY

A. Application Information

Stone County Nursing and Rehabilitation Center, Inc. ("Applicant"), is a proprietary Mississippi corporation located in Wiggins, Mississippi, established on November 4, 2003. The Applicant's sole shareholder and sole member of the governing board is H. Ted Cain. The facility is currently under construction for 20 Alzheimer's beds and 40 personal care/private pay beds. Applicant received CON exemption on January 12, 2004, for a 40-bed nursing facility as part of a CCRC.

B. Project Description

Stone County Nursing and Rehabilitation Center, Inc. requests CON authority to convert 29 personal care beds at its current facility to nursing facility beds. The applicant proposes to relocate 20 nursing facility beds from Woodland Village Nursing Facility and 9 nursing facility beds from Hotel Reed Nursing Facility to complete this goal. Woodland Village, located in Diamondhead, is currently licensed for 119 nursing facility beds, of which 99 are being utilized. Hotel Reed, located in Bay St. Louis, has 98 nursing facility beds. According to Applicant, Hotel Reed's site runs the risk of both flooding and serious storm damage in the event of a hurricane or tropical storm. Also, the building presents staffing challenges which are not normally found in a modern state-of-the-art nursing facility. Both Woodland Village and Hotel Reed are located in Hancock County.

The nursing facility beds will occupy approximately 10,000 square feet of space at the facility currently under construction in Stone County. The applicant submits that the 29 beds relocated, along with 20 Alzheimer's beds and 11 CCRC beds, will be located at the facility under construction. The remaining CCRC beds will be located in an existing facility on the same campus. The applicant believes that the project proposed is the most appropriate manner in which to utilize the skilled nursing beds currently located at Hotel Reed Nursing Center and Woodland Village Nursing Center. Applicant states that the proposed facility will be licensed by the MSDH, will be certified to participate in both the Medicare and Medicaid programs, and will be managed by Corporate Management, Inc.

Applicant submits that the proposed facility will maximize quality and effective services offered to its residents partially as a result of facility design, including, but not limited to, a well-considered activity program which incorporates many community and educational linkages. According to the applicant, that design allows for efficient operation and staffing and will provide the most cost effective and appropriate setting for the care of Medicare patients, especially in light of the implementation of the PPS Medicare reimbursement system.

The applicant states that any increase or decrease in the use of ancillary or support services at the proposed facility will be managed by Stone County Nursing and Rehabilitation Center, Inc. by increasing or decreasing the service levels needed to serve these converted beds.

Applicant projects 27.50 FTE personnel at an estimated annual cost of \$679,200. According to applicant, health care personnel are readily available from the Hattiesburg and/or Gulf Coast areas. Therefore, Stone County Nursing and Rehabilitation Center, Inc. anticipates no problems in hiring of staff for the facility using existing recruiting efforts.

The site was approved on April 19, 2001, by the MSDH Division of Health Facilities Licensure and Certification for the establishment of a 20-bed Alzheimer's unit. The Division has not approved the site for 29 additional nursing facility beds

The applicant expects that the project will be complete by April 2004.

II. Type of Review Required

This project for the relocation of long-term care facility beds is reviewed in accordance with Section 41-7-191 subparagraph (1)(b) Mississippi Code of 1972 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 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 on April 13, 2004.

III. Conformance with the *State Health Plan* and Other Adopted Criteria and Standards

A. *State Health Plan*

The *FY 2004 State Health Plan* contains criteria and standards that an applicant must meet prior to establishing a new nursing home facility. This application proposes no new nursing facility beds, but rather to relocate existing beds from two facilities in Hancock County to a facility currently under construction in Stone

County.

SHP Criterion 1 - Need

Applicant references the State Health Plan, which cites Long Term Care Planning District ("LTCPD") IV as the planning area with the greatest nursing home bed need in the state. According to the *FY 2004 State Health Plan*, LTCPD IV has a need for 1,988 additional nursing home beds. However, the Plan indicates that Stone County is over-bedded by 49 nursing facility beds while Hancock County has a need for 125 additional beds.

SHP Criterion 2 - Facility Size

The applicant proposes to relocate 29 nursing facility beds from facilities located in Hancock County and to convert space for these beds at its facility in Stone County. Stone County Nursing and Rehabilitation, Inc. is currently under construction for 20 Alzheimer's beds and 40 private pay beds.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, May 13, 2000*, 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

Applicant submits that its mission is to provide state-of-the-art facilities and services to the citizens of its service area. Applicant believes that Stone County Nursing and Rehabilitation Center, Inc.'s facility, as proposed, compliments that mission in that it proposes a continuum of care to the elderly residents of LTCPD IV.

GR Criterion 3 - Less Costly/More Effective Alternative

Stone County Nursing and Rehabilitation Center believes that the proposal is the most cost effective alternative and will enhance access to those in need of these services. Other alternatives considered included maintaining the status quo, requesting fewer beds, requesting more beds, adding beds to an existing facility, and renovation of existing facilities. Applicant considers the relocating of beds to and converting beds at an existing facility to be the most economically and expeditiously viable option.

As stated earlier, Hancock County has a need for 125 additional nursing home beds, while Stone County is currently over-bedded by 49 beds. It would appear that the most effective alternative would be to relocate these beds to a facility within Hancock County where the need is the greatest. According to records available to the Department, in 2001 Stone County had 149 beds, with an average occupancy rate of 66.25 percent. Therefore, staff contents that adding more beds in Stone County is not a viable alternative.

GR Criterion 4 - Economic Viability

The applicant projects net income of \$45,462 the first year, \$120,242 the second year and \$135,295 the third year of operation. However, given that the county in which beds will be located is over-bedded and that the beds currently located in the county are underutilized, the economic viability of this project is questionable.

GR Criterion 5 - Need for the Project

In determining the need for this project, the applicant references the need shown in the *FY 2004 State Health Plan*. Applicant states that because of the identified need existing for skilled nursing beds in LTCPD IV, the proposed project is not expected to affect current or projected utilization at any of the existing facilities within the service area. Applicant expects that the relocation of existing beds will only have the positive effect of getting the beds into service more expeditiously and in the most economically viable manner available to the applicant.

In the case of the 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 the service and the extent to which that need will be met adequately by the proposed relocation or by alternative arrangements. The *2004 State Health Plan* indicates that LTCPD IV has a need for 1,988 new nursing facility beds district-wide. However, Stone County is shown to be over-bedded by 49 beds, while Hancock County has a need for 125 additional nursing facility beds. The relocation of the 29 beds requested in this project will increase the need for nursing home beds in Hancock County to 154 beds while causing Stone County to be over-bedded by 78 beds. In addition, for the period ending December 31, 2001, the most recent period for which data are available, Hancock County had 257 nursing facility beds with an average occupancy rate of 81.79 percent, while Stone County had 149 beds with only a 66.25 percent occupancy rate. Therefore, it would appear that the most effective alternative would be to utilize the beds in Hancock County where the greatest need for nursing facility beds exists. Applicant has not adequately demonstrated a need for this project.

The application contained 33 copies of a form letter signed by various residents of Stone County.

The application also received letters of opposition from Azalea Gardens Nursing Center and Delco, Inc.

GR Criterion 6 - Accessibility

The applicant states that all services provided by Stone County Nursing and Rehabilitation Center, Inc. are equally available to all citizens and residents of the area served. Applicant anticipates that medically underserved populations will use

the proposed facility in proportions which reasonably reflect their percentages of the population of the service area.

GR Criterion 7 - Information Requirement

Applicant affirmed that it will record and maintain the information required by this criterion and shall make same available to the Mississippi State Department of Health within 15 business days of request.

GR Criterion 8 - Relation to Existing Health Care System

Applicant expects that the conversion of 29 personal care beds to skilled nursing beds will have no adverse impact on the existing health care system and will fill a void in the existing delivery system with respect to patients transitioning from the acute care setting and patients who have special needs requiring placement in a skilled nursing facility.

Attorney for Azalea Garden Nursing Center, the only nursing facility located in Stone County, submitted a letter in opposition to the project. Delco, Inc. also submitted comments in opposition to the project.

GR Criterion 9 - Availability of Resources

Stone County Nursing and Rehabilitation Center, Inc. anticipates no problems in hiring of staff for the facility using existing recruiting efforts. Applicant states that health care personnel are readily available from the Hattiesburg and/or Gulf Coast areas.

GR Criterion 16 - Quality of Care

Stone County Nursing and Rehabilitation Center, Inc. is owned by Mr. Ted Cain, who owns and operates several nursing facilities licensed by the MSDH and certified for participation in the Medicaid and Medicare programs.

IV. Financial Feasibility

A. Capital Expenditure Summary

The applicant proposes to relocate 29 nursing facility beds from two facilities in Hancock County to a newly constructed facility. Therefore, no capital expenditure is requested for this project.

B. Method of Financing

The project does not require a capital expenditure; therefore no financing is required.

C. Effect on Operating Cost

The applicant projects the following expenses and results from operation for the first three years following completion of the proposed project:

Expenses	Year One	Year Two	Year Three
Salaries & Benefits	\$ 679,200	\$ 699,500	\$ 720,500
Supplies	55,000	58,000	60,000
Other Direct Expenses	465,000	475,000	485,000
Administrative & General	181,753	189,253	191,753
Total Expenses	\$1,380,953	\$1,421,753	\$1,457,253
Gross Revenues	\$1,551,798	\$1,676,664	\$1,728,394
Deductions	\$(127,383)	\$ (137,169)	\$ (138,846)
Net Revenue	\$1,424,415	\$1,539,495	\$1,589,548
Other Revenue	\$ 2,000	\$ 2,500	\$ 3,000
Net Income	\$ 45,462	\$ 120,242	\$ 135,295
Assumptions			
Occupancy Rate	85%	90%	92%
Total Patient Days	8,997	9,527	9,738
Cost/Patient Day	\$153.49	\$148.23	\$149.65
Charge/Patient Day	\$172.48	\$ 175.99	\$177.49

D. Cost to Medicaid/Medicare

Based on gross revenues projected by the applicant, the project is projected to have the following impact on various payors:

Patient Mix	Utilization Percentage	First Year Cost
Medicaid	67.00	\$1,039,705
Medicare	29.00	450,021
Other Payors	4.00	62,072
Total	100.00	\$1,551,798

Applicant projects 2 percent care for bad debt patients and 1 percent care to medically indigent patients.

V. Recommendation of Other Affected Agencies

The Division of Medicaid projects that this project will increase Medicaid expenditures an estimated \$1,837,000 annually in total funds based on a stable occupancy rate.

VI. Conclusion and Recommendation

This project is not in substantial compliance with the Long Term Care Chapter of the *FY 2004 State Health Plan*; *Certificate of Need Review Manual, May 13, 2000*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health. Specifically, the applicant fails to show adequate need for the proposed project. The *FY 2004 State Health Plan* indicates that Stone County, to which the applicant proposes to relocate beds, is currently over-bedded by 49 long term care beds; while Hancock County, the county from which the beds are to be relocated, is under-bedded by 125 long term care beds. In addition, the economic viability of this project is questionable.

Therefore, the Division of Health Planning and Resource Development recommends disapproval of this application submitted by Stone County Nursing and Rehabilitation Center, Inc.