

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
JULY 2010**

**CON REVIEW: NH-RLS-0410-019  
WINDHAM HOUSE OF HATTIESBURG, INC. D/B/A WINDHAM HOUSE OF HATTIESBURG  
RELOCATION OF 30 NURSING HOME BEDS TO LAMAR COUNTY  
FROM MIRAMAR LODGE NURSING HOME, HARRISON COUNTY  
CAPITAL EXPENDITURE: \$250,020  
LOCATION: HATTIESBURG, LAMAR COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Windham House of Hattiesburg, LLC, d/b/a Windham House of Hattiesburg ("Windham House") is a long-term care nursing facility located in Lamar County. Windham House is registered with the Secretary of State as a limited liability company and currently in good standings to do business in Mississippi. The nursing facility is licensed to operate 60 skilled nursing beds (30 Medicaid and 30 Medicare/Private Pay) and is governed by David W. Stallard and Elton G. Beebe, Sr. Magnolia Management Corporation is the sole member of Windham House of Hattiesburg, LLC and Bobby L. Beebe, Jr., Vice President of this Corporation.

**B. Project Description**

Windham House is requesting Certificate of Need (CON) authority to relocate 30 nursing home beds previously operated by Miramar Lodge Nursing Home (Miramar) located in Pass Christian, Harrison County, Mississippi to Windham House Hattiesburg, Lamar County, Mississippi.

Miramar Lodge Nursing Home ("Miramar"), a 180-bed nursing facility located at 216 West Beach Boulevard, Pass Christian, Harrison County, Mississippi, was destroyed by Hurricane Katrina. Due to the damage the nursing home suffered as a result of Hurricane Katrina, Miramar determined that it was not feasible to repair or renovate the nursing home. Therefore, Miramar Lodge Nursing Home, owned by Skyler Hattiesburg, Inc., decided to close on August 29, 2005.

When Miramar was operational, it was operated by Pensacola Health Trust, Inc., pursuant to a lease agreement between Pensacola and Skyler Hattiesburg, Inc (Skyler). Skyler owns Miramar assets including the property and beds which 30 are the subject of this application. The applicant proposes to acquire the 30 nursing home beds, which are currently in abeyance, from Skyler.

In 2006 the Boyington Nursing Center located in Gulfport, Harrison County, Mississippi acquired 60 of the 180-beds and the remaining 120-beds were de-licensed. The *FY 2010 State Health Plan* states that a health care facility that has ceased to operate for a period of 60 months (five years) or more shall require a Certificate of Need prior to reopening. Miramar has been closed nearly five years.

The applicant states that Skyler Hattiesburg, Inc. will transfer its rights and interest in the beds to Windham House once CON approval is granted. The application contains a copy of the proposed transfer agreement between Skyler Hattiesburg, Inc. and Magnolia Management Corporation which is the sole member of Windham House of Hattiesburg, LLC.

In January of 2010, a separate CON application was filed with the Mississippi State Department of Health for the relocation of 90 beds previously operated by Miramar to Harrison County Properties, LLC, d/b/a Gulfport Care Center in Gulfport, Harrison County, Mississippi. A hearing was requested and held June 2010. Currently, the Department is awaiting the Hearing Officer's opinion.

The proposed project does not require any new construction or renovations. The applicant proposes to utilize existing space to locate the 30 nursing facility beds. Windham House will convert 30 of their existing Medicare/Private Pay beds to Medicaid-eligible beds. The applicant states that this project will enable Windham House residents who enter the nursing home as a Medicare or private pay resident, then "age in place" if they become eligible for Medicaid during their stay. The applicant further states that there will not be any discharge or displacement of a resident as a result of this project. Instead, there will be a transition process, during which Medicaid-eligible residents will be admitted to the additional Medicaid-certified beds, as they become available.

The applicant states that no new personnel will be required, and the associated capital expenditure of \$250,020 is only for the purchase of the CON which will be funded through its accumulated cash reserves.

The Division of Licensure and Certification finds the site acceptable for the proposed project.

The applicant anticipates obligation of the capital expenditure immediately upon approval of the CON and a completion date to follow within 30 days.

## **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 Sections 41-7-173, 41-7-191 (1)(b) and (e) and 41-7-193, 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 August 12, 2010.

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

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

The *FY 2010 State Health Plan* ("Plan") does not contain criteria and standards for the construction/replacement and relocation of long term care facility beds as proposed by this application. However, the Plan gives guidelines for all health

planning in Mississippi. The Plan states: Mississippi's planning and health regulatory activities have the following purposes:

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

The applicant believes that the proposed project will work in accordance with the FY 2010 Plan. According to the 2020 Projected Nursing Home Bed Need contained in the FY 2010 Plan there are 5,475 licensed beds and 329 CON approved nursing home beds in Long Term Care Planning District (LTCPD) IV, leaving a disparity of 2,968 beds in the district.

In addition, the *FY 2010 Plan* indicates that there is a projected 2020 need for 205 nursing home beds in Lamar County. The applicant asserts that the redistribution of beds will address the ever increasing need for Medicaid beds in Lamar County and surrounding service areas.

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

Chapter 8 of the Mississippi Certificate of Need Review Manual, Revised September 1, 2009, addresses general criteria by which all CON applications are reviewed.

#### **GR Criterion 1 – Consistency with the State Health Plan**

The *FY 2010 State Health Plan* ("Plan") does not contain criteria and standards for the construction/replacement and relocation of long term care facility beds as proposed by this application.

The *FY 2010 Plan*, does state that there is a projected 2020 need for 205 nursing home beds in Lamar County. The applicant proposes to address this unmet need by relocating the 30 beds previously operated at Miramar Lodge. The applicant believes that the relocation will address both the unmet bed need in Lamar County and the increasing demand for Medicaid-eligible beds for the residents of Lamar County and surrounding areas.

The proposed project is for the relocation of 30 beds which were operational prior to Hurricane Katrina. The applicant suggests that since there is no request for additional beds to be added to LTCPD IV the impact of the proposed project on surrounding health care facilities should be negligible.

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

Windham House affirms that they are committed to providing high quality facilities and services to patients seeking long term care. The applicant suggests that once the proposal is implemented, it will improve access to health services and resources in Lamar County. The applicant contends that the proposed project is a critical component of their long range goals and mission to serve the residents of Lamar County and the surrounding area.

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

The applicant affirms that various approaches to obtain Medicaid-eligible beds have been pursued. One approach was to obtain Medicaid-certified nursing home beds from other nursing homes in LTCPD-IV, but has not been able to do so, due to the high demand for and utilization of such beds.

The applicant was able to reach an agreement with Skyler Hattiesburg, Inc., the owner of the Miramar beds which are currently held in abeyance. As a result, Windham determined that the most cost-effective approach is to relocate 30 Medicaid-eligible beds to its already constructed nursing facility. The applicant contends that relocating these beds to Lamar County will enhance access for the citizens of Lamar County and the surrounding area by providing Medicaid-eligible nursing facility services.

The applicant affirms that the proposed project does not require construction or modernization. The nursing facility beds are existing and the applicant is proposing only to replace 30 existing beds with 30 Medicaid-eligible nursing facility beds. Furthermore, the applicant believes the proposed project is the most efficient solution.

### **GR Criterion 4 – Economic Viability**

Based on the applicant's three-year projections, this project will receive a net operating income of \$295,749 the first year, \$304,097 the second year, and \$312,674 for the third year.

- a. **Proposed Charge:** The applicant projects charges of \$205 per inpatient day for the first year, \$209 for year two, and \$212 for year three. The applicant projects costs of \$159 for the first year, \$162 for the second year, and \$165 for the third year of the operation of the proposed project.

The applicant states that the proposed project will enhance the existing health care system within the county and will not adversely impact any other provider. The applicant further states that the proposed charges for Windham are based on operations at similar facilities.

- b. **Projected Levels of Utilization:** The applicant projects that its occupancy rates for the first three years of operation are 91% for the first year, 92% for the second year, and 93% for the third year.

According to the Report on Institutions for the Aged or Infirm, 2008, Windham House of Hattiesburg, LLC had an occupancy rate of 88.16% in 2008. The applicant states that it is currently operating at 91%. There is only one other nursing facility operating in Lamar County: Oxford Health & Rehab Center ("Oxford Health"). According to the Report on Institutions for the Aged or Infirm, 2008, Oxford Health's occupancy rate is recorded to be 68.81%.

- c. **Project's Financial Feasibility Study:** The proposed project's capital expenditure does not exceed the \$2,000,000 threshold; therefore this statement of criterion 4 is not applicable.

#### **GR Criterion 5 – Need for Project**

- a. **Access by Population Served:** The applicant affirms that all residents of the service area, in particular low income persons, racial and ethnic minorities, women, handicapped persons, and the elderly, will continue to have access to the facility.
- b. **Relocation of Services:** The applicant suggests that the proposed relocation of the 30 Medicaid-eligible beds to the service area will expand the extent to which Medicaid patients have access to nursing facility services in Lamar County and surrounding areas.

There are only two existing nursing homes located in Lamar County (Windham House of Hattiesburg, LLC and Oxford Health & Rehab Center). These two facilities averaged roughly 75% occupancy in 2008.

- c. **Probable Effect on Existing Facilities in the Area:** The applicant asserts that the proposed project should have no effect on existing facilities in the area since there are no additional beds or services being added.

As previously mentioned, the proposed project involves the relocation of 30 Medicaid eligible long term care beds which were de-licensed post Hurricane Katrina.

- d. **Community Reaction:** The application contains eleven letters of support for the proposed project.

No letters of opposition for the proposed project were received.

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

- a. **Medically Underserved Population:** Windham, affirms that all residents of the service area, including Medicaid/Medicare recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the proposed services.
- b. **Performance in Meeting Federal Obligations:** The applicant submits that Windham has no obligations under federal regulations requiring uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs to be Served by Applicant:** The applicant states that Windham is certified for participation in Medicare and Medicaid. The applicant further states that while in nursing home setting, indigent residents typically qualify for Medicaid and, as a result, charity care utilization is nominal. The 30 relocated beds will be Medicaid certified.

#### **GR Criterion 7 – Information Requirement**

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

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

Windham does not propose to add any additional beds to LTCPD IV, only to relocate 30 Medicaid-eligible beds that were de-licensed post Hurricane Katrina. The applicant believes that there should be no adverse impact, as a result, of the proposed project on any health care facilities.

There is only one other existing nursing home in Lamar County which is maintaining an annual occupancy of 68.81%, according to the 2008 Report on Institutions for the Aged or Infirm. The applicant suggests that as the population continues to grow, there will be additional demands created on the two existing facilities in Lamar County. The applicant states that the relocation of the 30 beds proposed herein will provide greatly needed long term care services to the elderly population of Lamar County and the surrounding area.

Windham believes that if the proposed project is not implemented, the result will be an adverse impact to the community due to the documented need for nursing facilities.

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

The applicant contends that the projects does not require any new personnel and that Windham and Regional Services, Inc. have considerable experience in the staffing of nursing facilities.

The applicant affirms that they have demonstrated a satisfactory staffing history in nursing home operations.

The applicant states that the proposed facility has various agreements in place to provide clinically related services.

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

Windham affirms that all necessary support and ancillary services for the proposed project are available. However, if any additional ancillary or support services are required accommodations will be made through existing facilities and resources.

### **GR Criterion 16– Quality of Care**

The applicant states that there is a documented need for Medicaid-eligible long term care beds in Lamar County and the relocation of the 30 Medicaid-eligible beds will improve the options of care offered to nursing home patients at Windham.

Windham House is certified for participation in the Medicare and Medicaid program and are currently in compliance with state and federal regulations for the Institutions for the Aged or Infirm.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The total estimated capital expenditure of \$250,020 is for the purchase of the CON.

**B. Method of Financing**

The applicant proposes to finance the proposed project through cash reserves.

**C. Effect on Operating Cost**

Windham House projects the following expenses, revenues, and utilization for the first three years of operation for the proposed project:

	Year 1	Year 2	Year 3
<b>Revenue</b>			
Inpatient Care Revenue	\$ 4,894,524	\$ 5,041,360	\$ 5,192,601
Outpatient Revenue			
<b>Gross Patient Revenue</b>	\$ 4,894,524	\$ 5,041,360	\$ 5,192,601
Charity Care	\$ 203	\$ 209	\$ 215
Deductions from Revenue	\$ 805,607	\$ 829,775	\$ 854,668
<b>Net Patient Care Revenue</b>	\$ 4,088,714	\$ 4,211,376	\$ 4,337,717
<b>Total Operating Revenue</b>	<b>\$ 4,088,714</b>	<b>\$ 4,211,376</b>	<b>\$ 4,337,717</b>
<b>Operating Expenses</b>			
Salaries	\$ 1,622,145	\$ 1,671,163	\$ 1,721,666
Benefits	113,880	117,385	120,999
Supplies	303,178	312,302	321,702
Services	554,359	571,043	588,230
Lease Expenses	254,801	262,445	270,319
Depreciation	33,633	34,642	35,681
Interest	9,451	9,735	10,027
Other	901,518	928,563	956,420
<b>Total Operating Expenses</b>	<b>\$ 3,792,965</b>	<b>\$ 3,907,279</b>	<b>\$ 4,025,043</b>
<b>Net Operating Income</b>	<b>\$ 295,749</b>	<b>\$ 304,097</b>	<b>\$ 312,674</b>
	<b>Proposed Year 1</b>	<b>Proposed Year 2</b>	<b>Proposed Year 3</b>
Patient days	23,914	24,177	24,440
Charge per patient day	\$205	\$209	\$212
Cost per patient day	\$159	\$162	\$165

**D. Cost to Medicaid/Medicare**

The applicant's projected cost to third party payors is as follows:

<b>Patient Mix by Payor</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
Medicaid	47%	\$2,310,613
Medicare	43%	\$2,103,518
Self Pay	5%	\$ 224,453
Other	5%	\$ 255,941
<b>Total</b>	<b>100%</b>	<b><u>\$4,894,525</u></b>

**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 based on a stable occupancy rate this project is not expected to cost the Division of Medicaid additional total funds due to its relocation. Therefore, the Division of Medicaid does not oppose this CON request.

**VI. CONCLUSION AND RECOMMENDATION**

The project is in substantial compliance with the overall objectives as contained in the FY 2010 State Health Plan; the Mississippi Certificate of Need Review Manual; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Windham House of Hattiesburg, LLC for the relocation of 30 nursing home beds to Lamar County from Miramar Lodge Nursing Home, Harrison County.