

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

**CON REVIEW NH-CRF-0512-011
HINDS COUNTY NURSING & REHABILITATION CENTER, LLC
CONSTRUCTION/RELOCATION AND REPLACEMENT OF 119
NURSING HOME BEDS/SERVICES
CAPITAL EXPENDITURE: \$9,650,798
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 manages 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, Jackson, Mississippi, 39213 to 205 Byram Parkway, Byram, Mississippi, 39272, Hinds County. The proposed location is within HCN&RC's current 15-mile radius service area. The applicant indicates that the property was acquired by Mr. Charles Bruce Kelly in 2010 through the management company for which he is the managing member, Trend Consultants. The application contains a copy of the warranty deed for the property, a site plan, and a map demonstrating HCN&RC's 15-mile radius service area at its current location. The applicant asserts that upon CON approval, Mr. Kelly will cause Trend Consultants to transfer the Byram property to Kelly Holdings, LLC, a Mississippi limited liability company, whose managing member is Charles Bruce Kelly. HCN&RC will continue to be managed by Trend Consultants.

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.

The applicant states that currently HCN&RC has placed fourteen (14) of its 119 authorized nursing home beds in abeyance. Upon completion of the project, those 14 beds will be taken out of abeyance and set up and staffed, thereby increasing the licensed bed count at HCN&RC to its full capacity of 119 beds.

The applicant asserts that Mr. Bruce Kelly, the managing member of HCN&RC intends to sell the physical plant located at 3454 Albermarle Road or possibly donate the building to charity; however, he states that he cannot do so until Hinds County Nursing & Rehabilitation is authorized to relocate to the new building in Byram.

According to the applicant, the new building that will house HCN&RC's 119 nursing home beds/services will be constructed and owned Kelly Holdings. It has been designed as a state-of-the-art facility geared to meet the rising demands of the aging population. The facility will include a 20-bed unit designated to provide special care needed by persons or patients suffering from Alzheimer's disease and other types of dementia, an expanded skilled nursing rehabilitation therapy center, a spacious activity room, dining area, bedrooms and outdoor areas.

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 facility, containing approximately 62,580 square feet of new construction. The skilled nursing facility will be a single story courtyard style skilled nursing facility. The facility will have 6 resident wings which will include 49 private rooms, 35 semi-private rooms, a 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 new building will be fully sprinklered, and 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. Positive drainage will be installed using a combination of gutters, grading and underground storm drainage. The grounds will be landscaped and an automatic irrigation system will be installed to maintain the grounds. The concrete parking area will have adequate parking spaces for use by members of the staff (even during shift changes), family members and friends of the residents.

The applicant states that upon completion, the new building will be a pleasant and homey place for HCN&RC's residents to live and for their families and friends to visit.

According to the applicant, upon completion of the Hinds County Nursing & Rehabilitation Center replacement facility, the applicant will enter into a proposed building lease and equipment lease agreement with Kelly Holdings, LLC. The application contains copies of the building lease, equipment lease and a resolution of Kelly Holdings, LLC regarding its intentions to lease the new building and equipment to HCN&RC.

The total proposed project cost is \$9,650,798. The project will entail approximately 62,580 square feet of space at an estimated cost of \$135.59 per square foot. Hinds County Nursing & Rehabilitation Center, LLC's total cost for non-fixed equipment will be \$600,000 (see Attachment 2). The applicant proposes to finance 96% (\$9,240,000) of the proposed capital expenditure through a commercial loan with Trustmark National Bank, Jackson, and 4% (\$410,798) by equity contribution by the owner. The application includes a letter from Mr. Nelson F. Gibson, the 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 upon CON approval and the project will be completed within 18 months of CON approval.

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) (e), and (j), 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 October 17, 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 improve the health of Mississippi residents

The applicant submits that the proposed project furthers its purpose to provide skilled nursing patients of HCN&RC with a state-of-the-art therapy center that will allow its patients to receive the appropriate therapy and allow them to achieve their greatest level of recovery and independence. The project includes a dedicated wing for Alzheimer's patients and others with dementia. The safer, more homelike environment will provide long-term care residents with privacy and promote dignity. The new building will include many locations within the facility that will allow families and friends of the patients/residents to visit with their love ones undisturbed and will provide large multi-purposed activity areas.

To increase the accessibility, acceptability, continuity, and quality of health services

The applicant submits that the proposed project furthers its purpose by providing the residents and patients of HCN&RC with a state-of-the-art long-term care and skilled nursing care facility. All persons, including low income persons, racial and ethnic minorities, women, persons with disabilities, the elderly and other underserved groups will have access to the services provided at HCN&RC and will continue to have access to its services in the new location. HCN&RC asserts that it is committed to all persons in need of nursing care services, including those in need of the special care. Because the new building is designed to include a 20-bed Alzheimer's/dementia care unit, the nursing home can offer persons suffering from Alzheimer's disease and other types of dementia such specialized care, thereby improving the health care given to such patients and alleviating stress from families and friends of their love ones suffering from these diseases.

According to the applicant, HCN&RC is committed to improving access to skilled nursing care, special nursing care for Alzheimer's and dementia, and long-term nursing care to that segment of the population in need of such care. The applicant believes that relocating the nursing home to a growing area that is easily accessible to Interstate 55 and to an area with very little major crime also furthers its purpose to move. The applicant asserts that there was no major crime in the area surrounding the new

site during the first 15 1/2 weeks of 2012 as opposed to the large number of major crimes reported in the area surrounding the current site during the first 11 weeks of 2012.

The application contains a copy of Byram's Police report which states that there was no crime activity in the surrounding area of 201 Byram Parkway from January 2012 to April 2012. The application also contains a map and list of major crimes that have occurred from January 2, 2012 to March 18, 2012 in areas surrounding the existing HCN&RC location.

Staff obtained/evaluated data from May 5, 2012 to July 7, 2012. It shows that two crimes (burglary and one arrest) occurred near the current location of Hinds County Nursing & Rehabilitation Center in the vicinity of Albermarle Road, Jackson, Mississippi.

The applicant asserts that Byram is the fastest growing area in Hinds County and city has increased its population by 53% since 2000 while the population in the HCN&RC area decreased by 10% in the same year. Since Byram is the fastest growing population area in Hinds County, the applicant believes that relocating the nursing home to Byram rather than in its current location will promote accessibility to its services.

Based on the U.S. Census Bureau, staff indicates that the Byram Mississippi area had a 2000 population of 7,386 and a 2010 population of 11,489 (a 55.6% change) and persons 65 years and over, a 7.2% change for 2010. The Jackson Mississippi area had a 2000 population of 184,256 and a 2010 population of 173,514, (a change of -5.8%) and persons 65 years and over, a 10% change for 2010.

The 2010 population estimate for Hinds County is 245,285 and for 2011, it was 248,184, a 1.2% change for the period of April 1, 2010 to July 1, 2011. -A 10.9% change for persons 65 years and over.

To prevent unnecessary duplication of health resources

Hinds County Nursing & Rehabilitation Center asserts that the proposed project furthers its purpose because the proposed project does not contemplate the addition of any new beds or new services in Hinds County or in LTCPD III. The project contemplates relocating HCN&RC to the fastest growing area of Hinds County. Furthermore, not only is the proposed project not a duplication of health resources, it is an improvement of an existing health service.

The 2015 Projected Nursing Home Bed Need Table, Table 2-3 in the *FY 2012 State Health Plan* indicates that LTCPD III has need for 627 new nursing facility beds district-wide. However, Hinds County Nursing & Rehabilitation Center located in Hinds County 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%. Hinds County Nursing & Rehabilitation Center had the lowest occupancy rate during these two years (see Attachment 3).

To provide some cost containment

Hinds County Nursing & Rehabilitation Center asserts that the proposed project furthers its purpose of providing some cost containment because its construction costs are below the median cost for a new nursing home as stated in the *RSMMeans Building Construction Cost Data, 2012 Edition*, and the renovation of an outdated long-term care building would be extremely expensive (the HCN&RC's Architect's Observation Report and Engineer's Inspection Report are contained in the application concern the proposed project). The applicant states that even if renovations were possible, the end result of such renovations would be most costly to the residents/patients, and their families and friends because HCN&RC would remain in a high crime area that is near a railroad track, an industrial area and an airport; none of which is an appropriate location for a nursing home.

Additionally, Hinds County Nursing & Rehabilitation Center states that because the proposed project includes an enhanced rehabilitation therapy center that will allow persons in need of rehabilitative skilled nursing care to achieve their greatest level of independence and be discharged home (rehab to home patients), the project will save healthcare costs attributable to those individuals.

The proposed project is consistent with the above stated goals of health planning.

B. General Review (GR) Criteria

Chapter 8 of the *Mississippi Certificate of Need Review Manual, September 1, 2011 revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 2 - Long Range Plan

Hinds County Nursing & Rehabilitation Center asserts that during the past few years, it has become evident that the 34-year old building could not accommodate nursing home care trends to provide a homelike environment. Mr. Bruce Kelly, managing member began to assess how to better utilize the 119 nursing home beds at HCN&RC to assist in evolving toward more modern and effective styles of care. Upon careful analysis, management developed a plan to relocate the nursing home to

a new state-of-the-art building within a 15-mile radius service area of its existing location, within Hinds County, LTCPD III. The relocation site is in a growing area, in an area with very little major crime, away from industrial areas, away from the main line of a railroad, away from an airport and out of a flood zone. After searching for the right place, Mr. Kelly selected the relocation site in Byram through Trend Consultants and acquired the 9.5 acres property in 2010 for the proposed project.

The applicant believes that the proposed project will better provide residents and patients with privacy and dignity, offer more amenities with an emphasis on the rehabilitative aspects of skilled nursing care, and will focus on the needs of a growing population within the community who are afflicted with the Alzheimer's and dementia disease.

GR Criterion 3 - Availability of Alternatives

The applicant considered and rejected the following advantages and disadvantages of each alternative as well as the reason they were not chosen:

(1) Renovate Existing Building: The applicant submits that renovation of the existing building was rejected for the following reasons: a three-story building is not a good layout for a nursing home because residents cannot be quickly evacuated in case of fire or some other emergency; residents cannot be quickly moved to the first floor in case of a tornado warning; and residents cannot be easily moved about the facility for normal everyday care and activities. The existing building is located on a small parcel, much of which is in a flood zone that does not allow for expansion, and has only an access easement to the street. The site of the existing building is in an area with a decreasing population, experiencing a high crime rate, in a flood zone, close to an abandoned industrial area that has been demolished with piles of debris left behind, and is within close proximity of the main railroad tracks in the city and nearby a local airport. Based on the architect's observation report, HCN&RC states that the cost of renovation would be totally impractical and cost prohibitive for the existing nursing home facility. Also, renovation would be extremely disruptive for the residents and patients at HCH&RC and would cause them undue hardship and anxiety.

(2) Relocate Somewhere Other Than on Byram Parkway: The applicant states that the best solution for addressing the need of its residents is to construct a new building. Management specifically looked for a location that remedied the problems with the current site. The initial focus was to select a site within HCN&RC's 15-mile radius service area that is easily accessible to motorists within Hinds County and situated in a fast growing area with minimum crime. The applicant states that once management identified those parameters, the selection process narrowed

to the area in zip code 39272. Therefore, no other site was as more desirable than the area in zip code 39272. The Byram area was identified as meeting HCN&RC's desired parameter, is the fastest growing area in Hinds County (53% growth since 2000) and is within HCN&RC's 15-mile radius service area.

The applicant submits that the alternative of constructing a new state-of-the-art building to house HCN&RC in a fast growing area in Hinds County is the best option to adequately and effectively meet the needs of HCN&RC's residents. The new building, which will be relocated within HCN&RC's 15-mile radius service area and very close access to an exit off Interstate 55, will offer convenient access to persons living in eastern Hinds County and western Rankin County. Both areas are also located in LTCPD III.

GR Criterion 4 - Economic Viability

The applicant asserts that the proposed reimbursement for the proposed project will follow the standard Medicare RUG schedule, the state Medicaid per diem for HCN&RC, and the Medicare Part B physician fee schedules. The applicant believes that its reimbursement compares favorably with similar facilities in the area and the services provided will be in compliance with regulations for each payor source.

According to the applicant, the three-year projected operating statement contained in the application indicates net income of \$100,555 for the first year, \$315,290 for the second year, and \$376,326 for the third year of operation.

The applicant indicates that the proposed projected level of utilization for HCN&RC for the first three years are as follows: year one 84.87%, year two 89.08%, and year three 91.60%. The applicant indicates that the projected levels of utilization are reasonably consistent with the levels of utilization experienced by other nursing homes in Hinds County and in HCN&RC's service area. The applicant indicates that the average occupancy rate of all fourteen (14) of the facilities. The applicant states that the average occupancy rate of these nursing homes in Hinds County is 92.27% (excluding Mississippi Veterans Home, not included in the Department's planning process). See Attachment 3.

The applicant provides the following occupancy rates for four nursing home (4) facilities currently located in HCN&RC's 15-miles radius service area after its proposed relocation:

Facility/County	Occupancy Rate	ADC
Briar Hill Rest Home, Rankin County (60 beds)	92.16%	55.30
Methodist Specialty Care Center, Rankin County (60 beds)	96.76%	58.06
Wisteria Gardens, Rankin County (52 beds)	91.71%	47.72
Copiah Living Center, Copiah County (60 beds)	93.60%	56.16

Source: 2010 *Report on Institutions for the Aged or Infirm*

The applicant states that the average occupancy rate of the above four (4) nursing home facilities is 93.64%, and the average occupancy rate of all eighteen (18) facilities is 92.47%.

According to the 2010 *Report on Institutions for the Aged or Infirm*, the number of nursing home beds range from 52 to 60 beds. The occupancy rates range from 91.71% to 96.76% for the above four (4) nursing home facilities located in Rankin and Copiah Counties, LTCPD III.

The applicant believes that the proposed projected occupancy rates for HCN&RC for years one (84.87%), two (89.08%) and three (91.60%) are reasonable and indeed conservative. Hinds County Nursing & Rehabilitation Center asserts that it has 14 nursing home beds that are currently being held in abeyance. If the proposed project is approved, the facility officials will request the Department to activate the 14 beds for use as nursing home beds.

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. During the first three years of operation, the applicant proposes to charge \$284 per inpatient day for year one, \$287 for year two, and \$290 for year three. In addition, the applicant states that the cost per inpatient day will be \$204 for year one, \$200 for years two and three of operation. (See attachment 1).

The applicant states that HCN&RC is confident in its projected revenues because such projections are very conservative when one considers the current occupancy rates of the other nursing home in its 15-mile radius service area, the increase in the elderly population in Hinds County and the quality of services that HCN&RC provides and will continue to provide.

According to the applicant, Hinds Count Nursing & Rehabilitation Center's gross revenue projections and operating expenses are based on operations at HCN&RC and other facilities managed by Trend Consultants. The proposed project will have minimal, if any, impact on the cost of health care in Mississippi or on Medicaid, Medicare, or any other payor.

GR Criterion 5 - Need for the Project

Access by Population Served: According to the applicant, HCN&RC accepts all persons in need of long-term nursing home care, skilled nursing home care, the elderly, low income person, racial and ethnic minorities, women, handicapped persons and other underserved groups. Indeed, the very nature of a nursing home contemplates care given to the elderly without regard to their racial or ethnic background, their sex or their handicapped status. Furthermore, the large majority of nursing home residents are Medicaid recipients.

Relocation of Services: The applicant states that *FY 2012 Mississippi State Health Plan* shows a need in Long-Term Care Planning District III for 627 nursing home beds and a need for 68 additional beds in Hinds County. The applicant asserts that Community Place, a 60-bed nursing home currently located in Hinds County, has been authorized to relocate its facility to Rankin County pursuant to CON recently granted by the Department. When Community Place completes its relocation, the bed need in Hinds County will rise to 128 nursing home beds. The applicant asserts that this project does not request approval of any new beds, completion of the project will result in setting up and staffing 14 HCN&RC's beds that are currently being held in abeyance.

The proposed relocation of the nursing home to a state-of-the-art physical plant located in a rapidly growing area of Hinds County will allow Hinds County Nursing & Rehabilitation Center to offer enhanced skilled nursing rehabilitative therapy care and specialized care for persons who suffer from of Alzheimer's disease and other dementia. As a result, HCN&RC will take the 14 beds out of abeyance and relicense them. These beds will afford access to long-term care nursing facility services and will enhance rehabilitative skilled nursing care services to those living in Hinds County, and help to address the shortage of beds in LTCPD III and Hinds County.

Hinds County Nursing & Rehabilitation Center states that it deliberately decided not to relocate outside of its current service area or outside of Hinds County so it could continue to serve the community, population, residents and patients it currently serves. Also, the great majority of residents currently residing at HCN&RC and/or their families have expressed their support of the move out of the three-story building in a high crime area to a state-of-the-art, one-story building in Byram. Hinds County Nursing & Rehabilitation Center asserts that it expects to transfer all or most of its existing residents and patients to the new building in Byram. The applicant indicates that its administrator has informed the nursing home's residents and patients of the proposed relocation and received no negative feedback. In fact, all the feedback received has been enthusiastic and complimentary of HCN&RC's efforts to provide a state-of-the-art, enhanced therapy center and an Alzheimer's/dementia care unit in a homelike atmosphere.

As of April 2012, the applicant indicates that its patients and residents originated from ten (10) zip codes. The application contains the following chart which shows HCN&RC's zip codes for areas which the nursing home facility currently derives its residents and patients from within Hinds County. The chart encompasses zip code areas and within its service area:

Resident Zip Code/County	Percent	Population Change from 2000-2011
39209/Hinds	15.4	-8.01
39206/Hinds	13.2	-2.42
39213/Hinds	12.1	-9.69
39212/Hinds	9.9	+0.61
39203/Hinds	7.7	-17.89
39056/Hinds	4.4	+5.22
39204/Hinds	3.3	-9.68
39272/Hinds	2.2	+52.73
39211/Hinds	2.2	-2.69
39202/Hinds	2.2	-10.98

HCN&RC has family members who are responsible for their love one at the facility; however, the family members live in a specific zip code area and zip codes outside Hinds County. The applicant asserts that the above chart excludes those categories of zip codes and the total is less than 2%. The application contains a map which demonstrates where in Hinds County HCN&RC's patients and residents originate from.

Staff was unable to verify the population in the above zip-codes the applicant reported in the CON application. The applicant indicates the above table shows where their residents/patients are coming from or have come from by zip-code. However, 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.

Hinds County Nursing and Rehabilitation Center, LLC states that it is not leaving its residents and patients or the residents who live in zip code 39213 without accessible nursing home care. HCN&RC is relocating within its service area within Hinds County and will continue to serve those areas. Accessibility to care and population growth have been addressed previously regarding the proposed relocation site. Also, the applicant asserts that based on the Department's most recent published information, Cottage Grove Nursing Home is less than four driving miles away from HCN&RC's current location and it has an average of 21 beds vacant on a daily basis.

According to the 2010 *Report on Institutions for the Aged or Infirm*, Cottage Grove Nursing Home (120 bed capacity) is located in North Jackson and had an occupancy rate of 82.2% for FY 2010. Magnolia Senior Care (60 bed capacity) is located in Northwest Jackson and had an occupancy rate of 94.62% for FY 2010. Both nursing home facilities are in close proximity to Hinds County Nursing & Rehabilitation Center's current location (see Attachment 3).

The applicant believes that the relocation of the nursing home to a new building in Byram, which will be within HCN&RC's service area, will have no adverse impact on the population currently served. Indeed, the proposed project will have a significant beneficial impact on such population by offering enhanced services in a state-of-the-art-facility, relocating in a safer environment, and providing easy convenient access via Interstate 55.

Current and projected Utilization of Like Facilities in the Area: The applicant states that the proposed project does not involve the establishment of a new service; and does not contemplate the addition of any facility, service or beds. HCN&RC is currently operating and providing skilled nursing home care and long-term nursing home care in Hinds County. Hinds County Nursing & Rehabilitation Center is proposing to relocate not only within Hinds County but also within its 15-miles radius service area.

The applicant submits that according to the 2010 *Report on Institutions for the Aged or Infirm* the average occupancy rate of all fourteen (14) nursing home facilities in Hinds County is 92.27%. The average occupancy rate excludes the Mississippi State Veterans Home, which has an occupancy rate of 92.36% and is not included by the Department planning process. The applicant states that the average occupancy rate of the four (4) facilities located in Rankin County and in Copiah County that will be in HCN&RC's 15-mile radius service area after its relocation is 93.64% and the average occupancy rate of all eighteen (18) of the facilities is 92.47%.

Hinds County Nursing & Rehabilitation states that the 2012 *State Health Plan* indicates a need for 68 additional beds in Hinds County by the Year 2015. When Community Place relocates to Rankin County, that number of needed additional beds will rise to 128 nursing home beds.

Probable Effect on Existing Facilities in the Area: The applicant states that it used the 15-mile radius benchmark utilized by the nursing home industry for a nursing home's service area. The applicant states that included in its new service area are all of the nursing homes in Hinds County, three (3) nursing homes in Rankin County and one in Copiah County. HCN&RC indicates that the 2010 *Report on Institutions for the Aged or Infirm* shows the occupancy rates of the referenced nursing home facilities (thirteen (13) currently located in Hinds County (excluding

HCN&RC and Mississippi State Veterans Home) is 93.60%. The average occupancy rate of the referenced four nursing home facilities in Copiah and Rankin Counties is 93.64% and the average occupancy rate of all seventeen (17) of these facilities that will be in HCN&RC's service area is 93.61%.

The applicant asserts that the occupancy rates of the referenced facilities that will be in HCN&RC's 15-mile radius service area are operating at a very high level of occupancy. All of those facilities except one are operating in excess of 91% occupancy with six (6) of the nursing homes operating in excess of 95% occupancy. Hinds County Nursing & Rehabilitation Center asserts that as of April 2012, all or most of its 91 current residents will be transferred to the new facilities in Byram and will continue as residents of HCN&RC after its relocation. The applicant indicates that there will be only approximately 28 vacant beds at the time of the opening of the proposed Byram facility.

The applicant asserts that because HCN&RC estimates that it will have an average daily census of 101 during its first year of operation, it will need an average increase in its average daily census of only 10 residents or patients to meet that projection. With a total average daily census of 1441.56 residents/patients among the seventeen (17) nursing homes in HCN&RC's service area any impact on the existing facilities will be minimal and insignificant. The applicant believes that given the growth in the elderly population in Hinds County, the impact to those facilities would be an average of 0.59 patients per day per facility (10 divided by 17 = 0.59).

Based on the 2010 U.S. Census data, Hinds County Nursing & Rehabilitation Center indicates that persons 65 years and over in Hinds County have increased from a projected population of 26,551 in 2010 (10.82% of the Hinds County population) to 35,993 for 2015 (14.37% of the Hinds County population) and 42,576 for 2020 (16.95% of the Hinds County population), respectively.

The applicant states that considering the occupancy rates and average daily census of the seventeen (17) facilities that are located in HCN&RC's new service area, the changing demographics of Hinds County, the dramatic increase in the Hinds County population of persons age 65 years and older, and the need of HCN&RC to increase its average daily census by only 10 residents during its first year of operation in order to meet its projected average daily census, the applicant believes demonstrates that this proposed project will have no adverse impact on any of the existing facilities within Hinds County or within HCN&RC's service area. HCN&RC states that any impact will be a beneficial one for the proposed project.

Community Reaction: The application contains copies of letters of support from the following: 69 letters of support from residents, family members and friends of residents; the Mayor of Byram, Mississippi; Chief of the Byram Fire Department; and twenty-three (23) letters from the staff of HCN&RC for the proposed project. According to the applicant, the names of the 69 letters of support from residents, family members and friends of residents contained in the proposed application were redacted from the letters of support because HCN&RC's compliance with Health Insurance Portability and Accountability Act (HIPAA) for the proposed project. However, Hinds County Nursing & Rehabilitation Center's first submission was 69 redacted letters of support from resident, family members and friends of residents. After legal evaluation of the letters, the applicant submitted the following on July 17, 2012: 26 signed signature letters of support from residents, 26 signed signature letters of support from relatives, and 17 unsigned letters of support from relatives for the proposed project. The endorsement letters support the fact that the proposed new facility is going to be a state-of-the-art facility and will provide more nursing homes services efficiently.

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

The applicant asserts that the ultimate goal of the proposed project is to create a viable 119-bed facility that will improve the quality of life of nursing home residents and patients at HCN&RC. By creating a home-like setting and providing specialized care, patients will be able to achieve their highest level of independence with the possible prospect of returning to their homes.

Hinds County Nursing & Rehabilitation Center, LLC's proposed application contains the following evidence to support how the conditions of its current facility is becoming functionally/structurally obsolete due to the design/layout of the building and the advantages of constructing a new facility in Byram:

Architect's Observation Report

The application contains a March 29, 2012 Observation Report from the project's architect, Stephen L. Jordan, an architect of Fayetteville, AR. The architect recognizes the "pros and cons" of renovating the current facility. In this case, the negative aspects of completing renovations far outweigh any positive outcomes. The architect's final analysis asserts that obvious problems exist throughout HCN&RC's facility. The architect states it would be totally impractical and cost prohibitive to renovate and/or modify the existing building to meet current accessibility, life safety, and energy efficiency standards. See application for more details regarding the architect's observation report for the proposed project.

Engineer's Inspection Report

The application contains an Engineer Inspection Report dated March 14, 2012 from Alford and Associates Consulting Engineers of Byram, Mississippi. The proposed project's engineer assessed the advantages of Hinds County Nursing & Rehabilitation moving to a new location. The engineer's final analysis asserts that considering the age (34 years) of HCN&RC, the engineer determined that major general renovations will soon be required to upgrade the facility to a more modern level of healthcare. The engineer also states the extent and resulting cost of such improvements would need to comply to and be compared against the cost of a new facility. The engineer also states the renovation cost for a multi-story building will be relatively high compared to a single level structure and the nursing home facility would be better served with a new single story facility. In this situation, the engineer believes that a new nursing home replacement facility will provide much better access to all areas and services as well as provide a higher level of healthcare. If the relocation/replacement project is approved, the engineer asserts that if the current facility is relocated out of a flood zone into a non-flood zone area, the applicant will be able to expand the facility in the future. See application for more details regarding the engineer's inspection report for the proposed project.

Alzheimer's Association's 2012 Special Report

The applicant asserts that it is currently caring for residents with Alzheimer's and other dementia diseases. However, the building currently housing HCN&RC cannot be modified or renovated to provide a specialized unit recommended for persons with Alzheimer's and dementia disease. According to the Alzheimer's Association's Disease Facts and Figures Report, the need for specialized Alzheimer's/dementia care is already high and will increase in coming years.

Map of Current Location, Photographs of Area Surrounding Current Site, Photographs of Current Therapy Area, and Photograph of Patio at Current Site (copies are contained in the application).

Hinds County Nursing & Rehabilitation Center indicates that the area immediately surrounding the building currently housing HCN&RC experiences a high number of dangerous major crimes. The crime issue poses a risk to residents, their visiting family members, friends and staff members of HCN&RC who come/go from the facility on a daily basis and during shift changes. During the time period of January 2, 2012 to March 18, 2012, there were many reported major crimes that occurred in the area surrounding the current location of HCN&RC.

HCN&RC is located on a 3.446 acre parcel, much of which is land locked, and in a flood zone. The 3.446 acre parcel has very little space for any expansion and with only an access easement to the building. The current

building housing HCN&RC is located directly behind a large abandoned industrial complex, including a demolished industrial plant that now consists of piles of debris. The current site of HCN&RC is located essentially equal distances from Interstate 220, Interstate 55 and Interstate 20. To get to the current site one generally must proceed on heavily traveled roads and through many traffic lights.

The applicant asserts that currently the residents rely on elevators to transport patients from one floor to the other. The building is three stories with two patient care floors located on the second and third floors. It would be a great asset to have all of its patient rooms on one floor with dedicated units. Not only does the multi-level building present everyday problems, it also subjects the residents, patients and staff to risks, in the event of an emergency, that are not associated with a one-story structure. Because of the configuration of the building currently housing HCN&RC, there is a concern regarding how quickly an emergency requiring evacuation can be addressed.

The applicant provides a letter of support from the occupational therapy clinician of HCN&RC's rehabilitation department and the letter asserts that the current building housing HCN&RC does not have adequate space in its therapy room to provide the best therapy for skilled nursing home patients who need specialized areas in order to reach their greater level of independence. Also, the outdoor space for HCN&RC's residents at its current building is limited to one small covered patio. These problems indicate that there is no available space. Thus, much of the building currently housing HCN&RC is no longer in full compliance with the State's minimum standards, accessibility codes and other relevant codes.

Service Area at New Site, Map of Byram Site, and Photographs of New Site (copies are contained in the application).

The applicant states that the new building will house HCN&RC and will provide a spacious, homelike environment that is conducive to providing services with long-term nursing care, skilled/rehabilitative nursing care, and special Alzheimer's/dementia patient care.

Hinds County Nursing & Rehabilitation Center asserts that according to information derived from the 2010 US Census, Census Tract 11 in Jackson, where HCN&RC is currently located, shows a 21% decrease in population since 2000, and Census Tract 11103, where HCN&RC plans to relocate, shows a 79% increase in population since 2000.

Hinds County Nursing & Rehabilitation Center asserts that the Byram site is located in an area that is not experiencing the level of major crime that the area surrounding the current building is experiencing. The application contains evidence from the Byram Police Department and it shows that the area where HCN&RC will be relocated is not a high crime area. From

January 1, 2012 to April 18, 2012, there were no reported major crimes that occurred in the area surrounding the new Byram location. The new location will provide a safer environment for HCN&RC's residents, their families and friends and for HCN&RC's staff members, especially those who change shifts at 11:00pm. The applicant states the families and friends of the residents will be able to visit a site that is virtually crime free. Thus, the new site will encourage family and friends to visit before and after dark on any given day. Also, HCN&RC's staff will be in a much safer environment when they have to change shifts late at night.

The new location is in close proximity to the site of the new Byram fire department a situation that will greatly enhance the safety of HCN&RC's residents not only in the case of fire but also in the event of an immediate need for paramedics/emergency medical services arises.

The proposed new location is not in a flood zone, not near the main line of a railroad, and is not in the proximity of an airport. The relocation of the facility to Byram will provide a much quieter and dust-free environment and will be sited in a location that is in compliance with the Minimum Standards. As previously mentioned, the Mississippi State Department of Health, Division of Health Facilities Licensure and Certification finds the site to be acceptable for the proposed project.

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 existing facility/services and will have access to the proposed facility/services.

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	Charity Care/Bad Debt (%)	Dollar Amount
Historical Year 2010	7.60%	\$626,195
Historical Year 2011	4.69%	\$380,205
Projected Year 1	3.70%	\$387,186
Projected Year 2	3.74%	\$414,479

The applicant states that virtually all residents and patients in a skilled nursing facility are qualified to receive Medicare or Medicaid. The applicant asserts that Hinds County Nursing & Rehabilitation Center does not separate its charity care, medically indigent care and bad debt patients. According to the applicant, HCN&RC estimates and forecasts that approximately 3.7 percent of its gross patient revenue will be

attributable to medically indigent/charity care/bad debt during its first year of operation in the new building. HCN&RC is committed to meeting the needs of the community. No restrictions or advantages will be placed on care based on payor source, race, creed, national origin, or disability.

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

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 it is proposing to relocate 119 existing beds/services from its current location in Northwest Jackson, Mississippi within Zip Code 39213 to Byram, Mississippi within Zip Code 39272. As previously mentioned, under GR Criterion 5 – regarding Need for the proposed project, the applicant evaluated various factors to arrive at replacing and relocating HCN&RC. The applicant believes HCN&RC has provided data and information to demonstrate that the proposed project is necessary and will have no adverse impact on any of the existing facilities within Hinds County or within HCN&RC's service area because the existing facilities are operating at an average occupancy rate of 93.61%. The only nursing home facility with an occupancy rate under 91% is Cottage Grove Nursing Home, which is the nursing home that is closest to HCN&RC's current site. There will be no new beds added to Hinds County, LTCPD III or the State. Although the dramatic increase in the aging population in Hinds County and the number of persons suffering from Alzheimer's disease and other types of dementia is significantly on the rise. HCN&RC believes the project will serve to enhance the care needed by those within the service area and that the project will have no adverse impact on any of the existing facilities within Hinds County or within HCN&RC's service area.

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

GR Criterion 9 - Availability of Resources

The applicant projects an addition of 11 fulltime equivalent (FTE) personnel for the proposed project at an annual cost of \$250,391. Hinds County Nursing & Rehabilitation Center, LLC asserts that it will retain its current staff and will need to employ 11 additional fulltime employees due to projected increased occupancy in year one (1) of operation for the proposed project. The individual staff members at HCN&RC have overwhelmingly given their support to this project, and HCN&RC anticipates that it will not lose any of its employees as a result of the proposed relocation within its service area.

The applicant states that Hinds County Nursing and Rehabilitation Center, LLC will utilize normal recruiting practices to fill any vacant positions at the facility and will select persons best suited to those positions. To recruit persons for various positions, the applicant will place ads in local newspapers and other publications to assist in the recruiting efforts. Special efforts will also be made to work with the area's institutions of higher learning to recruit skilled personnel.

GR Criterion 10 - Relationship to Ancillary or Support Services

According to the applicant, HCNRC currently has in place agreement with seven (7) 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 \$135.59 per square foot. The *RSMeans Building Construction Cost Data, 2012 Edition* shows the cost per square foot for new construction of a nursing home ranges from \$114 to \$181. The cost of the project is below the median range of \$147 for the new construction of nursing homes. The applicant's cost per bed of \$81,099 is above the median range cost of \$63,500 for nursing homes as listed in the above mentioned publication.

GR Criterion 16 - Quality of Care

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

Hinds County Nursing & Rehabilitation Center, LLC asserts that it is committed to its residents and patients and has an excellent record regarding the quality of care it delivers to patients and residents. Their record is reported in the US News and World Report and the facility is listed as one of the best nursing homes in the nation for 2012. It also received a Five Star Quality Rating (the highest rating) award from the Centers for Medicare and Medicaid Services (CMS). The application contains a copy of the Five State Rating from the Center for Medicare and Medicaid Services (CMS).

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Estimate Cost	% of the Total
Construction Cost –New	\$ 7,622,500	78.98%
Construction Cost-Renovation	0	0
Capital Improvements, i.e. (minor painting and repairs, refurbishing)	0	0
Total Fixed Equipment Cost	0	0
Total Non-Fixed Equipment Cost	600,000	6.2%
Land Cost	425,962	4.4%
Site Preparation Cost	38,500	0.4%
Fees (Legal and Accounting)	200,000	2.07%
Contingency Reserve	391,125	4.0%
Capitalized Interest	233,111	2.4%
Other Cost (pre construction land interest)	124,600	1.29%
Legal and accounting fees	15,000	0.16%
TOTAL PROPOSED CAPITAL EXPENDITURE	\$9,650,798	99.9%

The specifics on constructing a 62,580 square foot replacement skilled nursing home facility for Hinds County Nursing & Rehabilitation Center, LLC are listed under **GR Criterion 14 – Construction Projects** within this staff analysis. Based on the numbers provided by the applicant and the new construction formula listed in the CON Manual, staff contends it

will cost \$135.59 per square foot to complete the project (see Attachment 2). The median range for construction costs associated with a nursing home facility and the cost per bed relating to the median range cost for nursing homes is also discussed under **GR Criterion 14 – Construction Projects**.

B. Method of Financing

As previously mentioned, the applicant proposes to finance 96% (\$9,240,000) of the proposed capital expenditure through a commercial loan with Trustmark National Bank, Jackson, and 4% (\$410,798) by equity contribution by the owner.

C. Effects on Operating Costs

The applicant projects gross revenues of \$10,468,652, \$11,092,820, and \$11,517,940, the first, second, and third year of operation, respectively; and expenses of \$7,515,923, \$7,727,959, and \$7,946,780. Also, net income for the first three years of operation is as follows: \$100,555, \$315,290, and \$376,326. Utilization, cost, and charges are included in the applicant’s Three-Year Projected Operating Statement (see Attachment 1).

D. Cost to Medicaid/Medicare

Based on the applicant’s projections, HCN&RC provides the following revenue source projections for each payor category listed below:

Payor	Utilization Percentage	First Year Revenue
Medicaid	52.00%	\$ 5,483,439
Medicare	47.00%	\$ 4,879,562
Self Pay	1.00%	\$ 105,651
Other	-0-%	-0-
Charity Care	-0-%	-0-
Total	100.00%	<u>\$10,468,652</u>
HCN&RC projects 3.7% percent for medically indigent/charity care/bad debt of gross patient revenues, for year one of operation for the proposed project.		

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application and the Department received written comments from the agency. The correspondence indicates that the proposed project is expected to increase cost to the Division of Medicaid. The Division of Medicaid opposes the project.

VI. CONCLUSION AND RECOMMENDATION

This project is 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.

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

Attachment 1
Hinds County Nursing & Rehabilitation Center, LLC
Construction/Relocation and Replacement Facility of
119 Nursing Home Beds/Services
Three-Year Projected Operating Statement (With Project)

	First Year	Second Year	Third Year
Revenue			
Inpatient Care Revenue	\$ 10,468,652	\$ 11,092,820	\$ 11,517,940
Outpatient Care Revenue	\$ -	\$ -	\$ -
Gross Patient Care Revenue	<u>\$ 10,468,652</u>	<u>\$ 11,092,820</u>	<u>\$ 11,517,940</u>
Charity Care	\$ 387,186	\$ 414,479	\$ 434,733
Deductions from Revenue	\$ 2,465,132	\$ 2,635,241	\$ 2,760,254
Net Patient Care Revenue	\$ 7,616,334	\$ 8,043,100	\$ 8,322,953
Other Operating Revenue	\$ 144	\$ 149	\$ 153
Total Operating Revenue	<u>\$ 7,616,478</u>	<u>\$ 8,043,249</u>	<u>\$ 8,323,106</u>
Operating Expense			
Salaries	\$ 2,579,889	\$ 2,662,445	\$ 2,747,644
Benefits	\$ 477,494	\$ 492,774	\$ 508,543
Supplies	\$ 862,675	\$ 890,281	\$ 918,770
Services	\$ 1,201,616	\$ 1,240,068	\$ 1,279,750
Lease	\$ 852,647	\$ 852,647	\$ 852,647
Depreciation	\$ 32,983	\$ 32,983	\$ 32,983
Interest	\$ 4,196	\$ 4,196	\$ 4,196
Other	\$ 1,504,423	\$ 1,504,423	\$ 1,602,247
Total Operating Expense	<u>\$ 7,515,923</u>	<u>\$ 7,727,959</u>	<u>\$ 7,946,780</u>
Net Operating Income (Loss)	<u>\$ 100,555</u>	<u>\$ 315,290</u>	<u>\$ 376,326</u>
Inpatient days	36,865	38,690	39,785
Charge per inpatient day	\$ 284	\$ 287	\$ 290
Cost per inpatient day	\$ 204	\$ 200	\$ 200

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

	<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>
A	New Construction Cost	\$7,622,500	\$7,622,500
B	Renovation Cost	\$0	
C	Total Fixed Equipment Cost	\$0	
	Total Non-Fixed Equipment Cost	\$600,000	
	Capital Improvement	\$0	
	Land Cost	\$425,962	
D	Site Preparation Cost	\$38,500	\$38,500
E	Fees (Architectural, Consultant, etc.)	\$200,000	\$200,000
F	Contingency Reserve	\$391,125	\$391,125
G	Capitalized Interest	\$233,111	\$233,111
	Other Cost (finance costs)	\$124,600	\$0
	Legal and accounting fees	\$15,000	\$0
	Total Proposed Capital Expenditure	\$9,650,798	\$8,485,236
	Square Footage	62,580	62,580
	Allocation Percent		100.00%
	Costs Less Land, Non-Fixed Equipment, Capital Improvement & Others	\$8,485,236	\$8,485,236
	Cost Per Square Foot	\$135.59	\$135.59

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

**ATTACHMENT 3
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