

**DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
AUGUST 2006**

**CON REVIEW: NH-RLS-0606-016
PENSACOLA HEALTH TRUST, INC. D/B/A MIRAMAR LODGE NURSING HOME
REPLACEMENT AND RELOCATION OF 60 NURSING HOME BEDS WITHIN HARRISON COUNTY
CAPITAL EXPENDITURE: \$152,873
LOCATION: GULFPORT, MISSISSIPPI
COUNTY: HARRISON COUNTY, LONG-TERM CARE PLANNING DISTRICT IV**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Pensacola Health Trust, Inc. d/b/a Miramar Lodge Nursing Home (Miramar) is a licensed 180-bed long-term care nursing home. Miramar is owned and operated by Pensacola Health Trust, Inc., a Mississippi corporation authorized to do business in the state. The officers and directors of Pensacola Health Trust, Inc. are:

- Scott Bell, President
- Dana Foster, Secretary
- John Tolan, Treasurer

Miramar is certified for participation in the Medicare and Medicaid programs.

B. Project Description

Pensacola Health Trust, Inc. d/b/a Miramar Lodge Nursing Home is requesting Certificate of Need (CON) authority to relocate 60 of Miramar's existing 180 licensed beds that were destroyed by Hurricane Katrina from its facility in Pass Christian, Harrison County, Mississippi, to the campus of The Boyington, a 120-bed nursing facility in Gulfport, Harrison County. The applicant states that since both facilities are located in Harrison County, the beds will remain in the county. Both facilities are owned and operated by Pensacola Health Trust, Inc., which holds the license for both facilities. The Boyington has the existing space available on its campus to accommodate 60 additional skilled nursing home beds.

According to the applicant, due to the destruction of the Miramar facility by Hurricane Katrina, there is no existing building space at the location. The applicant has not yet determined the best and most appropriate use of the Miramar property.

The total proposed capital expenditure of \$152,873 is for the purchase of non-fixed equipment (100 percent). (See capital expenditure summary, page 6). The applicant proposes to finance the project from cash reserves. The applicant states that there is no construction and/or renovation associated with the proposed project.

According to the applicant, the capital expenditure will be obligated and the related beds will commence operation within thirty (30) to ninety (90) days following CON approval.

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

II. TYPE OF REVIEW REQUIRED

This project is reviewed in accordance with Sections 41-7-191, subparagraphs (1)(b) and (e), Mississippi Code of 1972, Annotated, as amended, and duly adopted rules, procedures, plans, criteria and standards of the Mississippi Department of Health, and 41-7-193, Mississippi Code of 1972, as amended.

In accordance with Section 41-7-197(2), of the Mississippi Code 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 September 5, 2006.

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

A. State Health Plan

The *FY 2006 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 prevent unnecessary duplication of health resources
- To provide cost containment
- To improve the health of Mississippi residents
- To increase the accessibility, acceptability, continuity, and quality of health services".

This 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, 2000 Revision*, addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with general review criteria.

GR Criterion 1 – State Health Plan

The applicant asserts that the proposed project will provide high quality and cost effective care and services to meet the needs of the elderly in Harrison County. According to the applicant, the project is in full compliance with all criteria, standards and policies of the *FY 2006 State Health Plan*.

GR Criterion 2 - Long Range Plan

According to the applicant, the proposed project is within the long range plan of Pensacola Health Trust, Inc. to provide high quality facilities and services to residents seeking long term care. The project outlined in the application is a central and critical component of the applicant's long range goals and mission to serve the residents of Harrison County and the surrounding area.

GR Criterion 3 – Availability of Alternatives

The applicant asserts that following the destruction of the Miramar facility by Hurricane Katrina, the applicant considered several alternatives for the replacement of the existing 180 licensed nursing facility beds.

The applicant considered the following alternatives before developing the proposed project:

1. Option one would be to rebuild the Miramar facility at its current location.
2. The second option was to construct a new 180-bed facility at another location within Harrison County.
3. The third option was to relocate 60 of the 180 Miramar beds to The Boyington, and place the remaining 120 Miramar beds in abeyance, pending final determination of the location and plans for constructing the remaining 120 beds.

The applicant indicates that after assessing the above options, Miramar determined that the most cost-effective and desirable alternative was to relocate 60 beds to the campus of The Boyington facility. The applicant believes that this option will enable the nursing home beds to be placed back into operation at the earliest possible time, with a minimum capital investment.

The applicant asserts that the proposal is in the best interests of community health care needs. Prior to Hurricane Katrina, there was already a shortage of nursing home beds within Harrison County. After the storm, that need for operational beds has grown, due to the destruction and displacement of nursing facilities within the county. This proposal will enable the residents of Harrison County and surrounding communities to have access to the nursing facility beds at the earliest possible time.

GR Criterion 4 - Economic Viability

The applicant projects net incomes from operation to be \$381,744 the first year, \$1,089,540 the second year, and \$1,133,061 the third year after completion of this project.

- a. **Proposed Charges:** The applicant projects a cost of \$144.55 per patient day and a proposed charge of \$192.68 for year one, which are comparable to other long-term care providers in Harrison County. The applicant states that it has extensive experience with Medicare and Medicaid reimbursement of nursing facilities in Mississippi, and believes that its proposed charges and profit-loss projections are reasonable and consistent with the experience of comparable facilities.
- b. **Projected Levels of Utilization:** The applicant projects an occupancy rate of 87.30 percent during the first, 97.22 percent for the second and third years of operation, respectively, which are reasonably consistent with the statewide utilization of 88 percent in 2006.
- c. **Financial Feasibility Study:** The capital expenditure for this project is \$152,873; therefore, a feasibility study is not required for this project since the capital expenditure does not exceed \$2,000,000.

GR Criterion 5 - Need for the Project

- a. **Underserved Populations:** According to the applicant, the facility will not have policies or procedures which would exclude patients because of race, age, sex, ethnicity or ability to pay.
- b. **Relocation of Services:** In 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.

This application proposes the relocation of nursing home beds within Harrison County. The 60 nursing home beds of Miramar which are proposed to be relocated were highly utilized prior to the destruction of the Miramar Lodge Nursing Home, and will likely experience high utilization following the relocation of the beds to The Boyington facility.

- c. **Current and Projected Utilization of Like Facilities in the Area:** According to the applicant, the utilization of Miramar Lodge Nursing Home was 86.68 percent in 2005. The applicant's projected utilization is 87.30 percent the first year for the proposed 60-bed relocation facility.

The occupancy rates of other nursing homes in Harrison County range between 49.77 percent and 99.73 percent.

- d. **Probable Effect on Existing Facilities in the area:** According to Miramar Lodge Nursing Home, the proposed replacement and relocation of 60 nursing home beds which were operational prior to Hurricane Katrina will not result in an increase in authorized nursing home beds within Harrison County. The applicant believes that the project will enhance the existing health care system within Harrison County, and will not adversely impact any other provider in LTCPD IV and Harrison County, Mississippi.
- e. **Community Reaction:** The application contains five (5) letters of support for the proposed project.

GR Criterion 6 - Access to the Facility or Service

- a. **Medically Underserved:** The applicant asserts that it will provide a reasonable amount of indigent/charity care. The Boyington is currently certified for participation in both the Medicare and Medicaid programs. The proposed 60 nursing home beds to be replaced and relocated were Medicare and Medicaid certified when operational at the Miramar facility. They will also be certified for both Medicare and Medicaid participation when operational at The Boyington.
- b. **Performance in Meeting Federal Obligation:** Miramar indicates that the facility has no existing obligations under any federal regulations requiring provision of uncompensated care, community service, or access by minority/handicapped persons.
- c. **Unmet Needs to be served by Applicant:** According to the applicant, The Boyington is certified for Medicare and Medicaid participation. As a result, The Boyington will be able to meet the needs of Medicare and Medicaid beneficiaries with respect to the offering of long-term care services in the area.

- d. **Range of Access:** As previously mentioned, the facility shall not have policies or procedures which would exclude patients because of race, age, sex, ethnicity or ability to pay.

GR Criterion 7 - Information Requirement

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

GR Criterion 8 - Relationship to Existing Health Care System

The relocation of 60 nursing home beds from Miramar Lodge Nursing Home to The Boyington will provide the Harrison County community with greater choices and options for quality long-term services in Harrison County, and Long-Term Care Planning District IV. The proposed project does not propose to add new long-term care beds to LTCPD IV, only to relocate 60 existing nursing home beds within the Planning District and county.

Pensacola Health Trust, Inc. d/b/a Miramar Lodge Nursing Home asserts that the proposed replacement and relocation of 60 existing nursing home beds which were operational prior to Hurricane Katrina will not result in an increase in licensed nursing home beds within Harrison County. The applicant believes that the proposal will enhance the existing health care system within Harrison County, and will not adversely impact any other provider.

The application received no letters of opposition for the proposed project.

GR Criterion 9 - Availability of Resources

According to the applicant, the project involves the addition of 45 full-time equivalent personnel at an estimated annual cost of \$1,417,721. The applicant states that it has access to the resources and personnel necessary to staff the proposed project. The applicant will recruit personnel both locally and through the recruiting resources of Delta Health Group, Inc.

GR Criterion 10 – Relationship to Ancillary or Support Services

The applicant asserts that all necessary support and ancillary services for the proposed project are available. The Boyington will expand its current provision of such services to accommodate the addition of 60 nursing home beds.

GR Criterion 16 - Quality of Care

The proposal will replace and relocate 60 nursing home beds from Miramar Lodge Nursing Home to The Boyington. The Boyington is licensed by the Mississippi Department of Health and is certified for participation in Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Cost Item	Projected Cost	Percent
Non-Fixed Equipment Cost	<u>\$ 152,873</u>	<u>100%</u>
Total Capital Expenditure	\$ 152,873	100%

The above estimated proposed capital expenditure of \$152,873 is for the purchase of non-fixed equipment.

B. Method of Financing

The applicant proposed to fund the project from cash reserves.

C. Effect on Operating Cost

Pensacola Health Trust, Inc. d/b/a Miramar Lodge Nursing Home projects the following expenses, revenues, and utilization for the first three years of operation:

**Miramar Lodge Nursing Home
 Three-Year Operating Statement**

	Year 1	Year 2	Year 3
Revenues			
Gross Patient Rev.	\$ 3,683,840	\$ 4,792,450	\$ 4,984,148
Deductions 1.05%	\$ (541,803)	\$ (694,453)	\$ (722,231)
Other Revenues	\$ 3,295	\$ 3,821	\$ 3,974
Net Pt. Revenue	\$ 3,145,332	\$ 4,101,818	\$ 4,265,891
Expenses			
Nursing General	\$ 87,536	\$ 108,572	\$ 112,915
Nursing Certified	\$ 1,707,384	\$ 1,738,966	\$ 1,808,525
Ancillary	\$ 350,710	\$ 450,602	\$ 468,626
Dietary	\$ 172,496	\$ 202,393	\$ 210,489
Laundry	\$ 22,395	\$ 25,407	\$ 26,463
Housekeeping	\$ 70,312	\$ 74,704	\$ 77,692
Activities	\$ 2,027	\$ 2,413	\$ 2,510
Social Services	\$ 45,594	\$ 46,860	\$ 48,734
Facility Admin.	\$ 247,846	\$ 307,270	\$ 319,561
Maintenance	\$ 57,288	\$ 55,111	\$ 57,315
Total Expenses	\$ 2,763,588	\$ 3,012,278	\$ 3,132,830
Net Income	\$ 381,744	\$ 1,089,540	\$ 1,133,061
Utilization			
Occupancy Rate (%)	87.30%	97.22%	97.22%
Patient Days*	19,119	21,291	21,291
Cost/Patient Day*	\$ 144.55	\$ 141.48	\$ 147.14
Charge/Patient Day*	\$ 192.68	\$ 225.09	\$ 234.10

*The proposed patient days, cost and charge per patient day were calculated by staff for the proposed project.

D. Cost to Medicaid/Medicare

Patient Mix by Type Payer	Utilization Percentage	First Year Expenses
Medicaid	59.24	\$1,637,150
Medicare	24.13	\$666,854
Other	<u>16.63</u>	<u>\$459,584</u>
TOTAL	<u>100.00</u>	<u>\$2,763,588</u>

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 expects to increase Medicaid expenditures by approximately \$3,757 annually based on a stable occupancy rate.

VI. **CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the overall objectives, as contained in the *FY 2006 State Health Plan*; the *Mississippi Certificate of Need Review Manual, Revised 2000*; and duly adopted rules, procedures and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Pensacola Health Trust, Inc. d/b/a Miramar Lodge Nursing Home for replacement and relocation of 60 nursing home beds within Harrison County.