

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
AUGUST 2002**

**CON REVIEW: NH-CB-0602-037
DELCO, INC. DBA GLEN OAKS NURSING HOME
CONSTRUCTION/ESTABLISHMENT OF A 60-BED NURSING HOME FACILITY
COUNTY: GEORGE, LTC PLANNING DISTRICT IV
CAPITAL EXPENDITURE: \$786,162
LOCATION: LUCEDALE, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Delco, Inc. dba Glen Oaks Nursing Home is a proprietary Mississippi Corporation formed on May 23, 1988. The existing governed board and executive committee members are as follows: Harold Beebe, Steve Delaney, and Becky Shelton.

Delco, Inc. dba Glen Oaks Nursing Home currently owns a 60-bed nursing home facility in George County, Mississippi.

B. Project Description

Delco, Inc. dba Glen Oaks Nursing Home requests Certificate of Need (CON) authority for construction/establishment of a 60-bed skilled nursing facility/addition to its existing nursing home facility in George County, Mississippi. The applicant indicates that the proposed 60-beds added to the existing facility would allow for a total of 120 nursing home clients. The proposed project would have shared spaces such as dietary, laundry, administrative and social in an effort to be the most cost-effective proposal for the State. The applicant intends to provide a continuum of care on additional property included in current site. The project will encompass a total of 15,036 square feet of new space to provide nursing, dining, social and patient room space for the new addition. The applicant asserts that Delco, Inc. would use traditional construction methods (concrete slab, wood frame and shingle roof) to project a homelike atmosphere. Landscaping would be provided for the proposed facility. The proposed nursing facility will be located at 55 Susanne Street, Lucedale, Mississippi 39452.

Applicant projects 57.5 full-time equivalents personnel at an estimated cost of \$694,597 the first year for the proposed nursing facility.

The total proposed capital expenditure is \$786,162, which is composed of the following: new construction - 95.28 percent, which includes site preparation - 3.37 percent, and fees - 1.33 percent. The applicant proposes to lease fixed and non-fixed equipment of the proposed project. The applicant proposes to finance the proposed project from accumulated cash reserves.

According to the applicant, upon CON approval the project would take twelve(12) months to complete. Prior to construction, plans will be reviewed by local, county, and State Department of Health officials.

The proposed site has been approved by the Division of Health Facilities Licensure and Certification, MSDH for the proposed project.

II. TYPE OF REVIEW REQUIRED

This application for the construction/establishment of 60 nursing facility beds is reviewed in accordance with Section 41-7-191, subparagraphs (1)(a) and (2)(q)(i),(q)(ii), (q)(iii), and (q)(iv), and (q)(v)of the Mississippi Code of 1972 Annotated, as amended, (Senate Bill 2679, 1999 Regular Legislative Session), and duly adopted rules, procedures, plans, criteria and standards of the Mississippi State Department of Health.

Senate Bill 2679 authorized the Mississippi Sate Department of Health to issue a Certificate of Need during the next four fiscal years for the construction or expansion of nursing facility beds in each county in the State having a need for 50 beds or more additional nursing facility beds, as shown in the *FY 1999 State Health Plan*. George County is one of the six counties authorized for additional beds during the year 2003. Other counties authorized within the State for additional beds during fiscal year 2003 are: Tallahatchie, Yalobusha, Monroe, Newton, and Covington.

The Department received three applications for the 60 beds authorized for George County. These applications were deemed complete on July 1, 2002, and entered into the July-September 2002 review cycle as competing applications. (See Attachment I for a listing of the competing applications).

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 September 4, 2002.

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

A. State Health Plan (SHP)

The *FY 1999 State Health Plan* addresses policy statements and specific criteria and standards which an applicant is required to meet before receiving CON authority to construct/establish nursing home beds. The proposed project is in substantial compliance with the policy statements and criteria and standards for these types of projects.

SHP Criterion 1 - Need

George County Hospital proposes to construct/establish a 60-bed nursing home facility in George County, which is in Long Term Care Planning District IV. The District as a whole shows a need for 1,404 more beds than the 5,335 existing/CON approved beds in LTCPD IV. Currently there is one existing nursing home facility located in George County. The *Plan* shows that George County has a need for 74 nursing home beds.

The 1999 Legislative Session, pursuant to Senate Bill 2679, authorized the approval of 60 nursing home beds in George County. The need for additional nursing home beds for the area has definitely been established by the *State Health Plan*.

SHP Criterion 2 - Facility Size

Delco, Inc. dba Glen Oaks Nursing Home proposes to construct a 60-bed facility/addition to its existing nursing home in LTC Planning District IV, George County. The applicant is in compliance with this criterion.

SHP Criterion 3 - Statistical Need/Competing Applications

This application competes with two other proposals for the 60-bed nursing facility in LTC Planning District IV. (See Attachment 1). George County shows a statistical need for 74 beds. The *Plan* shows a need for 1,404 additional long term care beds in LTCPD IV. In Planning District IV, there are currently 5,335 existing or approved nursing home beds.

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

Chapter 8 of the Mississippi Certificate of Need Review Manual, 2000 revision, addresses general criteria by which all applications for Certificate of Need are reviewed. This application is in substantial compliance with applicable criteria.

GR Criterion 3 - Availability of Alternatives

The applicant believes that the proposed project is the best alternative because the current site allows for the addition without the need to purchase land. The site is presently well prepared and would save State dollars, and the applicant is currently near the George County Hospital and local physicians which will better serve the potential residents/clients.

GR Criterion 4 - Economic Viability

Based on the operation projections provided by the applicant, this appears to be an economically viable project. Financial projections in the application reflect net incomes of \$268,390 the first year, \$369,384 the second year and \$341,568 the third year of operation of the proposed project.

The applicant indicates that Delco/Glen Oaks currently has reserves to self-fund the construction of the 60-bed nursing home. Additionally, Trustmark National Bank would be willing to loan start-up capital for the proposal.

GR Criterion 5 - Need for Project

Applicant states that the proposed facility will not discriminate against any underserved groups. The applicant asserts that Delco/Glen Oaks will make every effort to serve all parties.

The *Plan* indicates that 1,404 additional long term care beds are needed in LTCPD IV. Furthermore, 74 nursing home beds are needed in George County.

The applicant indicates that the proposed project will be very cost-effective by the synergy provided from the existing facility and the expanded 60-beds in one campus. Delco/Glen Oaks believes that the proposal to locate in Lucedale will best serve the residents by being near the medical centers, doctor's offices and related suppliers.

According to the applicant, the project's final objectives would enhance services to George County and LTCPD IV; and will allow residents in southeast Mississippi to receive quality care in their community, near their family and loved ones.

The applicant believes that failure to implement the proposed project would force potential clients to seek services away from their community.

The applicant received numerous letters of support/comments from community members of the area for the proposed project.

GR Criterion 6 - Accessibility

The applicant submits that all patients will be admitted and given service without regard to age, ethnic background or other conditions. Delco/Glen Oaks has a nondiscrimination policy for its admission criteria. The facility will be accessible for all clients. Delco/Glen Oaks currently serves Medicare and Medicaid recipients. The proposed project would be certified for both Medicare and Medicaid programs.

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 State Department of Health within 15 business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

There is one existing nursing home located in George County. The proposed long term care facility will be located in District IV, George County. According to the Plan, currently there are 5,335 existing/CON approved nursing home beds in District IV. The location of the site is George County where there is a need for 74 nursing home beds.

The applicant asserts that the citizens of George County and LTCPD IV would benefit from having skilled nursing home beds located close to their home. The applicant believes that the proposed project will strengthen healthcare delivery for the area.

GR Criterion 9 - Availability of Resources

The applicant asserts that Delco/Glen Oaks currently has a medical director and other physicians who service the current residents of the facility. Glen Oaks is well staffed. The facility would use local publications, attend job fairs, and recruit at area Vo-tech schools for additional employees. The facility currently trains certified nursing aides.

GR Criterion 15 - Competing Applications

See Attachment II for a comparative analysis on the three applications for the 60 nursing home beds in George County.

GR Criterion 16 - Quality of Care

The applicant currently owns and operates a 60-bed nursing home facility(**Glen Oaks Nursing Center**) in George County, Mississippi (LTCPD IV).

The applicant asserts that it enjoy a reputation for compassionate patient care at its exiting facilities operated by Delco, Inc. The applicant affirm that the residents will receive the necessary care and services for their well being.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

New Construction	\$749,124
Site Preparation	\$ 26,538
Fees (Architectural, Consultant, etc.)	\$ 10,500
Total Capital Expenditure	\$786,162

The above estimated capital expenditure is proposed for new construction of 15,036 square feet of space at a per square foot cost of \$52.28. The cost per bed is approximately \$13,102.70. The cost per bed is below the low range of cost for nursing homes as listed in MCCD 2002. According to MCCD 2002, the low range cost for nursing homes this size is \$31,000 per bed, and \$71.50 per square foot. Delco/Glen Oaks proposes to lease the fixed and non-fixed equipment of the project.

The applicant shows a per square foot cost of \$46.32. The applicant added allocated square foot of existing space of 1,936.69 for a total of 16,972.69 square feet. This is for current office and shared space. The applicant asserts that by utilizing existing services and common space the project is very affordable.

B. Method of Financing

Applicant states that the proposed project's capital expenditure of \$786,162 will be financed from accumulated cash reserves.

According to the applicant, Delco currently has cash reserves to self-fund the construction of the 60-bed nursing home. Additionally, Trustmark National Bank would be willing to loan start-up capital for the proposed project.

C. Effect on Operating Cost

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

Item	First Year	Second Year	Third Year
Nursing	\$ 612,651	\$ 773,744	\$ 804,413
Dietary	\$ 121,258	\$ 153,108	\$ 155,839
Housekeeping	\$ 39,160	\$ 53,292	\$ 55,423
Laundry	\$ 35,980	\$ 40,513	\$ 42,288
Pharmacy	\$ 56,866	\$ 71,066	\$ 73,908
Other Patient Services	\$ 217,610	\$ 287,986	\$ 299,505
Maintenance	\$ 71,388	\$ 86,534	\$ 89,996
Activities	\$ 12,232	\$ 12,963	\$ 13,482
Admin. & General	\$ 259,617	\$ 293,649	\$ 302,637
Lease	\$ 47,500	\$ 47,500	\$ 47,500
Depreciation	\$ 26,205	\$ 26,205	\$ 26,205
Interest	\$ 19,984	\$ 42,823	\$ 42,823
Total Operating Expenses	\$1,520,451	\$1,889,532	\$1,954,020

Revenue

Patient Rev.	\$1,788,841	\$2,258,916	\$ 2,295,588
Net Income	\$ 268,390	\$ 369,384	\$ 341,568

Utilization, Cost and Charges

Occupancy Rate (%)	78.68%	98.33%	98.33%
Patient Days	17,232	21,535	21,535
Cost/Patient Day	\$ 88.23	\$ 87.74	\$ 90.74
Charge/Patient Day	\$103.81	\$104.90	\$106.60

The applicant's projections appear to be realistic and comparable to other nursing homes of the same size.

D. Cost to Medicaid/Medicare

Based on Delco/Glen Oaks 's gross patient revenue projected in this project, the applicant projects the impact of the project on third party payers as follows for the first year:

Payor Mix	Utilization Percentage	Patient Days	Cost First Year
Medicaid	56	9,650	\$ 708,246
Medicare	22	3,791	\$ 765,444
Other Payers	22	3,791	\$ 315,151
Total	100	17,232	\$ 1,788,841

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid is not opposed to the approval of this application. According to the Division of Medicaid, the approval of this project is expected to increase Medicaid expenditures by approximately \$1,239,942 annually in total funds based on a stable occupancy rate. Medicaid projects the per diem rate to be \$102.95 for the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for nursing home beds as contained in the 1999 State Health Plan, the Mississippi Certificate of Need Review Manual, revised 2000, and all adopted rules, procedures and plans of the Mississippi State Department of Health.

The project also complies with Senate Bill 2679 of the 1999 Legislative Session, which authorized the Mississippi State Department of Health to issue a CON for the construction, or expansion of nursing facility beds or the conversion of other beds to nursing facility beds in each county in the state having a need for 50 beds or more additional nursing facility beds, as shown in the State Health Plan.

The MSDH received three applications requesting a Certificate of Need for all of the nursing home beds (60 long term care beds) for George County. All applications were deemed complete and entered into the July-September quarterly review cycle as competing applications.

All projects were found to be in substantial compliance with the projection of need. However, with competing applications, the Department must determine which applicant, if any, is the most appropriate applicant for providing the proposed nursing home bed/services. Based on comparative analysis prepared by the Department, staff has determined that the application submitted on behalf of George County Hospital is the most appropriate application to provide the proposed nursing facility services authorized by Senate Bill 2679 (See Attachment II). Approval of this application precludes approval of any other applications submitted by any other applicant.

Consequently, the Division of Health Planning and Resource Development recommends approval of the application submitted on behalf of George County Hospital and disapproval of the application submitted by Delco, Inc. dba Glen Oaks Nursing Home.

Attachment I

Competing Applicants for 60 Nursing Facility Beds for George County

CON REVIEW NH-CB-0602-036
George County Hospital, Lucedale
Establishment/Construction of a 60-Bed Nursing Home Facility
Capital Expenditure:\$390,000

CON REVIEW NH-CB-0602-037
Delco, Inc. dba Glen Oaks Nursing Home, Lucedale
Establishment/Construction of a 60-Bed Nursing Home Facility
Capital Expenditure:\$ 786,162

CON REVIEW NH-CB-0602-038
HTC Healthcare II, Inc. dba HTC Healthcare II, Inc., Lucedale
Establishment/Construction of a 60-Bed Nursing Home
Capital Expenditure:\$700,000

Attachment II
COMPARATIVE ANALYSIS
PROPOSED 60-BED NURSING FACILITIES
GEORGE COUNTY, MISSISSIPPI
(THIRD YEAR OF OPERATION)

		George Co. Hospital		Glen Oaks		HTC Healthcare, II Inc.
SIZE (sq. Ft.)	1	25,307	3	15,036	2	17,850
CAPITAL EXPENDITURE	1	\$369,000	3	\$786,162	2	\$700,000
COST/SQ. FT.	1	\$13.99	3	\$52.28	2	\$35.85
COST/BED (TOT.COST)	1	\$6,150	3	\$13,102.70	2	\$11,667
GROSS REVENUE		\$2,419,950		\$2,681,341		\$3,542,325
DEDUCTIONS		\$(341,213)		\$(385,753)		\$(217,715)
NET REVENUES		\$2,078,737		\$2,295,588		\$3,324,610
EXPENSES		\$1,936,901		\$1,954,020		\$3,211,546
NET INCOME		\$142,586		\$341,568		\$123,064
OCCUPANCY RATE		85%		98.33%		85%
PATIENT DAYS		18,615		21,535		18,615
COST/PATIENT DAY		\$104.05		\$90.74		\$172.52
CHARGE/PATIENT PAY		\$111.67		\$106.60		\$190.29
PERSONNEL REQUIRED	2	75.1	3	57.5	1	82.75
ANNUAL COST 1 st YEAR		\$931,892		\$694,597		\$1,497,850
MEDICAID UTILIZATION (%)		35%		56%		13.89%
MEDICARE UTILIZATION (%)	2	46%	3	22%	1	69.44%
PRIVATE PAY UTILIZATION (%)		19%		22%		16.67%
COST TO MEDICAID (1 st YEAR)	2	\$364,528	3	\$708,246	1	\$133,590
PER DIEM COST TO MEDICAID 1 st YEAR	1	\$69.50	3	\$73.72	2	\$73.20
CONTINUUM OF CARE (Yes/No)	1	Yes	1	Yes	1	Yes
SIGNED AGREEMENT	-1	Yes	-1	yes	-1	Yes
COMPOSITE SCORE	11		24		13	