

**DIVISION OF HEALTH PLANNING  
AND RESOURCE DEVELOPMENT  
JANUARY 2, 2019**

**CON REVIEW NH-RLS-1118-014  
2<sup>ND</sup> GENERATION HEALTHCARE, LLC D/B/A THE GROVE  
RELOCATION AND TRANSFER OF NURSING HOME BEDS  
CAPITAL EXPENDITURE: \$410,000  
LOCATION: COLUMBIA, MARION COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. APPLICANT INFORMATION**

The applicant, 2<sup>nd</sup> Generation Healthcare, LLC is a Mississippi Limited Liability Company located in Columbia, Mississippi and owned by Michael Bradshaw. The entity operates an 80-bed nursing home in Columbia, Mississippi – The Grove. According to the application, The Grove had an average occupancy rate of 97.9% for 2018. The nursing home is controlled and operated by two managers.

The application contains a Certificate of Good Standing signed by the Secretary of State, indicating that as of November 6, 2018, 2<sup>nd</sup> Generation Healthcare, LLC is in good standing with the State of Mississippi.

**B. PROJECT DESCRIPTION**

2<sup>nd</sup> Generation Healthcare, LLC d/b/a The Grove, (“The Grove”) requests certificate of need (CON) authority to relocate six (6) nursing home beds from Pearl River County Nursing Home (“PRCNH”) located in Poplarville, (Pearl River County), to its facility located in Columbia, Marion County. The Grove proposes to add the six (6) beds to its facility, bringing the bed complement at The Grove to eighty-six (86). Both Pearl River and Marion counties are located in Long Term Care Planning District (LTCPD) IV.

The application contains a purchase agreement between The Grove and PRCNH wherein The Grove agrees to purchase six (6) surplus nursing home beds from PRCNH for the sum of \$400,000. The applicant confirms that the \$10,000 for fixed equipment and the additional \$400,000 will be financed with a three (3) year mortgage at approximately a six percent (6%) interest rate. The applicant states that no construction or renovation will be needed for the project.

The applicant proposes to acquire 1.0 additional full time equivalent (FTE) personnel upon relocation of the beds at an estimated annual cost of \$20,303.00.

The applicant expects the capital expenditure will be obligated within three (3) months of CON approval and the project will be completed within three (3) months of CON approval.

The application contains a letter from the Mississippi State Department of Health, Division of Health Facilities Licensure and Certification, dated November 14, 2018, indicating that site approval is not necessary for the proposed project; since The Grove is currently an active nursing facility.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the relocation of health care facilities or portions thereof under the statutory requirements of Section 41-7-191, subparagraphs (1)(b), (c), 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 10 days of publication of the staff analysis. The opportunity to request a hearing expires January 14, 2019.

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

### A. State Health Plan (SHP)

The *FY 2018 Mississippi State Health Plan (MSHP)* contains policy statements, criteria and standards for the relocation/transfer of nursing home beds as proposed by this application. In addition, the *Plan* gives guidelines for all health planning in Mississippi.

The applicant acknowledges each of the policy statements contained in the *Plan*. The applicant indicates that the project will ensure that The Grove is able to more adequately address the needs of its residents and the surrounding community by increasing access to nursing home care beds while also maintaining continuity and quality of health services.

The applicant asserts that the project will not result in an unnecessary duplication of health resources as the beds are in the state's bed complement and The Grove is an operating facility. In addition, the applicant submits that the project has cost savings as The Grove already has the space for the six (6) bed addition without the need for renovation.

### **Need Criterion 1: Relocation/Transfer of Nursing Home Care Beds**

An applicant proposing to relocate/transfer a portion or all of an existing facility's nursing home care beds to another location shall document that

the relocation/transfer is within the current facility's long-term-care planning district.

The Grove proposes to relocate/transfer six (6) nursing home beds from PRCNH in Pearl River County to The Grove in Marion County. Both Pearl River and Marion counties are located in LTCPD IV.

**Need Criterion 2: Number of Beds to be Relocated/Transferred**

The Grove proposes to relocate/transfer six (6) nursing home beds from PRCNH in Pearl River County to The Grove in Marion County.

**Need Criterion 3: Alzheimer's/Dementia Care Unit**

The applicant states that this criterion is not applicable as it does not propose the relocation/transfer of nursing home beds in an Alzheimer's/Dementia Care Unit.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017 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 project was reviewed for consistency with the *FY 2018 State Health Plan* and the Department's rules and regulations.

**GR Criterion 2 - Long Range Plan**

The applicant submits that The Grove's long range plan is to provide residents in need of nursing home care with high quality, easily accessible nursing home beds in and around Marion County.

**GR Criterion 3 - Availability of Alternatives**

The applicant states that the only alternative was to not move forward with the relocation of nursing home beds; however, this would not solve the high occupancy rate at The Grove nor would it be the best option for those in need of nursing home care in the Marion County area.

The Grove believes that the relocation/transfer of six (6) beds to its facility will help ensure that The Grove meets the demand for nursing home care beds in the area. The applicant asserts that the project will not be an unnecessary duplication of beds and services as The Grove already has the space and capacity to handle the additional beds. In addition, the applicant states that patient care can continue fluidly without the

disruption that would have been caused by renovating or constructing a new space for the beds. The applicant believes that if approved, Marion County residents will have a better opportunity to receive care in a high quality facility located near family and friends.

#### **GR Criterion 4 - Economic Viability**

The applicant asserts that the proposed charges will follow the standard Medicare RUG schedule, the State Medicaid reimbursement schedule, and the Medicare Part B physician fee schedules. The applicant believes that each of these conforms to similar facilities in the area and the services provided will be in compliance with regulations for each payor source.

The three-year projected operating statement (WITH PROJECT) contained in the application indicates a net income of \$592,092 for the first year, \$643,743 for the second year, and \$695,467 for the third year of operation.

The applicant suggests that the proposed projected levels of utilization for The Grove is 93.71% for year 1, 96.50% for year 2 and 97.80% for year 3. The applicant asserts that the projected utilization is consistent with similar facilities in the allocated service area.

The Grove submits that the proposed project will not increase the cost of nursing home care services to patients or Medicaid. In addition, the applicant states that it has the financial strength to operate at a loss, if necessary.

#### **GR Criterion 5 - Need for the Project**

**Access by Population Served:** The Grove states that it will continue to provide services to the traditionally underserved groups – in particular low-income persons, racial and ethnic minorities, women, handicapped persons and other underserved groups, and the elderly.

**Relocation of Services:** The applicant submits that current and future nursing home residents of the Marion County area will have more options to stay at a facility closer to home.

The current facilities serving Marion County are: The Grove (The applicant), Columbia Rehabilitation and Healthcare Center and The Myrtles Nursing Center. According to the *Report on the Institutions for the Aged or Infirm 2016*, these facilities had a total of 297 beds and an average occupancy rate of 88.24% in 2016.

It is noted, that according to Table 2-2 of the *FY 2018 State Health Plan*, Marion County has an excess of 127 beds while Pearl River County has a need for 21 additional beds. If approved, Marion County will be over-bedded by 133 beds while Pearl River County will have a need for 27

additional beds. However, because both facilities are located in LTCPD IV, there will be no net increase in bed capacity for the planning area. In addition, the average occupancy rate for the three (3) nursing facilities in Pearl River County for 2016 was 81.94% compared to 88.24% for Marion County.

**Current and Projected Utilization of Like Facilities in the Area:** As stated above, the average occupancy rate of the current facilities located in the Marion County service area within LTCPD IV was 88.24 for 2016.

**Probable Effect on Existing Facilities in the Area:** The applicant believes there should be no negative impact to the other providers in the area as there will be no new services offered that are not currently being offered in LTCPD IV.

**Community Reaction:** The application contains copies of 13 letters of support from physicians, other facilities in the area, a District Representative, the Mayor, City of Columbia, and various residents.

#### **GR Criterion 6- Accessibility**

The applicant states The Grove is highly committed to providing the best quality of care to residents, including the medically indigent population. In addition, all residents of the service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, handicapped persons, and the elderly 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 The Grove.

<b>Fiscal Year</b>	<b>Charity Care (%)</b>	<b>Dollar Amount</b>
Historical Year 2017	2%	\$12,851.90
Historical Year 2018	2%	\$11,749.12
Projected Year 1	2%	\$10,967.16
Projected Year 2	2%	\$11,924.90

The applicant states that the facility will offer the same level of services to medically indigent patients as it does any other patient presented and admitted to its facility and that there will be no restrictions or advantages placed on care based on payor source, race, creed, national origin or disability.

### **GR Criterion 7- Information Requirement**

The applicant affirms that The Grove 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**

The Grove submits that the most significant impact should be on the applicant. Other nursing home facilities located near the applicant include: Columbia Rehabilitation and Healthcare Center (119 beds) and The Myrtles Nursing Center (98 beds). The applicant asserts that there should not be any negative impact on these providers as there will not be any new services in the LTCPD IV that are not currently being provided.

According to the applicant, if the proposed project is not implemented, residents in and around Marion County in search of nursing home care for themselves and their loved ones will need to consider less desirable options to receive the necessary care including looking at facilities located farther from home.

The applicant states that it has transfer agreements in place with Marion General Hospital, Bedford Care Center (Petal), and The Myrtles Nursing Center (Columbia).

The application contains 13 letters of support for the project.

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

The applicant states that The Grove has the personnel to support the proposed bed increase, but does plan to hire one (1) additional aide if the project is approved.

The applicant has clinically related contractual agreements with First Choice and Direct Supply for medical supplies, Pharmacy Partners of Mississippi for prescription medicine, and Grace Healthcare for oxygen.

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

The applicant affirms that it has all the necessary support and ancillary services for its facility, including any necessary services related to nursing home care. The Grove does not anticipate any change in costs or charges as a result of the proposed project.

### **GR Criterion 11 – Health Professional Training Programs**

The applicant states that The Grove will cooperate with health professional training programs in the surrounding area.

**GR Criterion 12 – Access by Health Professional Schools**

The applicant states that it will cooperate to meet the clinical needs of health professional training programs in the surrounding area.

**Criterion 13 – Service to Residents Outside Service Area**

The applicant does not propose to serve residents outside the service area.

**GR Criterion 14 - Construction Projects**

The application for the proposed project does not propose any construction or renovation.

**GR Criterion 15 – Competing Applications**

There are no competing applications on file with the Department regarding this project.

**GR Criterion 16 - Quality of Care**

The applicant affirms it has provided past quality of care. The applicant believes that the proposed project will improve accessibility for elderly residents in need of nursing home services.

#### IV. FINANCIAL FEASIBILITY

##### A. Capital Expenditure Summary

Cost Item	Estimate Cost	Percent (%) of the Total
Construction Cost –New	0	0%
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	\$10,000	2%
Land Cost	0	0%
Site Preparation Cost	0	0%
Fees (Architectural, consultant, etc.)	0	0%
Contingency Reserve	0	0%
Capitalized Interest	0	0%
Other Cost (Purchase of Beds from PRCNH)	400,000	98%
<b>TOTAL PROPOSED CAPITAL EXPENDITURE</b>	<b>\$410,000</b>	<b>*100%</b>

Note: \*Numbers may not compute due to rounding.

##### B. Method of Financing

The applicant proposes to finance the proposed capital expenditure through a mortgage loan from Citizens Bank, at an interest rate of 5.950% for a term of three (3) years. The applicant submitted an amortization schedule indicating payments of \$12,160.69 per month.

##### C. Effects on Operating Costs

The applicant projects total operating revenues of \$354,404, \$550,522, and \$605,112, the first, second, and third year of operation, respectively; and expenses of \$53,689, \$77,146, and \$77,146 for the first, second and third years, respectively (proposed Project Only). 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, The Grove provides the following gross patient revenue (project only) source projections for each payor category listed below:

Payor	Utilization Percentage	First Year Revenue
Medicare	33.00%	\$ 132,000
Medicaid	57.00%	\$ 226,008
Self Pay	10.00%	\$ 37,668
Other	0%	\$ 0
Charity Care	0%	\$ 0
<b>Total</b>	<b>100.00%</b>	<b><u>\$395,676</u></b>

**V. RECOMMENDATION OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. No comments had been received from the Division of Medicaid as of the date of this Staff Analysis.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the criteria and standards for the relocation/addition of nursing home beds, as contained in the FY 2018 *Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, April, 2017*; and all adopted rules, procedures, and plans of the Mississippi State Department of Health.

Therefore, the Division of Health Planning and Resource Development recommends approval of this application submitted by 2<sup>nd</sup> Generation Healthcare, LLC, d/b/a The Grove for the Relocation and Addition of Nursing Home Beds.

**Attachment 1**  
**2<sup>nd</sup> Generation Healthcare, LLC d/b/a The Grove**  
**Relocation and Addition of Nursing Home Beds**  
**Three-Year Projected Operating Statement (Project Only)**

	First Year	Second Year	Third Year
<b>Revenue</b>			
Inpatient Care Revenue	\$ 395,676	\$ 601,537	\$ 657,567
Outpatient Care Revenue	\$ -	\$ -	\$ -
<b>Gross Patient Care Revenue</b>	<u>\$ 395,676</u>	<u>\$ 601,537</u>	<u>\$ 657,567</u>
Charity Care	\$ -	\$ -	\$ -
Deductions from Revenue	\$ 52,072	\$ 65,415	\$ 66,855
<b>Net Patient Care Revenue</b>	\$ 343,604	\$ 536,122	\$ 590,712
Other Operating Revenue	\$ 10,800	\$ 14,400	\$ 14,400
<b>Total Operating Revenue</b>	<u>\$ 354,404</u>	<u>\$ 550,522</u>	<u>\$ 605,112</u>
<b>Operating Expense</b>			
Salaries	\$ 18,000	\$ 27,000	\$ 27,000
Benefits	\$ 2,303	\$ 4,005	\$ 4,005
Supplies	\$ 26,511	\$ 36,241	\$ 36,241
Services	\$ 1,890	\$ 2,542	\$ 2,542
Lease	\$ -	\$ -	\$ -
Depreciation	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -
Other	\$ 4,985	\$ 7,358	\$ 7,358
<b>Total Operating Expense</b>	<u>\$ 53,689</u>	<u>\$ 77,146</u>	<u>\$ 77,146</u>
<b>Net Operating Income (Loss)</b>	<u>\$ 300,715</u>	<u>\$ 473,376</u>	<u>\$ 527,966</u>
Inpatient days	1,401	2,102	2,102
Charge per inpatient day	\$ 282	\$ 286	\$ 313
Cost per inpatient day	\$ 38	\$ 37	\$ 37