

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
NOVEMBER 2004**

**CON REVIEW NH-A-0904-030
HATTIESBURG MEDICAL PARK, INC.
AMENDMENT OF CON #R-0423 (ESTABLISHMENT OF A 20-BED ALZHEIMER'S UNIT)
TRANSFER OF CERTIFICATE OF NEED AND SITE CHANGE
ORIGINAL CAPITAL EXPENDITURE: \$836,740
PROPOSED ADDITIONAL CAPITAL EXPENDITURE: \$-0-
REVISED CAPITAL EXPENDITURE: NA
LOCATION: HATTIESBURG, MISSISSIPPI
COUNTY: FORREST
DISTRICT: LONG TERM CARE PLANNING DISTRICT IV (LTCPD)**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Hattiesburg Medical Park, Inc., Hattiesburg is a Mississippi for-profit corporation which owns three nursing facilities in Forrest County: Conva-Rest of Hattiesburg (192 beds), Conva-Rest of Northgate (220 beds) and Conva-Rest of Petal (60 beds). Hattiesburg Medical Park, Inc. currently owns **Certificate of Need #R-0423** (establishment of a 20-bed Alzheimer's unit).

Bedford Alzheimer's Care Center, LLC, a Mississippi limited liability company, located at 298 Cahal Street, Hattiesburg (**proposed new owner of CON #R-0423**) is a Mississippi limited liability company formed on September 21, 2004. The registered office of said limited liability company is located at:

100 W Pine Street
P. O. Box 1589
Hattiesburg, Mississippi 39401

The registered agent at the referenced address is Michael E. McElroy, Jr.

B. Project Background (CON #R-0423)

Hattiesburg Medical Park, Inc. was granted Certificate of Need CON #R-0423 on September 29, 2000, for the establishment of a 20-bed Alzheimer's unit in Forrest County, Hattiesburg, Mississippi. The capital expenditure authorized by CON #R-0423 was \$836,740.

CON #R-0423 authorized a 20-bed nursing unit (a 9,000 square foot wing to the existing nursing facility), dedicated exclusively to patients with Alzheimer's disease. The Alzheimer's unit will require 13.5 full-time equivalent personnel at an estimated annual cost of \$274,130 the first year.

Hattiesburg Medical Park, Inc. Proposed to use a bank loan from AmSouth in the amount of \$600,000 and an intercompany loan in the amount of \$236,740 to finance the project. The AmSouth Bank loan had a term of 15 years and a 9.5 percent interest rate.

C. Project Description

The applicant, Hattiesburg Medical Park, Inc., is requesting approval of an amendment/transfer of Certificate of Need (CON #R-0423) and site change for the project. The scope of the original project has not changed due to the proposed amendment. The applicant asserts that the proposed amendment involves only the following two changes to the approved Certificate of Need (**not a part of the original project**):

The ownership of CON #R-0423 would be transferred from Hattiesburg Medical Park, Inc., located at 10 Medical Boulevard, Hattiesburg, Mississippi (**current owner**) to Bedford Alzheimer's Care Center, LLC, located at 298 Cahal Street, Hattiesburg, Mississippi (**proposed owner**). The applicant believes that the proposed project will be more cost effective to develop and operate if transferred to Bedford Alzheimer's Care Center, LLC. The proposed amendment contains a copy of the transfer agreement between Hattiesburg Medical Park, Inc. and Bedford Alzheimer's Care Center regarding CON #R-0423.

The amendment proposes a site change for the location of the 20-bed Alzheimer's unit to 298 Cahal Street in Hattiesburg. The Division of Health Facilities Licensure and Certification, MSDH, has approved the site for the proposed amendment project.

According to the applicant, this amendment will not require a change in the project's original proposed staffing.

The applicant indicates that the proposed project will commence operations approximately two to four months following CON approval of the amendment.

II. TYPE OF REVIEW REQUIRED

The State Health Officer reviews all projects for amendment, site change, and transfer of ownership in accordance with duly adopted procedures and standards of the Mississippi State Department of Health.

In accordance with Section 41-7-197 (2) of the Mississippi Code of 1972 Annotated, as amended, any affected person may request a public hearing on this project within 20 days of publication of the staff analysis. The opportunity to request a hearing expires on December 6, 2004.

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

A. State Health Plan

The original application was found to be in substantial compliance with the **FY 1999 State Health Plan** in effect at the time the application was submitted. This amended project

continues to be in substantial compliance with the **Plan**. As previously mentioned, this amendment does not change the scope and overall objectives of the original project.

B. General Review Criteria

The original application was found to be in substantial compliance with the general review criteria contained in Chapter 8 of the **Mississippi Certificate of Need Review Manual**, 2000 revisions. This amendment continues to be in substantial compliance with Chapter 8 of the **Mississippi Certificate of Need Review Manual**, revised May 13, 2000.

The project involves a site change from Hattiesburg Medical Park, Inc., 10 Medical Boulevard, Hattiesburg, the originally proposed project's site, to Bedford Alzheimer's Care Center, LLC, 298 Cahal Street, Hattiesburg, the new site, and transfer of CON #R-0423. As previously stated, the amendment does not change the overall objectives of the original project.

IV. FINANCIAL ANALYSIS

A. Capital Expenditure Summary

According to the applicant, there will be no change in the original capital expenditure of \$836,740 as a result of this amendment. Accordingly, the capital expenditure summary, as set forth in the original application, remains the same.

The applicant submits that \$10,000 has been expended to date. This expenditure consists primarily of development costs for the project.

The applicant believes that the approved project will be implemented for less than the approved capital expenditure, as a result of the relocation of the 20-bed Alzheimer's care unit to the new site (**298 Cahal Street, Hattiesburg**).

B. Method of Financing

The proposed amendment does not require any additional capital expenditure.

The proposed amendment includes the original capital expenditure of \$836,740. Bedford Alzheimer's Care Center, LLC, proposed new owner of CON #R-0423, indicates that the proposed project will be funded by an equity contribution from the owner. No financing will be required for the proposed project.

C. Effect on Operating Cost

According to the applicant, the proposed amendment does not alter the original application's three-year projected operating statement, occupancy rate, patient days, cost per patient day and charge per patient. The applicant asserts that the information, as contained in the original application, remains unchanged.

The original application projects net revenue of \$388,984 the first year of operation and expenses of \$422,130, for a loss of \$33,146.

D. Cost to Medicaid/Medicare

There will be no change in the percentage of the specified groups (**proposed in the original CON #R-0423**), which are expected to utilize this service as a result of this project.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review. According to the Division of Medicaid, the proposed project's changes are expected to increase Medicaid expenditures by \$165,000 above the projection for the original CON proposal for Hattiesburg Medical Park, Inc.

VI. CONCLUSION AND RECOMMENDATION

The original application was found to be in substantial compliance with the criteria and standards for the establishment of nursing facility beds contained in the **Mississippi State Health Plan, Mississippi Certificate of Need Review Manual**, and all adopted rules, procedures, and plans of the Mississippi State Department of Health in effect at the time of the approval. This request for an amendment, site change, and transfer of ownership of CON #R-0423 continues to be in substantial compliance with applicable criteria and standards and adopted rules, procedures, and plans of the Department.

The project also continues to comply with Senate Bill 2679, 1999 Legislative Session, which mandates that the northern, central and southern parts of each LTCPD receive a CON for 20 Alzheimer's Disease nursing facility beds during fiscal years 2000 and 2001.

Hattiesburg Medical Park's original application was the only application received for the central part of LTCPD IV.

Therefore, the Division of Health Planning and Resource Development recommends approval of this amended application submitted by Hattiesburg Medical Park, Inc. for an amendment, site change and transfer of CON #R-0423.