

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
AUGUST 31, 2020**

**CON REVIEW NH-RLS-0720-004  
FHNC PROPERTIES, LLC  
FOREST HILL NURSING CENTER (PARKWAY HEALTH & REHAB)  
RELOCATION FROM HINDS TO MADISON COUNTY AND NEW FACILITY  
CONSTRUCTION  
CAPITAL EXPENDITURE: \$11,297,375.00  
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

FHNC Properties, LLC is a Mississippi Limited Liability Company, amended on July 10, 2020 to consist of two (2) managers and three (3) members. The application contains an Article/Certificate of Amendment dated July 10, 2020, for FHNC Properties, LLC and Parkway Health & Rehab LLC.

FHNC Properties, LLC owns and operates Forest Hill Nursing Center, an eighty-seven (87) bed skilled nursing facility located at 927 Cooper Road, Jackson, Hinds County, Mississippi.

The application contains documentation affirming FHNC Properties, LLC is in good standing with the State of Mississippi.

**B. Project Description**

FHNC Properties, LLC ("FHNC") requests Certificate of Need (CON) authority to relocate the eighty-seven (87) bed Forest Hill Nursing Center from its present location in Jackson, Hinds County, Mississippi to Canton, Madison County, Mississippi. Both Hinds and Madison counties are located in Long Term Care Planning District (LTCPD) III. The project entails construction of a new facility in Canton to house the eighty-seven (87) beds relocated from Jackson. The applicant proposes that once the CON is approved and granted, all operations, residents and staff will be transferred to the newly constructed facility. In addition, the applicant proposes that once complete, the facility will be renamed Parkway Health and Rehab and operated by Parkway Health & Rehab, LLC. The applicant confirms that the current Forest Hill Nursing Center name will no longer exist, and the current building will cease operations as a nursing home facility.

The applicant submits that FHNC will continue its ownership of the current facility and new facility; as well as, continue to provide to residents its present complement

of Dually Certified Skilled Nursing Services in compliance with state and federal standards in the new facility. The applicant states FHNC has no plans to change the service compliment or bed number following the relocation but does plan to operate and manage (under contract) a new renamed facility.

The applicant states, in 2019, FHNC purchased a parcel of land in Madison County, at 230 River Oaks Drive, Canton, Mississippi 39046. According to the applicant, the Canton site consists of approximately eight (8) acres and is in proximity (500 yards) to Merit Health Madison, a sixty-seven (67) bed acute inpatient hospital. The applicant states the Madison County site has already been approved by the local zoning authority and meets the Residential Facilities requirements related to the construction of a nursing home facility. Furthermore, the applicant affirms it will comply with all applicable state statutes and regulations for protection of the environment, including: 1) approved water supplies; 2) sewage and water disposal; 3) hazardous waste disposal; 4) water pollution control; and 5) air pollution control.

The applicant submits that the new eighty-seven (87) bed skilled nursing facility will be housed in 56,520 square feet (sq. ft.) of total space under a roof; the facility's heated and cooled space will consist of 54,520 sq. ft. and the covered entrance will consist of approximately 2,000 sq. ft. The applicant states this will allow persons to enter and exit their vehicles during inclement weather without being exposed to the elements. In addition, the facility will consist of a 3,078 sq. ft. free-standing laundry building. The applicant specifies the new facility will be single-story with wider corridors, which will improve safety for residents in the event of an emergency, allow for greater mobility inside the facility, and allow for easier access to outside planned recreational activities. The applicant states the new facility has been designed with four (4) residential wings and a centralized nursing station that will allow for easier and immediate access, as well as clear lines of site to resident rooms. Further, the applicant states one (1) of the four (4) wings will have a nursing sub-station strategically located to care for residents with memory challenges. All resident rooms will consist of 280 sq. ft. and full- service baths. The applicant affirms the facility will also have spacious activity, therapy, a salon, kitchen, refrigeration/food pantry and dining room areas.

The applicant further submits the new facility will have a full sprinkler system and the HVAC system will be a combination of split central systems for common areas, offices, and individual through-wall AC/heating units for the resident rooms.

FHNC projects the new facility will require two (2) additional full time equivalent (FTE) nurses and four (4) orderlies. The total estimated annual cost of personnel is \$200,080.00.

The Mississippi State Department of Health, Division of Health Facilities Fire Safety and Construction approved the site for the proposed facility on January 10, 2019.

The total proposed capital expenditure is \$11,297,375.00, which includes Land cost and New Construction. The applicant asserts \$9,800,00.00 will be financed through

Trustmark National Bank, \$941,000.00 from equity contribution and \$556,375.00 will be funded from cash reserves. See Section IV of this Staff Analysis for a complete Capital Expenditure Summary.

The applicant expects to obligate the capital expenditure by October 1, 2020, depending on the issuance of the CON. The applicant further anticipates that all phases of the project will be completed by December 1, 2021.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health (MSDH) will review applications for a Certificate of Need (CON) for the relocation of nursing home facility beds from one (1) county to another and construction of a new facility under the requirements of Sections 41-7-173, 41-7-191, and 41-7-193, Mississippi Code of 1972 Annotated, as amended. MSDH will also review applications for CON according to the general review criteria listed in the *Mississippi Certificate of Need Review Manual, September 1, 2019, Revision*; all adopted rules, procedures, plans, criteria and standards of the MSDH; and the specific criteria and standards listed below.

In accordance with Section 41-7-197(2) of the Mississippi code 1972 Annotated, as amended, any person may request a public hearing on this project within ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on September 10, 2020.

## 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* (in effect at the time this application was submitted) contains criteria and standards which the applicant is required to meet before receiving CON authority to relocate/transfer nursing home care beds. This application is in substantial compliance with applicable policy, criteria and standards stated in the *Plan* as follows:

#### **Certificate of Need Criteria and Standards for the Relocation/Transfer of Nursing Home Care Beds**

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

The applicant documented that the beds will be relocated from Hinds County to Madison County. Both Hinds and Madison counties are located within Long Term Care Planning District (LTCPD) III.

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

The applicant documented that eighty-seven (87) beds will be relocated/transferred to provide nursing home care services.

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

The applicant affirms the facility shall fully comply with all licensure regulations of MSDH for an Alzheimer's/Dementia Care Unit.

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

Chapter 8 of the *Mississippi Certificate of Need Review Manual, Revised September 1, 2019*; addresses general criteria by which all CON applications are reviewed. This application is in substantial compliance with the general review criteria contained in the manual.

**GR Criterion 1- Consistency with the State Health Plan**

The project is in substantial compliance with all criteria, standards, and policies of the *FY 2018 Mississippi State Health Plan* applicable to the relocation of nursing home beds. The applicant proposes to relocate eighty-seven (87) nursing home beds from Hinds County to Madison County within LTCPD III.

The applicant submits that the State Health Plan (SHP) shows an excess of nursing home bed need of 451 in Hinds County whereas the SHP reveals an additional eighty-seven (87) nursing home beds needed in Madison County. The applicant also states the SHP further reveals an increasing number of nursing home beds needed for Madison County into 2023. Furthermore, the applicant states the nursing home bed need for LTCPD III reveals an excess of 917 beds in FY 2018 and an excess of 458 beds projected for FY 2023. However, the applicant affirms that the proposed CON application is requesting approval of bed redistribution within LTCPD III and not a bed increase.

**GR Criterion 2 – Long Range Plan**

The applicant asserts that FHNC is committed to providing and ensuring the highest level and most cost-effective skilled nursing services to its residents. According to the applicant, the current facility is over forty-five (45) years old and consists of approximately 27,000 sq. ft. The applicant, who has operated the facility for fifteen (15) years, states the current facility cannot be suitably renovated or modernized to provide the skilled nursing services in line with today's state-of-the-art service offerings.

### **GR Criterion 3 – Availability of Alternatives**

The applicant states FHNC identified two (2) major alternatives when considering the best and future needs of its residents, their family members/loved ones and nursing home staff. These alternatives were: 1) renovation and modernization and/or expansion of the current Hinds County facility; and 2) facility relocation/new construction in Madison County.

- a. Advantages and Disadvantages of Alternatives:** The applicant submits the following advantages and disadvantages for each alternative considered:

Alternative One Advantages: 1) The applicant states FHNC Property, LLC has operated the current Forest Hill Nursing Center in Hinds County for fifteen (15) years and the location is familiar to local citizens, health care providers, vendors/suppliers and others; 2) staff is accustomed to traveling to and from work at the current facility; 3) family members and loved ones are accustomed to the facility location when visiting residents; 4) projected facility and operational cost will, in the near term, be less than the cost associated with relocation and new facility construction; 5) there is no outstanding mortgage on the building or financial obligation on the property where the current facility is located; and 6) the facility is currently in compliance with all licensure and certification requirements.

Alternative One Disadvantages: 1) The applicant states based on the current facility's age, renovation, modernization and expansion would be cost prohibitive and require closure and severe disruption to services and operations of a major portion of resident rooms and other areas; 2) a number of residents would need to be relocated (discharged) during facility upgrade and/or expansion; 3) reduction in revenue during facility upgrade and/or expansion during the associated period; 4) current facility is located on land that has an abundance of Yazoo clay and any potential upgrade and/or expansion would be very costly because of current foundation problems; as well as, additional cost associated with clay removal during any expansion; 5) the current land the facility is on cannot provide enough green space to meet the outdoor recreational needs of the residents; 6) higher cost per sq. ft. (when including the loss of revenue from service disruption and resident reductions) when compared to the new construction cost per sq. ft.; 7) decreasing property values in the area; and 8) increasing crime rate in Jackson, including in zip code 39212 where the current facility is located. The application contains a table which compares crime statistics for Hinds County, Jackson Metro, Madison County, and Zip Code 39212. The comparisons illustrate that the Zip Code where the facility is located has the highest crime rankings when compared to counties in the Jackson Metro Area and Madison. The applicant asserts that when compared separately, the data rankings for Hinds County and the Jackson Metro Area shows that Zip Code 39212 is a clear driver of the higher rates of crime in Hinds County and the Jackson Metro Area.

Alternative Two Advantages: The applicant states relocation and new construction will allow the building of a state-of-the-art facility with much improved operational synergies and the provision of additional space in all resident rooms and service areas for better care coordination and improved skilled nursing service delivery; especially therapeutics, recreational resident grooming and family visitation areas; 2) enhanced opportunities to promote the improved service capacity of the new facility services to area citizens, attract new residents and increase occupancy; 3) operation of new facility employees, family members and other visitors; 4) improved resident satisfaction and reduced employee turnover; 5) improved operational cost efficiencies and reductions in maintenance cost; 6) reduction in property and liability insurance cost, and improved ability to recruit and hire additional staff, when necessary; and 7) new facility compliance with federal ADA Standards.

Alternative Two Disadvantages: The applicant submits disadvantages of this alternative include 1) increased debt associated with long term mortgage cost related to facility construction, non-fixed equipment and land acquisition cost; 2) possible increased property taxes; 3) staff turnover for some due to additional drive time to and from work; 4) resident transfer and relocation cost; and 5) training cost for staff on new facility operations and equipment use, related to their assigned duties and responsibilities.

- b. New Construction Projects:** The applicant states FHNC rejected Alternative One for two (2) prime reasons: 1) the age of the facility (45+ years) and the inability to cost-effectively retrofit the current facility and bring it to current nursing home service operational expectations, and federal ADA access standards. The applicant states the current facility has severe structural and foundation problems which would not allow encumbered capital funds to be expended in the most cost-effective manner over the long term and would not result in service quality or care coordination upgrades commensurate with today's industry standards; and 2) the increasing crime rate in the city of Jackson, particularly in the zip code where the current facility is located (39212) and the declining property values in this area.
- c. Beneficial Effects to the Health Care System:** The applicant states the benefits to the health care system are redistribution of currently licensed skilled nursing beds within LTCPD III and locating services in a county with population growth from a county with declining population.
- d. Effective and Less Costly Alternatives:**
  - i. Unnecessary Duplication of Services:** The applicant asserts the project is not a duplication of services, rather a relocation resulting in the redistribution of currently licensed nursing home beds within the area, coupled with the construction of a new facility in Madison

County. FHNC further states the purpose of the project is to address the county's increasing bed need and the needs of the growing elderly (65+) population. The applicant states the proposed location is in the city of Canton and west of Interstate 55. The applicant submits that there are currently five (5) nursing homes located in Madison County but only three (3) consisting of 275 beds accept Medicaid and only one (1), Madison County Nursing Home consisting of ninety-five (95) beds, is located in Canton. According to the applicant, this facility is located in the downtown area (East of I-55) where the Madison County population is not increasing at the level comparable with the growth west of the I-55 Corridor where the proposed facility will be located.

- ii. **Efficient Solution:** The applicant submits that FHNC works with families and care providers regarding the best treatment setting for potential residents prior to admission and during all phases of institutional care. This approach, according to the applicant, ensures that the most beneficial and cost-effective service modality is considered and, where feasible, is made available to the individual and family.
- e. **Improvements and Innovations:** According to the applicant, the proposed project will foster improvements in long-term health services delivery and treatment through better care coordination as well as quality of care improvements and access to the long-term care system in the area. The applicant submits that the new facility will be equipped with updated diagnostic and health assessment tools that will enhance health services provided to residents daily and provide for greater space and for readily available equipment so that patients can receive needed care on a timely basis. In addition, the applicant states residents will be able to have improved visitation with family members and loved ones through expanded indoor and outdoor dedicated visitation areas.
- f. **Relevancy:** The applicant asserts that the proposed project intends to relocate from Jackson, Hinds County, Mississippi to Canton, Madison County, Mississippi whereby FNHC Property, LLC can, upon CON approval, build a new facility that will allow residents to receive the level of skilled nursing services that are commensurate with today's industry standards.

Further, the applicant submits that the associated cost is projected to be in line with the long-term care market per day charges and cost per resident and will be delivered in a more efficient manner and in an "homelike" environment.

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

- a. Proposed Charges:** The applicant states the proposed skilled nursing home's year one (1) charge projections are based on anticipated State Medicaid (DOM) property payment per bed rate and a higher average daily census (ADC). The applicant projects a First year (2021) charge per day of \$221.00, which it states compares very favorably with the DOM Payment Rate for existing Medicaid participating long-term care facilities in Madison County.
- b. Projected Levels of Utilization:** The applicant states historically, long-term care nursing facilities experience utilization rates well over ninety percent (90.00%) capacity and FHNC Property, LLC has experienced similar utilization in the current facility. The applicant states projected utilization is based on the current utilization data and historic experiences.
- c. Financial Feasibility Study:** The application contains a Feasibility Study prepared by Health Services Accounting, Inc., attesting to the viability of the proposed project.
- d. Financial Forecasts:** The applicant states FHNC Property, LLC does not anticipate and is not projecting any significant forecast that deviates significantly from its financial statements covering the last three (3) years.
- e. Covered Expenses:** The applicant states FHNC Property, LLC will, if the financial projections are not realized, be prepared to undertake an appropriate line of credit from a certified lending institution, coupled with the use of net operating funds, and if necessary, look for ways to adjust its budgets related to administrative expenses and other non-resident service expenses.
- f. Impact of Proposed Project on Health Care Cost:** The applicant submits the impact of the proposed project on cost of health care will be minimal and will be reflected in the filed cost reports to the major payers for services and treatment provided to Medicaid and Medicare participants. The applicant projects that Gross Revenues will increase, resulting mainly from changes in payer mix and high ADC; therefore, the project Revenue increases will not negatively impact health care per patient day cost but will result in revenue producing ADC increases.

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

- a. Access by Population Served:** The applicant submits that the population to be served by this project will be the elderly and disabled in the area and mainly those residing in the Jackson Metropolitan Counties. The current facility operates in Hinds County and the applicant states the past resident demographics by ethnicity, aged sixty-five plus (65+), gender and low



income are not expected to change upon granting of the CON and the relocation to Madison County.

- b. Relocation of Services:** The applicant submits there will be no change in the population served by the proposed project as the new facility and the current facility are both located within LTCPD III.

The applicant further submits that upon completed construction of the new eighty-seven (87) bed facility in Madison County and once all patients and staff of the current facility are transferred, FHNC Property, LLC will permanently close the current facility and render the property for sale.

- c. Current and Projected Utilization of Like Facilities:** The applicant submits there are currently five (5) long-term care facilities located in Madison County, and according to the latest Report of the Institutions of the Aged or Infirm, Madison County has a total of 455 long-term care beds with a 93.32% occupancy and an average daily census (ADC) of 424. The applicant states these statistical measures are commensurate with the current utilization of FHNC and projections for the new facility upon CON approval and construction of the new facility. The applicant further states for the year ending 2019, utilization for Forest Hill Nursing Center was 86.2 percent occupancy and seventy-five percent (75.00%) ADC. The applicant projects ninety-two percent (92.00%) occupancy and eighty percent (80.00%) ADC the first year of operation at Parkway Health & Rehab. FHNC asserts that this is supported by an increasing population growth in Madison County, specifically the 65+ population, which historically accounts for eighty-four percent (84.00%) of all nursing home residents in the state.
- d. Probable Effect on Existing Facilities in the Area:** The applicant asserts that all licensed nursing homes in Madison County, according to a MSDOC Report published in 2017, are operating at or near capacity relative to their bed size. The table below indicates that these facilities are operating at ninety percent (90.00%) or more.

**Madison County Nursing Home Beds and Utilization**

<b>Facility Name</b>	<b>Lic. Beds</b>	<b>Occ. Rate</b>	<b>ADC</b>	<b>Location</b>
Highland Home	120	90.94	109.12	Ridgeland
Madison Co. Nursing H.	95	97.76	92.88	Canton
St. Catherine's Village	120	90.86	109.04	Madison
The Arbor	60	97.66	58.60	Madison
The Nichols Center	60	90.94	54.96	Madison
<b>TOTALS</b>	<b>455</b>	<b>93.06Av.</b>	<b>424.60</b>	

Source: Report on Institutions for the Aged or Infirm, 2016 and Application

- e. **Community Reaction to Service:** The application contains approximately thirty-five (35) letters of support from city officials, businesses, health care professionals and citizens.

**GR Criterion 6 - Access to the Facility or Service**

- a. **Access to Services:** The applicant submits that FHNC Property, LLC currently provides long term care services to all persons in the state who have been deemed eligible by appropriate health professionals for skilled nursing care services, treatment and needed therapies. The applicant further submits that the majority of admissions to FHNC are Hinds County residents, which according to the 2018 data from the Central MS Planning & Development District (CMPDD), 11.8% of the county’s residents have incomes at or below \$24,000.00 per year per capital and that 19.4% of the county’s population lives in poverty.

The following table shows the projected estimated gross patient revenues of health care to medically indigent and charity care patients for years one (1) and two (2) of the proposed project:

	<b>Medically Indigent (%)</b>	<b>Medically Indigent (\$)</b>	<b>Charity Care (%)</b>	<b>Charity Care (\$)</b>
Historical Year 2018	79.05	\$5,028,642.00	0.00%	\$0.00
Historical Year 2019	84.23	\$5,016,292.00	0.00%	\$0.00
Projected Year 1	66.00	\$5,162,560.00	0.00%	\$0.00
Projected Year 2	67.00	\$5,372,070.00	0.00%	\$0.00

- b. **Existing Obligations:** The applicant indicates that it has no existing or remaining obligations under federal regulation requiring provision of uncompensated care, community service, or access by minority or handicapped persons.
- c. **Unmet Needs of Medicare, Medicaid, and Medically Indigent Patients:** The applicant states FHNC Property, LLC will continue to operate the same eighty-seven (87) dually certified skilled nursing home beds upon relocation that is currently being operated in Jackson. FHNC states that all skilled nursing home beds are and will remain Medicare and Medicaid certified when relocated to the new Parkway Health & Rehab Facility.

- d. **Access to Proposed Facility:** The applicant states the service area population, regardless of demographics and payor type will continue to have access to the same skilled nursing home services upon relocation and completion of the new facility.
- e. **Access Issues:**
  - i. **Transportation and Travel:** The applicant submits the Madison County site is within 500 yards of Merit Health Madison Hospital in the Canton City limits and 3/4 of a mile west of the I-55 Corridor at exit 118. The estimated travel distance is approximately 21.2 miles from St. Dominic's Hospital and 22.8 miles from the University of Mississippi Medical Center.
  - ii. **Restrictive Admission Policy:** The application contains the facility's admission's policy.
  - iii. **Access to Care by Medically Indigent Patients:** The applicant states FHNC treats medically indigent patients and will continue to do so.
  - iv. **Operational Hours of Service:** The applicant states the skilled nursing services are and will be staffed and provided on a continuous twenty-four (24) hour, seven (7) days a week schedule.

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

The applicant affirmed that FHNC will record and maintain the information required by this criterion and make it available to the Mississippi State Department of Health within fifteen (15) business days of request.

#### **GR Criterion 8 - Relationship to Existing Health Care System**

- a. **Comparable Services:** The applicant submits the proposed relocation and new facility construction project will, upon CON approval, establish a new Dually Certified Skilled Nursing Home in Madison County, Mississippi. Currently, as stated above, there are five (5) nursing homes located in Madison County. The applicant states there is no substantive difference in long term care services provided across these entities and the planned service delivery by Parkway Health & Rehab. However, the applicant points out that the nursing home beds in two facilities (180 beds) are classified as Continuing Care Retirement Communities (CCRC). The nursing home beds in these facilities serve and are available only to the residents of the CCRC where they reside. Also, the CCRC nursing home beds are not Medicaid Certified. The applicant asserts that the approval of the proposed project will increase access to long term care services for the Madison County population specifically and the Metropolitan area overall.

**b. Effects on Existing Health Services:**

- i. Complement Existing Services.** The applicant states the approval and completion of this project will complement the existing services by providing and expanding nursing home care options for the elderly and disabled population in Madison County.
  - ii. Provide Alternative or Unique Services:** The applicant indicates that the approval and completion of the proposed project will provide an alternative location for skilled nursing home services.
  - iii. Provide Services for a Specific Target Population:** The applicant states that the approval of the proposed project will increase access for patients seeking care in Madison and the Jackson Metropolitan area.
  - iv. Provide Services for Which There is an Unmet Need:** Through the operation of a new state-of-the-art facility, the project will complement existing services and serve the unmet need in the county.
- c. Adverse Impact:** The applicant submits that Madison County is experiencing a tremendous population growth, including those aged 65+, which results in a projected increase in nursing home bed need as revealed in the *FY 2018 SHP*. The applicant states an adverse impact could be a reduction in access to institutionalized long-term care services for the elderly and disabled population as population increases continue in Madison County.
- d. Transfer/Referral/Affiliation Agreements:** The applicant indicates there are no current transfer/referral/affiliation agreements in effect or planned with other providers of health care.

**GR Criterion 9 - Availability of Resources**

- a. New Personnel:** The applicant states except for usual staffing turnover associated with a change in travel distance to work, there will not be a need for additional staff numbers or types of staffing categories. However, FHNC projects the new facility will require two (2) additional full time equivalent (FTE) nurses and four (4) orderlies. The applicant further states the current physician complement of services will not change as a result of this project's successful completion.
- b. Contractual Services:** The application contains agreements between FHNC and Trinity Rehabilitation, Inc., a Mississippi corporation, for Therapy Services, and Todd Fulcher, M.D.

- c. **Existing Facilities or Services:** The applicant states Forest Hill Nursing Center has a favorable rating related to the total number of licensed nurse staff hours per resident per day and an overall staffing rating of four (4) out of five (5), according to the Nursing Home Compare data portal on the Medicare website. The applicant states it will bring in Temp Staff to ensure a full complement of needed clinical service staffing for all shifts.
- d. **Alternative Uses of Resources:** The applicant states there are no other services considered outside of those skilled nursing home services that are currently being provided and as licensed by MSDOH.

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

- a. **Support and Ancillary Services:** The applicant states that all twelve (12) of their existing ancillary service contracts will remain in effect upon relocation of beds and the opening of the new facility in Madison County.
- b. **Changes in Costs or Charges:** The applicant states Medicaid cost is projected to decrease based on reductions in the percent of Medicaid only admissions/per diem reimbursements. In addition, the applicant states self-pay and Medicare Revenue is expected to increase.
- c. **Accommodation of Changes in Costs or Charges:** The applicant projects that any changes in cost and/or charges will be absorbed into operating cost and/or become a portion of reduced after-tax profits.

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

The applicant states Forest Hill Nursing Center does not have formal relations with any health professional training programs in the area; however, it will consider any request received that is mutually beneficial upon completion of the proposed project.

#### **CR Criterion 12 – Access by Health Professional Schools**

The applicant states FHNC does not have any formal relations with the health professional schools in the area.

#### **CR Criterion 13 – Access by Individuals Outside Service Area**

The applicant states the new facility will be available to all qualifying persons who desire to receive care at the new facility.

#### **CR Criterion 14 – Construction Projects**

The project entails approximately 56,530 square feet of new construction. See Attachment 2 for a calculation of construction costs.

**GR Criterion 15 - Competing Projects**

The applicant states it is not aware of any competing application. Furthermore, the Department has not received any competing applications for this service.

**GR Criterion 16 - Quality of Care**

- a. **Past Quality of Care:** The applicant submits that FHNC Property, LLC continuously strives to provide the best quality care and appropriate health services to its residents.
- b. **Improved Quality of Care:** The applicant states the proposed relocation and new facility construction project will allow for structural improvements regarding the staffs' capabilities to provide direct health service treatments to residents by having a "state-of-the-art" treatment environment through the new facility. The applicant further states the quality of care will be improved by having modern and expanded therapy, grooming, recreational, dining areas for better resident service coordination and staff workflow.
- c. **Accreditation and/or Certificates:** The applicant states currently, FHNC does not hold an accreditation but is dually Medicaid & Medicare certified as a complying skilled nursing home and maintains state licensure.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

The total estimated capital expenditure is allocated as follows:

	Item	Cost (\$)	Percent (%) of Total
a.	Construction Cost -- New	\$9,518,000.00	84.24%
b.	Construction Cost -- Renovation	0.00	0%
c.	Capital Improvements	0.00	0%
d.	Total Fixed Equipment Cost	0.00	0%
e.	Total Non-Fixed Equipment Cost	575,000.00	5.09%
f.	Land Cost	650,000.00	5.75%
g.	Site Preparation Cost	0.00	0%
h.	Fees (Architectural, Consultant, etc.)	240,000.00	2.12%
i.	Contingency Reserve	150,000.00	1.33%
j.	Capitalized Interest	154,375.00	1.37%
j.	Legal and accounting fees	10,000.00	0.10%
k.	Other (minor cosmetic improvements)	0.00	0.00%
	<b>Total Proposed Capital Expenditure</b>	<b>\$11,297,375.00</b>	<b>100.00%</b>

**B. Method of Financing**

The applicant proposes to finance the proposed capital expenditure with a loan of \$9,800,000.00 at a three percent (3.00%) interest rate for a three (3) year term; a \$941,000.00 equity contribution; and \$556,375.00 from cash reserves.

**C. Effect on Operating Cost**

The applicant's three-year projected operating statement is presented at Attachment 1.

**D. Cost to Medicaid/Medicare**

The applicant projects the cost to third party payors as follows:

<b>Payor Mix</b>	<b>Utilization Percentage</b>	<b>First Year Revenue</b>
<b>Medicare</b>	31.00%	\$2,420,607.00
<b>Medicaid</b>	63.00%	\$4,920,565.00
<b>Commercial</b>	0.00%	0.00
<b>Self Pay</b>	2.00%	167,900.00
<b>Charity Care</b>	0.00%	0.00
<b>Other</b>	4.00%	344,195.00
<b>Total</b>	<b>100.00%</b>	<b>\$ 7,853,267.00</b>

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this project for review and comment. In a letter received August 7, 2020, the Division of Medicaid indicated that the Division has no opinion on this request.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the policy statements, service specific criteria and standards for the relocation of nursing home care beds from one county to another stated in the *FY 2018 Mississippi State Health Plan (in effect at the time of submission)*; the *Mississippi Certificate of Need Review Manual, September 1, 2019 Revision*; and duly adopted rules, procedures, and plans of the Mississippi State Department of Health.

The Division of Health Planning and Resource Development recommends approval of the application submitted by FHNC Properties, LLC, Forest Hill Nursing Center (Parkway Health and Rehab) for the relocation of nursing home beds from Hinds County to Madison County and construction of a new facility.

**Attachment 1**  
**FHNC Property, LLC**  
**Forest Hill Nursing Center (Parkway Health and Rehab)**  
**Relocation from Hinds County to Madison County**

FHNC Properties Three-Year Operating Statement ( Project Only)			
	Year 1	Year 2	Year 3
<b>Revenue</b>			
Patient Revenue:			
Inpatient	\$ 7,853,267.00	\$ 8,065,332.00	\$ 8,216,151.00
Outpatient	-	-	-
<b>Gross Patient Revenue</b>	<b>\$ 7,853,267.00</b>	<b>\$ 8,065,332.00</b>	<b>\$ 8,216,151.00</b>
Charity Care			
Deductions from Revenue	0.00	0.00	0.00
<b>Net Patient Revenue</b>	<b>\$ 7,853,267.00</b>	<b>\$ 8,065,332.00</b>	<b>\$ 8,216,151.00</b>
Other Operating Revenue	0.00	0.00	0.00
<b>Total Operating Revenue</b>	<b>\$ 7,853,267.00</b>	<b>\$ 8,065,332.00</b>	<b>\$ 8,216,151.00</b>
<b>Expenses</b>			
Operating Expenses:			
Salaries	\$ 3,751,162.00	\$ 3,883,250.00	\$ 3,988,748.00
Benefits	193,596.00	204,124.00	204,124.00
Supplies	325,091.00	338,181.00	338,181.00
Services	1,519,051.00	1,418,587.00	1,485,218.00
Lease	720,000.00	720,000.00	720,000.00
Depreciation	-	-	-
Interest	-	-	-
Other	1,055,083.00	1,190,304.00	1,150,212.00
<b>Total Expenses</b>	<b>\$ 7,563,983.00</b>	<b>\$ 7,754,446.00</b>	<b>\$ 7,886,483.00</b>
<b>Net Income (Loss)</b>	<b>\$ 289,284.00</b>	<b>\$ 310,886.00</b>	<b>\$ 329,668.00</b>
<b>Assumptions</b>			
Inpatient days*	29,200	29,930	29,930
Outpatient days*	-	-	-
Procedures	-	-	-
Charge/outpatient day	-	-	-
Charge per inpatient day	\$ 269.00	\$ 269.00	\$ 275.00
Charge per procedure	-	-	-
Cost per inpatient day	\$ 259.00	\$ 259.00	\$ 263.00
Cost per outpatient day	-	-	-
Cost per procedure	-	-	-



**ATTACHMENT 2**

**FHNC Property, LLC  
 Forest Hill Nursing Center (Parkway Health and Rehab)  
 Relocation from Hinds County to Madison County**

**COMPUTATION OF NEW CONSTRUCTION COST**

	<u>Cost Component</u>	<u>Total</u>	<u>New Construction</u>
A	New Construction Cost	\$9,518,000.00	\$9,518,000.00
B	Renovation Cost	\$0.00	
C	Total Fixed Equipment Cost	\$0.00	
	Total Non-Fixed Equipment Cost	\$575,000.00	\$0.00
	Capital Improvement	\$0.00	
	Land Cost	\$650,000.00	\$0.00
D	Site Preparation Cost	\$0.00	\$0.00
E	<i>Fees (Architectural, Consultant, etc.)</i>	\$240,000.00	\$240,000.00
F	<i>Contingency Reserve</i>	\$150,000.00	\$150,000.00
G	<i>Capitalized Interest</i>	\$154,376.00	\$154,376.00
	<i>Other (Legal Fees)</i>	\$10,000.00	0.00
	<b>Total Proposed Capital Expenditure</b>	<b>\$11,297,375.00</b>	<b>\$10,062,376.00</b>
	Square Footage	<b>56,520</b>	56,520
	<i>Allocation Percent</i>		100.00%
	<b>Cost Less Land, Non-Fixed Equipment, Cap. Improvement &amp; Other</b>	<b>\$10,297,376.00</b>	<b>\$10,297,376.00</b>
	<b>Cost Per Square Foot</b>	<b>\$178.03</b>	<b>\$178.03</b>
	<b>Cost per Bed (n=87)</b>	<b>\$129,854.89</b>	

Source: Mississippi Certificate of Need Review Manual, 2019 revision.