

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT
SEPTEMBER 29, 2016**

**CON REVIEW NUMBER: NH-A-0816-018
GEORGE REGIONAL HOSPITAL
D/B/A GEORGE REGIONAL HEALTH & REHABILITATION CENTER
AMENDMENT/COSTOVERRUN TO CON #R-0668
(CON REVIEW NUMBER: NH-CB-0602-036)
ESTABLISHMENT/CONSTRUCTION OF A 60-BED SKILLED NURSING FACILITY
APPROVED CAPITAL EXPENDITURE: \$369,000
ADDITIONAL CAPITAL EXPENDITURE: \$307,585
TOTAL CAPITAL EXPENDITURE: \$676,585
LOCATION: LUCEDALE, GEORGE COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

George Regional Hospital d/b/a George Regional Health & Rehabilitation Center is a Mississippi Community hospital, which is owned by George County. George Regional Hospital is governed by a six-member Board of Trustees. The Hospital is a short-term, nonprofit, acute care hospital, which is currently licensed for 48 acute care beds.

The occupancy rates, average length of stay (ALOS) and Medicaid utilization for the three most recent years are as follows for years 2012 through 2014:

**George Hospital
Utilization Data**

Fiscal Year	Occupancy Rate (%)	ALOS (Days)	Medicaid Utilization Rate (%)
2012	29.49	3.65	27.00
2013	28.53	3.53	25.49
2014	26.14	3.64	N/A

Source: Division of Health Facilities Licensure and Certification, MSDH.

B. Project Background

George Regional Hospital d/b/a George Regional Health & Rehabilitation Center (GRH&RC) was granted Certificate of Need (CON) Number R-0668 for the Establishment/Construction of a 60-Bed Skilled Nursing Facility in George County, Mississippi. The effective date of the CON was February 24, 2005, with an expiration date of February 24, 2006.

The following dates give a timeline regarding this CON application (CON #R-0668):

- The Mississippi State Department of Health Staff Analysis dated August 2002, found the application submitted by George Regional Hospital d/b/a George Regional Health & Rehabilitation Center for the Establishment/Construction of a 60-Bed Skilled Nursing Facility in George County, Mississippi; to be in substantial compliance with applicable criteria and standards found in the *State Health Plan* and the *Certificate of Need Review Manual*, and recommended approval.
- September 4, 2002 was the last date to request a hearing during the course of the project's review. A request for a Hearing During the Course of Review was submitted by HTC Healthcare II, Inc., Lucedale in regards to the titled project: George Regional Hospital d/b/a George Regional Health & Rehabilitation Center (Establishment/Construction of a 60-Bed Skilled Nursing Facility in George County, Mississippi).
- The Hearing During the Course of Review for George Regional Hospital d/b/a George Regional Health & Rehabilitation Center (Establishment/Construction of a 60-Bed Skilled Nursing Facility in George County, Mississippi) was scheduled and held on September 28-29, 2004. The hearing continued on October 18 and October 22, 2004; and closed on October 22, 2004.
- The Mississippi State Department of Health conducted their Certificate of Need Review Meeting on February 24, 2005; the proposed project notated below was included on the agenda:

CON Review Number: NH-CB-0602-036
George Regional Hospital
d/b/a George Regional Health & Rehabilitation Center
Establishment/Construction of a 60-Bed Skilled Nursing Facility
Capital Expenditure: \$369,000
Location: Lucedale, George County, Mississippi
Staff Recommendation: Approval

February 24, 2005 was the effective date of the Final Order approving the project for a CON on the above listed facility (CON Number R-0668).

- The State Health Officer's final order decision made on February 24, 2005 for the approval of GRH&RC (Establishment/Construction of a 60-Bed Skilled Nursing Facility in George County, Mississippi) was appealed to the Chancery Court, which resulted in a remand for further review of the proposed project.
- Upon further review of the proposed project, the hearing officer found no credible evidence that CON Number R-0668 should be reversed and recommended that the State Health Officer uphold his original final order to approve the proposed project.

- The Mississippi State Department of Health conducted their Certificate of Need Review Meeting on December 21, 2006; GRH&RC (Establishment/Construction of a 60-Bed Skilled Nursing Facility in George County, Mississippi) was included on the agenda. The State Health Officer re-affirmed the approval of the proposed project.
- George Regional Hospital d/b/a George Regional Health & Rehabilitation Center submitted a Six Month Extension request on April 19, 2016 for the proposed project. George Regional Hospital d/b/a George Regional Health & Rehabilitation Center was approved for a Six Month Extension with the extension termination date of November 21, 2016.

The original project encompassed a total of 25,307 square feet of space on the campus of the Hospital. The nursing facility was to be located at 856 Welmer Street, Lucedale, Mississippi 39452. GRH&RC nursing facility included twelve private care rooms, forty eight (48) semi-private rooms, a dining/recreation room, courtyard, and physical therapy room. GRH&RC asserts that the nursing home will provide the expansion of already existing services required to initiate long term care services: Rehabilitative and Restorative Care Recreational Activities, including Individual Activities Services, Physical Therapy, Occupational Therapy, Speech Therapy, Audiology, Nursing Care and Supervision.

The applicant projected 75.1 full-time equivalents personnel at an estimated cost of \$931,892 the first year for the proposed nursing facility. The original capital expenditure was \$369,000. The applicant intends to finance the project from accumulate cash reserves.

C. Project Description

George Regional Hospital d/b/a George Regional Health & Rehabilitation Center now requests Certificate of Need authority for an amendment and cost overrun to its CON Number R-0668. The applicant affirms that the original project as approved, involved the establishment and construction of a 60-bed nursing facility. Currently, GRH&RC is licensed for and operates 41 of the 60 nursing facility beds authorized by CON Number R-0668. The applicant states that in this proposed CON Amendment, GRH&RC intends to renovate approximately 6,400 square feet of unoccupied space located on the south end of the hospital in order to accommodate 18 skilled nursing facility beds, and to renovate a room in another area of the hospital, for one additional skilled nursing bed. The applicant states that the renovation will enable the hospital to implement the remaining 19 beds authorized by CON Number R-0668.

The applicant states that the increase in capital expenditure for the project is attributed to the following factors:

- The construction/renovation project was accomplished through a series of phases in order to accommodate and plan for appropriate patient care considerations. As a result, these renovations have spanned a longer period of time than originally intended.
- The original CON proposal planned for 48 semi-private beds and only 12 private beds. This CON Amendment includes 38 private beds and 22 semi-private beds. The applicant affirms that this bed complement will

be offered to better meet the patient needs of the service area.

- Additionally, the original CON Application's capital expenditure did not anticipate the increased cost of building materials and labor that has occurred since the hospital initiated the construction associated with the project.
- A transition in management occurred at the hospital in January 2015 and as a result, this project has been reevaluated and redesigned to meet current patient service needs.

The applicant states that 41 of the 60 nursing facility beds authorized by CON No. R-0688 are licensed. The applicant suggests that it is anticipated that upon approval of the CON Amendment/Cost Overrun, the project would begin renovation within 45 days thereafter. The application included a revised cost estimate by the architect and a revised depreciation schedule.

The applicant confirms that the capital expenditure made to date is \$423,585. The applicant states that based on that amount and the estimated capital expenditure, the proposed project is 63% complete. The applicant suggests that the proposed project will be complete within 200 days pending the final CON approval by the Mississippi State Department of Health.

The Mississippi State Department of Health, Division of Health Facilities Licensure and Certification approved the original site for the proposed project.

II. TYPE OF REVIEW REQUIRED

The original application for the construction/establishment of 60 nursing facility beds was 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 State 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 *Fiscal Year 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 State Health Officer reviews all projects for amendments and cost overrun 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 10 days of publication of the staff analysis. The opportunity to request a hearing expires on October 10, 2016.

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

A. State Health Plan (SHP)

The original application was in substantial compliance with the *FY 1999 Mississippi State Health Plan*, in effect at the time the original application was submitted. The amendment and cost overrun project continues to be in compliance with the *FY 2015 Mississippi State Health Plan*.

B. General Review (GR) Criteria

The original project was in substantial compliance with the *Certificate of Need Review Manual, FY 2000 Revision*, in effect at the time of submission. This application continues to be in compliance with applicable General Review Criteria and Standards contained in the *Certificate of Need Review Manual, 2011 Revision*.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

	Original Approved Amount	Revised Amount	Increase/ (Decrease)
1. New Construction Cost	\$319,000	\$319,000	\$ 0
2. Construction/Renovation	2,500	290,685	288,185
3. Land	0	0	0
4. Site Work	2,500	2,500	0
5. Fixed Equipment	0	0	0
6. Non-Fixed Equipment	15,000	15,000	0
7. Contingency	10,000	22,000	12,000
8. Fees (Architectural, Consultant, etc)	20,000	27,400	7,400
9. Capitalized Interest	0	0	0
10. Other Costs	0	0	0
Total Capital Expenditure	\$369,000	\$676,585	\$307,585

The capital expenditure approved in the original CON is \$369,000. The applicant asserts that the additional cost for the amendment/cost overrun proposal is \$307,585, resulting in a revised capital expenditure of \$676,585 for the project.

As previously stated, the applicant states that the proposed project is 63% complete. The proposed amendment/cost overrun does not change the scope of the original project relating to the construction of the 60 bed skilled nursing home facility; however, the applicant provided changes from the original project as mentioned in the *Project Description*.

B. Method of Financing

The applicant states that the project will be financed from cash reserves.

C. Effect on Operating Cost

George Regional Hospital d/b/a George Regional Health & Rehabilitation Center provided a revised projected operating statement for the first year of operation after completion of the project (see Attachment 1). Attachment 2 shows the original first-year projected operating statement of CON No.R-0688 (Establishment/Construction of a 60-Bed Skilled Nursing Facility in George County, Mississippi).

D. Cost to Medicaid/Medicare

The applicant states that the additional capital expenditure associated with the proposed cost overrun will not impact Medicare and Medicaid or other payors, because those programs do not reimburse hospitals based on direct capital cost.

V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment; however, as of September 29, 2016 the Division of Medicaid has not provided any comments regarding the proposed project.

VI. CONCLUSION AND RECOMMENDATION

The original application was in substantial compliance with the *FY 1999 Mississippi State Health Plan*, in effect at the time the original application was submitted; the *Mississippi Certificate of Need Review Manual, revised 2000*, and all adopted rules, procedures and plans of the Mississippi State Department of Health. The proposed cost overrun project continues to be in compliance with all applicable rules, procedures and plans in the *FY 2015 Mississippi State Health Plan* and the *Certificate of Need Review Manual, 2011 Revision*.

The Division of Health Planning and Resource Development recommends approval of this application submitted by George Regional Hospital d/b/a George Regional Health & Rehabilitation Center for the amendment/cost overrun to its CON Number R-0688 for the Establishment/Construction of a 60-Bed Skilled Nursing Facility in Lucedale, George County, Mississippi.

Attachment 1
George Regional Hospital
d/b/a George Regional Health & Rehabilitation Center
Establishment/Construction of a 60-Bed Skilled Nursing Facility

First-Year Operating Statement (Revised)

	Year I
Revenue	\$5,228,041
Other Operating Revenue	21,170
Total Operating Revenue	\$5,249,211
Operating Expenses	
Patient Care Related Expenses	\$2,818,954
Admin./Operating Expense	1,862,012
Property and Equipment Expense	100,044
Less Non-Allowable Costs	(21,672)
Total Operating Expense	\$4,759,338
Net Income (Loss)	\$ 489,873

Attachment 2
George Regional Hospital
d/b/a George Regional Health & Rehabilitation Center
Establishment/Construction of a 60-Bed Skilled Nursing Facility

First-Year Operating Statement (Original)

	Year I
Revenue	
Gross Patient Revenue	\$1,948,297
Total Deduction	\$405,623
Net Patient Revenue	\$1,542,674
Expenses	
Operating Expenses:	
Salaries, Wages and Benefits	\$1,025,081
Professional Fees	60,000
Supplies and Miscellaneous	126,664
Purchased Services	250,557
Bad Debt	9,741
Total Expenses	\$1,483,531
Net Income (Loss)	\$ 59,893
Assumptions	
Patient days	14,987
Cost per patient day	\$ 98.34
Charge per patient day	\$102.98