

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
OCTOBER 12, 2018**

**CON REVIEW NH-RLS-0818-009
BELHAVEN SENIOR CARE, LLC, D/B/A BELHAVEN SENIOR CARE
RELOCATION OF BELHAVEN SENIOR CARE TO NEW BUILDING
IN MADISON COUNTY
CAPITAL EXPENDITURE: \$12,593,624
LOCATION: JACKSON, HINDS COUNTY, MISSISSIPPI**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. APPLICANT INFORMATION

Belhaven Senior Care, LLC, d/b/a Belhaven Senior Care is a Mississippi Limited Liability Company, managed and operated by Trend Consultant, LLC, which is also a Mississippi Limited Liability Company. Mr. Charles Bruce Kelly is the Manager and President of both Belhaven Senior Care, LLC and Trend Consultant, LLC. Belhaven Senior Care, LLC owns and operates a 60-bed nursing home pursuant to a lease agreement by and between Belhaven Senior Care, LLC and Belhaven Nursing Center, LLC. Mr. Charles Bruce Kelly is also the Manager and President of Belhaven Nursing Center, LLC. Each entity involved in the application (Belhaven Senior Care, LLC, Trend Consultants, LLC, and Belhaven Nursing Center, LLC) is in good standing with the Office of the Secretary of State as of August 27, 2018.

B. PROJECT DESCRIPTION

Belhaven Senior Care, LLC, d/b/a Belhaven Senior Care requests certificate of need ("CON") authority to relocate its 60-bed nursing home ("Belhaven Senior Care" and the "Nursing Home") from Hinds County to a new building to be constructed in Madison County.

According to the applicant, the current building housing the Nursing Home, located at 1004 North Street in Jackson, is a split-level configuration that necessitates all residents to use an elevator to access the dining, activity and therapy areas. The applicant states that upon approval, Belhaven Senior Care will relocate to a tract of land, consisting of approximately 8.2 acres, located on Bozeman Road in the City of Madison, Madison County 39211, and within approximately fourteen (14) miles driving distance of the Nursing Home's current location.

Documentation contained in the application indicates that the 8.2 acre parcel was acquired by Mr. Kelly in December 2016 through Trend Consultants, LLC ("Trend Consultants"), the management company for

which Mr. Kelly is the Manager and President. The applicant states that upon receipt of the CON, Mr. Kelly will cause Trend Consultants to transfer the Madison property to Kelly Holdings – Madison, LLC, (“Kelly Holdings – Madison”), a Mississippi Limited Liability Company. The applicant confirms that the new building will house the proposed Nursing Home and will be constructed and owned by Kelly Holdings – Madison, LLC. The Manager and President of Kelly Holdings – Madison is Bruce Kelly.

The applicant submits that the new 60-bed facility will consist of a total of 52,350 square feet of space under roof, including (i) 47,324 square feet of heated and cooled area, (ii) 1,053 square feet of covered porches, (iii) 1,287 square feet of front entry drive-through area, (iv) 800 square feet of space for the two gazebos, and (v) 1,886 square feet of space for an on-site maintenance building. The applicant states that the new facility will be a single-story building which they deem safer in the event of an emergency and furthermore, allows the residents greater mobility within the Nursing Home.

According to the applicant, the new building will have a full sprinkle system, and the HVAC systems will be a combination of split central systems for the common area, offices, and individual through-wall AC/heating unit for the resident's rooms. The electrical systems will include both high voltage and low voltage as required by local and state authorities and will include a back-up generator and emergency circuits. The grounds will be landscaped and include an automatic irrigation system to maintain the grounds. The concrete parking area will have adequate parking spaces for use by members of the staff (even during shift changes), family members and friends of the residents.

According to the applicant, the new facility has been designed with three (3) residential wings. Two (2) of the wings will be connected by a nurses' station that will be situated to allow immediate access and clear lines of sight to the residents' rooms. Those two (2) wings will consist of twenty-two (22) private rooms and twenty-three (23) private rooms. The third wing is a secure wing that will consist of fifteen (15) private rooms dedicated to residents suffering from Alzheimer's disease or other debilitating dementia disease (the “Alzheimer's/Dementia Care Unit”), an expanded skilled nursing rehabilitation therapy center (the “Therapy Center”), and spacious activity, dining, bedroom and outdoor areas. The applicant states that all of the bedrooms will be private and each will have its own full bathroom.

Upon completion of the construction, the applicant states that Belhaven Senior Care will enter into two separate lease agreements with Kelly Holdings – Madison, one for the building and one for the equipment. The Nursing Home, however, will continue to be managed by Trend Consultants. In addition, upon completion of the project, Belhaven Senior Care anticipates that the Nursing Home will be renamed “The Madison Health & Rehabilitation Center.”

In addition, the applicant states that the front entrance to the new facility will include a covered entrance that will allow persons to gain access to vehicles during inclement weather conditions with little or no exposure to such weather.

The applicant states that the ultimate goal of the project is to create a viable sixty (60) bed facility that will improve the quality of life of the nursing home residents and patients at the nursing home by creating as homelike a setting as possible and by providing specialized care, including the offering of long-term care services to persons suffering from Alzheimer's disease or other types of dementia and skilled rehabilitation therapy services that will allow patients to achieve their highest level of independence with the possible prospect of returning to their homes.

The applicant asserts that upon relocation to the new building in Madison, Mr. Kelly intends to sell the physical plant located at 1004 North Street in Jackson.

The applicant proposes to acquire 24.7 additional full time equivalent (FTE) personnel upon relocation of the facility at an estimated annual cost of \$912,051.74. However, the applicant asserts that most of the current employees will also relocate with the facility.

The proposed capital expenditure for this project is \$12,593,624. The applicant expects the capital expenditure will be obligated upon CON approval and the project will be completed within 18 months of CON approval.

The Mississippi State Department of Health, Division of Health Facilities Licensure and Certification approved the site of the new facility on August 20, 2018.

II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health reviews applications for the relocation of nursing home beds under the statutory requirements of Section 41-7-191, subparagraphs (1)(b) (e), 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 October 22, 2018.

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

A. State Health Plan (SHP)

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

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 (LTCPD)

Belhaven Senior Care is currently located in Hinds County. Upon relocation to the replacement facility, Belhaven Senior Care will be located in Madison County. Both Hinds and Madison counties are located in LTCPD III.

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

Belhaven Senior Care is currently licensed to operate sixty (60) nursing home beds and, upon relocation, the applicant states that it will continue to operate sixty (60) nursing home beds.

Need Criterion 3: Alzheimer's/Dementia Care Unit

Upon relocation, the applicant proposes that the new replacement facility in Madison County will include a fifteen (15) bed Alzheimer's/Dementia Care Unit. Belhaven Senior Care affirmed that it will comply with all licensure regulations of MSDH for said Alzheimer's/Dementia Care Unit.

In addition to the criteria and standards for the relocation/transfer of nursing home care beds cited in Chapter 3 of the MSHP, Chapter 5 of the MSHP lists criteria and standards for construction, renovation, expansion, capital improvements, replacement of health care facilities and addition of hospital beds. Specifically, Need Criterion 1 states that an applicant that does not propose to add acute care beds shall document the need for the proposed project. Such documentation may consist of, but is not limited to, citing of licensure or regulatory code deficiencies, institutional long range plans (duly adopted by the governing board), recommendations made by consultant firms, and deficiencies cited by accreditation agencies (JCAHO, CAP, etc.).

Belhaven submits that the Nursing Home's current physical plant consists of 22,355 square feet on approximately $\frac{3}{4}$ acre. The applicant affirms that the oldest part of the building was constructed in the 1940's. However, since the building currently housing the Nursing Home was constructed, many changes have occurred in the nursing home industry that have been determined will provide a better environment for the elderly population in need of long-term care. The applicant states that the physical plant currently housing the Nursing Home cannot meet the current industry criteria. Therefore, a few years ago Belhaven Senior Care's management ("Management") recognized the need to replace the building currently housing the Nursing Home with a new state-of-the-art physical plant located at a different site that is better suited for the aging population.

According to the applicant, Management considered (i) what type of building would best meet the needs of today's aging population, (ii) what size parcel of land would provide the Nursing Home's residents sufficient safe green space to enjoy the outdoors and (iii) what location within LTCPD III would address the shift in population in LTCPD III yet remain within a convenient travel time for the Nursing Home's staff and the families and friends of its residents.

Management concluded that there are many reasons the nursing home need to be relocated, including the physical plant and the current location.

Physical Plant

1. The building currently housing the Nursing Home is an almost 80-year old split level building, which is not an appropriate structure for a skilled nursing facility.
2. Not only does the multi-level building present everyday problems, it also subjects the residents/patients and staff to risks, in the event of an emergency, that are not associated with a one-story structure.
3. The building currently housing the Nursing Home does not have adequate space in its therapy room to provide the best therapy for skilled nursing home patients who need specialized areas in order to reach their greatest level of independence.
4. The Nursing Home is currently caring for residents with Alzheimer's dementia and other types of dementia disease; however, the building currently housing the Nursing Home cannot be modified or renovated to provide the specialized unit recommended for persons with Alzheimer's and dementia disease.
5. The building currently housing Belhaven Senior Care is not in line with today's state-of-the-art nursing home that is necessary to

provide elderly populations with the care and services they deserve.

6. The outdoor space for Belhaven Senior Care's residents at its current location is limited to one small covered patio that is also the location of the sewage drain pump covered by a sewer manhole cover and the pipe that ultimately connects to the sewage system for the City of Jackson.
7. Much of the building currently housing Belhaven Senior Care is no longer in full compliance with the State's Minimum Standards, accessibility codes and other relevant codes. Stephen L. Jordan, Architect, noted in his letter that: "Due to numerous problems with this facility, it is my opinion that this facility should be replaced with a new facility that meets new building codes, life safety codes and handicapped codes. A new facility will also meet current state and federal regulations for nursing facilities."

Current Location

In addition to the need to relocate due to the physical condition of the building housing Belhaven Senior Care, the applicant cites current location conditions as need to relocate the facility. These conditions include the following:

- High number of dangerous crimes. The applicant states that during the period from January 1, 2018 – February 17, 2018 and April 24, 2018 – May 6, 2018, Jackson Police Department recorded thirty-five (35) major crimes within roughly a one-mile radius of the Nursing Home. In addition, a drive-by shooting occurred on July 27, 2018 in the block immediately next to the facility.
- The facility is located in a highly trafficked area. One letter of comment noted that "the noise level at the facility is bothersome for residents due to the location near the fire station and hospital as the sirens are loud both day and night."
- The current building is located on a land-locked parcel consisting of $\frac{3}{4}$ acre with absolutely no space for expansion and no green space at all.
- The building is essentially built in a hole. When it rains, water runs down into the delivery/patio area of the building and must be pumped out.

The applicant states that after considering the issues regarding the need to relocate, Management determined that the best way to address the needs of its residents and patients was to build a new building that would be a state-of-the-art structure offering a safer, more homelike

environment that will enable the provision of the very best therapy services, extended activities and specialized care for persons suffering from Alzheimer's disease and other types of dementia.

According to the applicant, Management considered the county-by-county need analysis as set forth in the *2018 State Health Plan* with the intent to maintain a presence in and remain close to the metropolitan Jackson area so the staff and families and friends of the residents would not be inconvenienced. Therefore, Management looked for the best location within those parameters that would address the problems discussed above. The applicant states that the drive from the existing facility in Jackson to the site on Bozeman Road in Madison is only fourteen (14) miles via Interstate 55 and, under normal traffic conditions, takes approximately fifteen (15) minutes to drive. In addition, among many reasons cited by the applicant, the following were considered when selecting the Madison area:

- *The* Madison site is located in an area that is not experiencing the level of major crime that the area surrounding the current building is experiencing. The applicant states that a review of the City of Madison's crime reports available through the city's website for the prior month (July 24, 2018 – August 21, 2018) indicated that no major crimes had occurred within a one mile vicinity of the proposed site.
- Madison is one of the fastest growing areas in LTCPD III. The applicant cites the 2000 and 2010 censuses that substantiate the shift in the population in the Jackson metropolitan area. According to information submitted, zip code 39202, wherein the current Nursing Home is located, decreased in population by 2.46% since the 2000 census, whereas zip code 39110, wherein the new facility is proposed, increased by 63.74% since 2000. In addition, the applicant states that information derived from the U.S. Census Bureau indicated that the population in Hinds County, as of July 1, 2017, had decreased by 2.4% since the 2010 census, whereas the population in Madison County increased by 6.3% since the 2010 census.
- The new location is located within the city limits of Madison and west of Interstate 55. The applicant submits that of the five (5) nursing homes located in Madison County, only three (3) of them, with a total of 275 beds, accept Medicaid. Of the three (3), only one (1), The Nichols Center with sixty (60) beds, is located in the City of Madison, and that facility is located east of Interstate 55.
- The relocation proposed will result in a better distribution of nursing home beds in relation to those residing in Madison County. Also, the proposed location is the most highly populated area in Madison County and is also the fastest growing area.

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. The applicant submits that the project promotes each of the health planning purposes of the Department of Health as set forth in the *Plan and discussed below*.

To improve the health of Mississippi residents

The applicant submits that the proposed project furthers its purpose to provide skilled nursing patients of Belhaven Senior Care with a state-of-the-art therapy center that will allow such patients to receive the appropriate therapy allowing them to achieve their greatest level of recovery and independence. The project includes a dedicated wing for Alzheimer's patients and others with dementia. The safer, more homelike environment will provide long-term care residents with privacy and promote dignity. The new building will include many locations within the facility that will allow families and friends of the patients/residents to visit with their loved ones undisturbed and will provide large multi-purposed activity areas.

To increase the accessibility, acceptability, continuity, and quality of health services

The applicant submits that the proposed project furthers this purpose by providing the residents and patients of Belhaven Senior Care with a state-of-the-art long-term care and skilled nursing care facility. According to the applicant, all persons, including low income persons, racial and ethnic minorities, women, persons with disabilities, the elderly and other underserved groups have access to the services provided at Belhaven Senior Care and will continue to have access to its services in the new location. Belhaven Senior Care asserts that it is committed to all persons in need of nursing care services, including those in need of the specialized care. The applicant states that because the new building is designed to include a 15-bed Alzheimer's/dementia care unit, the nursing home can offer persons suffering from Alzheimer's disease and other types of dementia such specialized care, thereby improving the health care given to such patients and alleviating much stress from families and friends of loved ones suffering from these diseases.

The applicant submits that the *FY 2018 State Health Plan* indicates that Hinds County currently has 451 more nursing home beds than it needs,

while Madison County has a need for 87 additional nursing home beds. Furthermore, according to the 2023 projections of need for nursing home beds set forth in the *2018 State Health Plan*, the need for nursing home beds in Madison County will rise to 190 nursing home beds while Hinds County will continue to have 363 beds more than the projected need. The applicant states that this project supports the redistribution of beds that is needed in the Hinds/Madison County area.

To prevent unnecessary duplication of health resources

The applicant submits that the project contemplates relocating Belhaven Senior Care to one of the fastest growing areas of LTCPD III. Furthermore, the applicant states that of the 4,928 licensed nursing home beds in LTCPD III, only sixty (60) are located in the City of Madison. Therefore, the project is not an unnecessary duplication of health resources.

To provide some cost containment

The applicant submits that renovation of an outdated eighty (80) year old long-term care building would be extremely expensive and, in the case of Belhaven Senior Care, an impossibility due to limited land availability.

Additionally, Belhaven Senior Care states that because the proposed project includes an enhanced rehabilitation therapy center that will allow persons in need of rehabilitative skilled nursing care to achieve their greatest level of independence and be discharged home (rehab to home patients), the project will save healthcare costs attributable to those individuals.

It is noted, however, that a letter received in opposition to the relocation indicates that “at almost \$210,000 per bed, the costs to Medicaid and the public will be prohibitive.” Briar Hill Management, LLC indicates that the applicant could complete the project for significantly less at a more appropriate site without diminishing the quality of the building or the proposed services provided.

GR Criterion 2 - Long Range Plan

The applicant submits that Mr. Bruce Kelly has been an owner/operator of nursing homes in the State of Mississippi for more than two decades with a proven record of providing excellent skilled nursing home care and long-term nursing home care. During the past few years, Mr. Kelly began to assess how to better utilize the sixty (60) beds at Belhaven Senior Care to assist in evolving toward more modern and effective styles of care. Upon careful analysis, he developed a plan to relocate the Nursing Home to a new state-of-the-art building located (i) closely enough to the current location that the current residents could remain residents of the Nursing Home, families and friends of the residents would not be unduly inconvenienced and the Nursing Home’s staff could maintain their

employment with Belhaven Senior Care; (ii) within LTCPD III, (iii) in a growing area, (iv) in an area with very little or no major crime, (v) in a quiet area, and (vi) on a large enough site with ample green space that allows for secure outside areas. After searching for the right place, Mr. Kelly selected the site in Madison and through Trend Consultants acquired the 8.2 acre site in December 2016.

GR Criterion 3 - Availability of Alternatives

The applicant states that it considered and rejected the following alternatives and cites advantages and disadvantages of each alternative, as well as the reason they were not chosen:

(1) Renovate, or Modernize Existing Building: The applicant submits that this alternative was rejected because: (a) The building currently housing Belhaven Senior Care is essentially a two-story building with all of the residents on the top floor. Also, the existing building has only one small elevator. Such a building is not a good layout for a nursing home because residents cannot be quickly evacuated in the case of fire or some other emergency, such as a tornado, and they cannot be easily moved about the facility for normal everyday care and activities; (b) the existing building is located on a small parcel (3/4 acre) that does not allow for expansion; (c) the site of the existing building is in an area with decreasing population, has a high major crime rate, and where there are many vagrants and homeless people who try to enter the building; and (d) renovation would be extremely disruptive for the residents and patients at Belhaven Senior Care and would thus cause them undue hardship and anxiety.

(2) Relocate Somewhere Other Than in Madison County: The applicant states that Management specifically looked for a location that remedied the problems with the current site. Management considered sites that were (i) easily accessible to motorists, (ii) within LTCPD III, (iii) in a fast growing area, and (iv) had none of the problems such as a high crime rate or limited parcel size that the current site has. Once Management identified those parameters, the selection process narrowed to the area in Madison County that has large tracts of green space but is easily accessible for family members and friends of the residents and the Nursing Home staff.

The applicant submits that the selected option of constructing a new state-of-the-art building to house Belhaven Senior Care in one of the fastest growing areas in the State and in LTCPD III is the best option to meet adequately and effectively the needs of the residents of the metropolitan Jackson area.

The applicant believes that the new building will allow Belhaven Senior Care to operate optimally a nursing facility that focuses not only on long-term care but also on short-term rehabilitation with discharge planning geared toward discharges to home.

GR Criterion 4 - Economic Viability

The applicant asserts that the proposed reimbursement will follow the standard Medicare RUG schedule, the state Medicaid per diem for Belhaven Senior Care, and the Medicare Part B physician fee schedules. The applicant believes that its reimbursement compares favorably with 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 \$2,142 for the first year, \$186,808 for the second year, and \$206,511 for the third year of operation.

The applicant asserts that the projected levels of utilization for Belhaven Senior Care (92% the first year and 95% for the second and third year) are reasonably consistent with the levels of utilization experienced by other nursing homes in Hinds County and in Madison County. The applicant indicates that the weighted average occupancy rate of all fourteen (14) nursing facilities in Hinds County was 90.86% in 2016 (excluding one facility for which information was not available. See Attachment 3).

The applicant provides the following occupancy rates for five nursing home (5) facilities currently located in Madison County:

Facility/County	Occupancy Rate	ADC
Highland Home, Ridgeland (120 beds)	90.94%	109.12
Madison County Nursing Home, Canton (95 beds)	97.76%	92.88
St. Catherine's Village Siena Center, Madison (120 private beds)	90.86%	109.04
The Arbor, Ridgeland (60 private beds)	97.66%	58.60
The Nichols Center, Madison (60 beds)	91.58%	54.96
Average/Total	93.32%	424.60

Source: 2016 Report on Institutions for the Aged or Infirm

The applicant states that the average occupancy rate of the above five (5) nursing home facilities was 93.32% in 2016. (It should be noted; however, and as the applicant points out, beds located at St. Catherine's Village Siena Center and The Arbor are units within continuing care retirement communities ("CCRC") and are not normally counted for CON purposes. According to the applicant, Subsection 13 of Section 41-7-191(13) of the CON law, which was repealed by its own terms July 1, 2005, allowed the establishment of CCRCs without a CON but prohibit any such CCRC from ever participating in the Medicaid program. That subsection also provided that the beds of such CCRC were not to be "counted against the bed need set forth in the State Health Plan".) The applicant further points out that CCRCs have significant limitations on admission to their facilities

as well as their payor sources, which limitations significantly decrease the number of nursing home beds in Madison County that are available to the average nursing home resident.

Furthermore, the applicant submits that the *FY 2018 State Health Plan* projects a need in Madison County of 87 additional beds in 2018 and 190 additional beds by the year 2023. The applicant also suggests that should the beds located at St. Catherine’s Village and The Arbor be omitted (as such facilities will only admit residents that are part of the respective CCRC), the bed need in Madison County rises to 267 in 2018 and 370 in 2023.

However, the *FY 2018 State Health Plan* indicates that Hinds County had 451 more beds than needed in 2018 and will have 363 more beds than needed by 2023. The applicant submitted the charts below as demonstration that the relocation of Belhaven Senior Care will be in compliance with the *2018 State Health Plan* and will appropriately redistribute sixty (60) of the nursing home beds within LTCPD III.

Beds Needed in Madison County, Before and After Relocation

Number of Beds	2018	2023
Before Relocation	+87	+190
After Relocation	+27	+130

Beds Needed in Hinds County, Before and After Relocation

Number of Beds	2018	2023
Before Relocation	-451	-363
After Relocation	-391	-303

The applicant submits that Belhaven Senior Care is confident in its projected revenues because such projections are conservative when one considers its occupancy rate in 2017 (92.06%), the 2016 occupancy rates of other nursing homes in Madison and Hinds counties, and the need in Madison County for additional nursing home beds. Additionally, the applicant states that Trend Consultants will provide whatever support is required to implement the project if the project fails to meet projected revenues.

The application contained a letter from Charles Bruce Kelly, Manager and President, and Tina Ellis, Comptroller of Belhaven Senior Care, LLC and Trend Consultants, LLC, attesting to the economic and financial viability of the project.

GR Criterion 5 - Need for the Project

Access by Population Served: According to the applicant, Belhaven Senior Care accepts all persons in need of long-term nursing home care, skilled nursing home care, the elderly, low income person, racial and ethnic minorities, women, handicapped persons and other underserved groups. The applicant states that a large portion of nursing home residents are Medicaid recipients, and given the fact that of the 455 nursing home beds in Madison County, 180 CCRC beds are off-limits to Medicaid recipients and the vast majority of people in need of nursing home care, the need for the population of Madison County for additional long-term care is critical. The applicant believes that the relocation of the nursing home can help address that need.

Relocation of Services: The proposed project is located within LTCPD III. The *FY 2018 Mississippi State Health Plan* shows that LTCPD III has 917 more beds than are needed. The Plan further shows that Hinds County, wherein Belhaven Senior Care is located, has 451 more beds than are needed. However, the applicant submits that Madison County, wherein Belhaven Senior Care proposes to relocate, has a need for an additional 87 nursing home beds.

The applicant submits that the relocation of the Nursing Home to the new building in Madison will have no adverse impact on the population currently served not only because most of the current residents and patients have already expressed an interest in moving to the new facility but also because Compere's is located only a block from the Nursing Home's current location.

According to the applicant, the population of Medicaid recipients and persons who have not previously become residents in a CCRC are limited in their choice of nursing homes located in Madison County because two (2) of the current facilities (with a total of 180 beds) in the county are CCRCs and admit only those who have purchased, at significant cost, a place in their retirement communities.

Moreover, the applicant avers that in addressing the impact this project will have on existing nursing homes in Madison County, one should consider only Highland Home, Madison County Nursing Home and The Nichols Center because St. Catherine's and The Arbor are both CCRCs and are not developed to address the needs of persons in the general population in need of long-term care, skilled nursing home care or specialized dementia care.

Current and projected Utilization of Like Facilities in the Area: According to the applicant and as reported in the 2016 Report on Institutions of Aged and Infirm, the average occupancy rate (weighted) of the five (5) facilities located in Madison County was 93.32% (See table at GR Criterion 4 – Economic Viability above). The applicant asserts that all

of those facilities are operating in excess of 90% occupancy with two (2) nursing homes operating in excess of 97%.

Furthermore, the applicant submits that the 2016 Report indicates an occupancy rate (weighted) of all fourteen (14) reporting facilities in Hinds County was 90.86% in 2016 (See Attachment 3).

The applicant submits that because Belhaven Senior Care’s occupancy rate was 92.06% in 2017 and its average daily census was 55.24 and because the Nursing Home anticipates transferring many of its current residents to the new facility, Belhaven Senior Care has estimated that it will have an average daily census of 55.2 (60 x 92%) during its first year of operation at its new location.

Furthermore, the applicant asserts that it has been projected that the population of persons in Madison County most likely to need nursing home care (age 65 years and older) will increase dramatically from 2018 to 2023. The applicant submits that the *2018 State Health Plan* at Table 2-2 (LTCPD III) demonstrates that the population of Madison County for the age cohort 65+ in 2018 is 15,808 and that by 2023 it will be 20,601.

Madison County Population Statistics for Age Cohort 65 and Older

Year	Total Projected Population	Age Cohort Population 65 and Older	Percentage of Population
2018	114,992	15,808	13.74%
2023	124,896	20,601	16.49%

Source: *FY 2018 State Health Plan and Application*

The applicant asserts that even more dramatic than the increase in the overall population is the percentage of increase of 30.32% within the category of those 65 years and older in Madison County in only five (5) years (20,601 – 15,808 ÷ 15,808).

In addition, the applicant submits that the increase in Hinds County is not as dramatic as that in Madison County. The percentage of increase within the category of those 65 years and older in Hinds County in five (5) years is 15.35%, which represents an increase in that age cohort of only half of the increase in Madison County.

Hinds County Population Statistics for Age Cohort 65 and Older

Year	Total Projected Population	Age Cohort Population 65 and Older	Percentage of Population
2018	256,101	32,703	12.77%
2023	261,558	37,723	14.42%

Source: *FY 2018 State Health Plan and Application*

Probable Effect on Existing Facilities in the Area: The applicant submits that there will be no impact on any existing providers in Madison County or in Hinds County given the current occupancy rates of the existing facilities and the projected demographics of Madison County’s aging population as compared to that of Hinds County. Furthermore, the applicant states that the impact will be a beneficial one.

Community Reaction: The application contains copies of 13 letters of support from physicians, staff, District Supervisors, the City of Madison, the Chamber of Commerce and Parkway Church.

In addition, the project received one letter of opposition, from Briar Hill Management, LLC and the long-term care facility it manages in Madison, The Nichols Center.

GR Criterion 6- Accessibility

The applicant states that all resident of the service area, including Medicaid residents, 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 applicant states that virtually all residents and patients in a skilled nursing facility are qualified to receive Medicare or Medicaid. The applicant asserts that Belhaven Senior Care does not separate its charity care, medically indigent care and bad debt patients. 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 Belhaven Senior Care.

Fiscal Year	Charity Care/Bad Debt (%)	Dollar Amount
Historical Year 2016	5.7%	\$333,812
Historical Year 2017	2.7%	\$158,430
Projected Year 1	2.8%	\$255,608
Projected Year 2	2.7%	\$263,518

According to the applicant, approximately 2.8 percent of its gross patient revenue will be attributable to medically indigent/charity care/bad debt during its first year of operation in the new building. No restrictions or advantages will be placed on care based on payor source, race, creed, national origin, or disability.

GR Criterion 7- Information Requirement

The applicant affirms that Belhaven Senior Care, LLC 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

Belhaven Senior Care submits that in Madison County there are five (5) nursing homes; however, two (2) of them have extraordinary limitations regarding admission to their facilities and provide care only to those who have purchased an interest in the retirement community. As for the remaining three nursing homes, one (1) is located in Canton (with 95 beds), one (1) in Madison (with a total of 60 beds located east of Interstate 55) and one (1) in Ridgeland (with 120 beds). The applicant submitted the following chart that indicates Madison County is the largest and fastest growing area in Madison County:

Madison County Estimated Population by Zip Code

Zip Code	2016 Population	Percentage Increase(+) Decrease (-) Since 2000
39110 (Madison area – proposed location)	38,795	+63.74%
39157 (Ridgeland area)	24,781	+21.10%
39046 (Canton)	27,121	+18.05%
39071 (Flora area)	5,680	+24.86%
39046 (Camden area)	1,258	+5.36%

Source: CON Application. (Sperling’s Best Places at www.bestplaces.net).

The applicant further states that in respect to the population in Hinds County, projected population projections demonstrate that changes have occurred since 2000 and are projected to continue. (See Attachment 4 for population projections submitted by the applicant for Hinds County).

Belhaven Senior Care asserts that this project will have no adverse impact on any nursing home in Madison County because (i) the existing facilities were operating at an average occupancy rate of 93.32% as of 2016, (ii) all five (5) of the facilities in 2016 reported an occupancy rate of 90% and above, (iii) two (2) of the five (5) reported occupancy rates were

above 97%, (iv) two (2) of the facilities are CCRCs and do not have the same patient/resident base as the other facilities, (v) there are no new beds being added to Madison County, LTCPD III or the State, (vi) the aging population in Madison County is dramatically increasing, and (vii) the number of persons suffering from Alzheimer's disease and other types of dementia is significantly on the rise. Therefore, the applicant submits that the project will serve to enhance the care needed by those within the service area,

However, Briar Hill Management, LLC which operates The Nichols Center, the only nursing facility located in Madison, opposes this project.

GR Criterion 9 - Availability of Resources

The applicant projects an addition of 24.7 fulltime equivalent (FTE) personnel at an annual cost of \$912,051.74. However, Belhaven Senior Care states that it maintains a full complement of staff without the need to employ temporary agency staff. The applicant further states that Belhaven Senior Care is authorized to provide nursing home services, which services include skilled rehabilitation nursing home services, specialized nursing home services for those suffering from Alzheimer's disease and other types of dementia, and long-term care nursing home services.

GR Criterion 10 - Relationship to Ancillary or Support Services

According to the applicant, Belhaven Senior Care currently has in place agreements with nine (9) various vendors concerning this criterion for the proposed project.

Belhaven Senior Care asserts that although the Medicaid per diem may rise slightly because the building will be new, there are no known changes in per diem rates as a result of the project. In addition, the applicant expects the costs associated with the operation of the nursing home will rise primarily because of (i) the increase in utilization, (ii) the increase in the number of full time employees, and (iii) the increase in lease cost.

GR Criterion 11 – Health Professional Training Programs

The applicant states that Belhaven Senior Care will review and consider each request made by any health professional training program based upon the merits of the training for the facility, the residents, and the participants.

GR Criterion 12 – Access by Health Professional Schools

The applicant states that Belhaven Senior Care will review and consider each request made by any health professional training program based

upon the merits of the training for the facility, the residents, and the participants.

Criterion 13 – Service to Residents Outside Service Area

Belhaven Senior Care states that based on room availability, the nursing home services will be available to any qualifying resident or patient who wishes to receive care at the facility.

GR Criterion 14 - Construction Projects

The application contains schematic drawings and a site plan of the project. In addition, the application contained a letter and photos from Stephen L. Jordan, Architecture and Planning, with a recommendation that the building be replaced, and a cost estimate from Mid-State Construction.

The applicant states that it will comply with state and local building codes, zoning ordinances, and/or appropriate regulatory authority.

The project consists of approximately 52,350 square feet of new construction at a cost of \$199.18 per square foot. The 2018 *Building Construction Cost with RSMeans Data*, shows the cost per square foot for new construction of a nursing home ranges from \$114 to \$179. The cost of the project is above the high range of \$179 for the construction of new nursing homes. The applicant's cost per bed is approximately \$209,893, including land and non-fixed equipment costs (or \$184,810 excluding land and non-fix equipment costs).

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 asserts that Belhaven Senior Care has a history of providing high quality medical care to its residents. Belhaven Senior Care states it has in place a quality improvement program, the purpose of which is to ensure the delivery of the highest quality care to its residents and patients in the most efficient and effective manner with the resources available.

Belhaven Senior Care further submits that the approval of this project will allow the construction of a state-of-the-art nursing home capable of providing enhanced therapy services to those in need of skilled rehabilitative nursing care. In addition, the project will include a designated fifteen (15) bed, private room Alzheimer's/Dementia Care Unit, which applicant states will allow Belhaven Senior Care to provide

special care services to those suffering from Alzheimer’s disease and other types of dementia.

The applicant states that Belhaven Senior Care is certified to participate in the Medicare and Medicaid programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

Item	Estimate Cost (\$)	Percent (%) of the Total
Construction Cost –New	\$ 6,941,000	55%
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	705,000	6%
Land Cost	800,000	6%
Site Preparation Cost	2,180,000	17%
Fees (Architectural, consultant, etc.)	896,828	7%
Contingency Reserve	208,230	2%
Capitalized Interest	200,966	2%
Other Cost (pre construction land interest)	511,600	4%
Legal and accounting fees	25,000	**%
Other Financing Fees	125,000	1%
TOTAL PROPOSED CAPITAL EXPENDITURE	\$12,593,624	*100%

Note: *Numbers may not compute due to rounding. **% insignificant, less than 1%.

The project will require 52,350 square feet of new construction. Based on the numbers provided by the applicant and the new construction formula listed in the CON Manual, it will cost \$199.18 per square foot to complete

the project (see Attachment 2). According to the 2018 Building Construction Costs with RSMeans data book, three fourths of nursing homes listed in the publication cost approximately \$179 per square foot.

B. Method of Financing

The applicant proposes to finance the proposed capital expenditure through a commercial loan with Trustmark National Bank, Jackson, at an interest rate of 5% for a term of 20 years. However, the applicant anticipates that only \$9,500,000 will actually be financed.

The applicant submitted documentation that indicates Trend Consultants, LLC and Combined Affiliates, have the ability to undertake this project.

C. Effects on Operating Costs

The applicant projects total operating revenues of \$6,370,989, \$6,784,082, and \$6,990,419, the first, second, and third year of operation, respectively; and expenses of \$6,368,846, \$6,597,275, and \$6,783,908. 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, Belhaven Senior Care (BSC) provides the following revenue source projections for each payor category listed below:

Payor	Utilization Percentage	First Year Revenue
Medicare	64.00%	\$ 5,900,982
Medicaid	24.00%	\$ 2,260,606
Self Pay	11.00%	\$ 1,027,548
Other	1.0-%	102,755
Charity Care	-0-%	<u>-0-</u>
Total	100.00%	<u>\$9,291,891</u>
BSC projects 4% for medically indigent/charity care/bad debt of gross patient revenues, for the proposed project.		

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 date of this Staff Analysis.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for the relocation/transfer 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 Belhaven Senior Care, LLC, for the Relocation of Belhaven Senior Care to a New Building in Madison County.

Attachment 1
Belhaven Senior Care, LLC
Relocation of Belhaven Senior Care to New Building in Madison County
Three-Year Projected Operating Statement (With Project)

	First Year	Second Year	Third Year
Revenue			
Inpatient Care Revenue	\$ 9,291,891	\$ 9,629,902	\$ 9,665,967
Outpatient Care Revenue	\$ -	\$ -	\$ -
Gross Patient Care Revenue	<u>\$ 9,291,891</u>	<u>\$ 9,629,902</u>	<u>\$ 9,665,967</u>
Charity Care	\$ 255,608	\$ 263,518	\$ 268,560
Deductions from Revenue	\$ 2,674,643	\$ 2,591,883	\$ 2,416,808
Net Patient Care Revenue	\$ 6,361,640	\$ 6,774,501	\$ 6,980,599
Other Operating Revenue	\$ 9,349	\$ 9,581	\$ 9,820
Total Operating Revenue	<u>\$ 6,370,989</u>	<u>\$ 6,784,082</u>	<u>\$ 6,990,419</u>
Operating Expense			
Salaries	\$ 2,483,437	\$ 2,557,940	\$ 2,634,678
Benefits	\$ 394,183	\$ 406,009	\$ 418,189
Supplies	\$ 658,097	\$ 677,840	\$ 698,175
Services	\$ 1,330,055	\$ 1,381,057	\$ 1,422,632
Lease	\$ 760,000	\$ 760,000	\$ 760,000
Depreciation	\$ -	\$ 45,000	\$ 55,000
Interest	\$ -	\$ 4,063	\$ 6,906
Other	<u>\$ 743,074</u>	<u>\$ 765,366</u>	<u>\$ 788,327</u>
Total Operating Expense	<u>\$ 6,368,846</u>	<u>\$ 6,597,275</u>	<u>\$ 6,783,908</u>
Net Operating Income (Loss)	<u>\$ 2,142</u>	<u>\$ 186,808</u>	<u>\$ 206,511</u>
Inpatient days	20,148	20,805	20,805
Charge per inpatient day	\$ 461	\$ 463	\$ 465
Cost per inpatient day	\$ 316	\$ 317	\$ 326

**ATTACHMENT 2
 Belhaven Senior Care
 COMPUTATION OF NEW CONSTRUCTION COST**

<u>Cost Component</u>		<u>Total</u>	<u>New Construction</u>
A	New Construction Cost	\$6,941,000	\$6,941,000
B	Renovation Cost	\$0	
C	Total Fixed Equipment Cost	\$0	
	Total Non-Fixed Equipment Cost	\$705,000	\$0
	Capital Improvement	\$0	
	Land Cost	\$800,000	\$800,000
D	Site Preparation Cost	\$2,180,000	\$2,180,000
E	Fees (Architectural, Consultant, etc.)	\$896,828	\$896,828
F	Contingency Reserve	\$208,230	\$208,230
G	Capitalized Interest	\$200,966	\$200,966
	Other	\$661,600	
	Total Proposed Capital Expenditure	\$12,593,624	\$11,227,024
	Square Footage	52,350	52,350
	Allocation Percent		100.00%
	Costs Less Land, Non-Fixed Eqt.& Cap. Improvement	\$11,088,624	\$10,427,024
	Cost Per Square Foot		\$199.18
	Cost per Bed (n=60)	\$184,810	

Source: Mississippi Certificate of Need Review Manual, 2017 revision.

ATTACHMENT 3

Utilization Data of Nursing Facilities in Hinds County for 2016

Facility/ Number of Licensed Beds	Occupancy %	ADC
Belhaven Senior Care (60 beds)	90.96	54.58
Chadwick Nursing & Rehab Center (102 w/100 set up and staffed)	92.20	94.04
Clinton Healthcare (121 beds)	N/A*	N/A
Compere's Nursing Home (60 beds)	96.22	57.72
**Community Place (60 beds)	91.78	55.06
Cottage Grove Nursing Home (120 beds)	75.12	90.14
Forest Hill Nursing Center (87 beds)	92.42	80.40
***Hinds County Nursing & Rehab Center (60 beds with 59 in abeyance)	96.46	57.88
Lakeland Nursing & Rehab (105 beds)	91.64	96.22
Mississippi State Veterans Home Jackson (150 beds)	93.08	139.64
Pleasant Hills Community Living Center (120 beds)	85.68	102.82
Woodlands Rehab & Healthcare Center (145 beds)	92.38	133.94
Willow Creek Retirement Center (88 beds)	92.66	81.54
Magnolia Senior Care (60 beds)	94.54	56.72
Manhattan Nursing & Rehab Center 180 beds)	93.68	168.62
Average/Total	90.86%	

Note: *No data was provided for the 2016 Report.

** Obtained a CON to locate to Pearl, Rankin County, Mississippi

*** n/k/a Edgewood Health & Rehab with 119 beds

ATTACHMENT 4

Hinds County Estimated Population by Zip Code

Zip Code	2016 Population	Percentage Increase(+) Decrease (-) Since 2000
39202 (Jackson area – current location)	8,613	-2.46%
39201 (Jackson)	479	-56.02%
39203 (Jackson)	6,749	-29.65%
39204 (Jackson)	20,082	+1.39%
39206 (Jackson)	25,012	-11.68%
39209 (Jackson)	27,188	-21.77%
39211 (Jackson)	25,346	+5.66%
39212 (Jackson)	34,200	-11.14%
39213 (Jackson)	22,758	-14.61%
39216 (Jackson)	2,823	-27.69%
39217 (Jackson)	823	+2,320.59%*
39154 (Raymond)	10,499	+7.72%
39041 (Bolton)	4,028	+21.00%
39056 (Clinton)	26,231	+3.37%
39066 (Edwards)	4,513	-5.76%
39170 (Terry)	9,765	+31.48%
39174 (Tougaloo)	652	-21.16%
39175 (Utica)	4,399	-8.73%
39272 (Byram)	13,118	+80.81%

Source: CON Application. (Sperling's Best Places at www.bestplaces.net).

*Applicant indicates that although there has been an increase in population since 2000 in the area covered by zip code 39217 when there was a population of only 34, there has been a decrease of 25.39% in that population since 2010 when the population was 1,103.