

**MISSISSIPPI STATE DEPARTMENT OF HEALTH  
DIVISION OF HEALTH PLANNING AND RESOURCE DEVELOPMENT  
AUGUST 8, 2022**

**CON REVIEW NUMBER: NH-RC-0622-012  
CARTHAGE SENIOR CARE, LLC D/B/A CARTHAGE SENIOR CARE  
CONSTRUCTION OF REPLACEMENT SKILLED NURSING HOME FACILITY  
CAPITAL EXPENDITURE: \$14,428,124.00  
LOCATION: CARTHAGE, LEAKE COUNTY, MISSISSIPPI**

**STAFF ANALYSIS**

**I. PROJECT SUMMARY**

**A. Applicant Information**

Carthage Senior Care, LLC (“Carthage Senior Care” or the “Applicant”) is a Mississippi limited liability company, registered on March 5, 2021. Carthage Senior Care, formerly Carthage Health & Rehab, (the “Nursing Home”) is a forty-four (44) bed nursing home formerly owned by Baptist Medical Center – Leake, Inc. (“Baptist”). On March 30, 2021, the Applicant filed a Notice of Intent to Change Ownership of Carthage Health & Rehab, with Carthage Senior Care, LLC listed as the Lessee/Purchaser and Kelly Holdings – Leake County, LLC (“Kelly Holdings”) listed as the Purchaser. Effective May 1, 2021, Baptist entered into an agreement with Carthage Senior Care whereby the tangible and intangible assets and operation of the Nursing Home were transferred to Carthage Senior Care. Trend Consultants, LLC (“Trend Consultants”), a Mississippi limited liability company, manages/operates Carthage Senior Care. The management team of Carthage Senior Care consists of five (5) officers. In addition, Charles Bruce Kelly, the Manager and President of Carthage Senior Care, LLC, owns Trend Health & Rehab of Carthage, LLC (“Trend of Carthage”), a Mississippi limited liability company consisting of ninety-nine (99) nursing home beds. Mr. Kelly owns ninety-nine percent (99%) of the membership interests in each of Kelly Holdings, Carthage Senior Care, and Trend of Carthage and fifty percent (50%) of the membership interests in Trend Consultants.

The application contains a Certificate of Good Standing from the Office of the Secretary of State, Jackson, Mississippi, indicating as of June 17, 2022, Carthage Senior Care, LLC is in good standing with the State of Mississippi. In addition, the application contains evidence from the office of the Secretary of State that Trend Health & Rehab of Carthage, LLC, Kelly Holdings – Carthage, LLC, and Trend Consultants, LLC are in good standing with the State of Mississippi.

**B. Project Description**

Carthage Senior Care, LLC requests certificate of need (“CON”) authority for the construction of a sixty (60) bed replacement facility to house Carthage Senior Care. The Applicant states the replacement facility will be constructed on the same property as the existing facility, located at 1065 E. Franklin Street, Carthage, Leake County, Mississippi. The Applicant further states the facility will include forty-four (44) beds currently licensed to Carthage Senior Care and sixteen (16) beds relocated from Trend Health & Rehab of Carthage, LLC (an existing ninety-nine (99) bed skilled nursing home). The Applicant states Carthage Senior Care currently has thirty-six (36) private rooms and four (4) semi-private rooms. Upon completion, Carthage Senior Care’s replacement facility will consist of sixty (60) private resident rooms. The Applicant affirms Kelly Holdings will construct and own the replacement building along with the fixed and non-fixed equipment and will lease the replacement building and equipment to Carthage Senior Care.

The Applicant states the relocation of sixteen (16) beds from Trend of Carthage to Carthage Senior Care will allow for additional private rooms for residents of Trend of Carthage in what will then become an eighty-three (83) bed skilled nursing facility with a restructured make-up of twenty-three (23) private rooms and thirty (30) semi-private rooms. The Applicant asserts, while the result will be an increase in beds at Carthage Senior Care and a decrease in beds at Trend of Carthage, there will be no increase or decrease in the number of nursing homes beds in Carthage, Leake County, Long Term Care Planning District IV (“LTCPD IV”), or in Mississippi.

The Applicant states the building will be designed to accommodate resident wings, day rooms, therapy areas, kitchen, dining, screened porches and nursing areas as required by current standards for skilled nursing facilities. The Applicant further states both Carthage Senior Care and Trend of Carthage are committed to enhancing the lives of their residents and patients. The Applicant affirms each facility strives to ensure that its patients and residents receive the most innovative and expert care possible in a homelike setting.

According to the Applicant, construction of the new sixty (60) bed facility will consist of 50,340 square feet of space which includes sixty (60) private rooms, two (2) screened porches, and a front entry covered drive-through area allowing drop off of passengers and patients who have limited ambulation and in the event of inclement weather. The Applicant states the building will be a one-story facility.

The Applicant asserts the final objectives of the project are directly related to the need to replace an old building with one that is sufficient to house sixty (60) residents. The Applicant states the newly constructed state-of-the-art physical plant will, among other things:

1. Provide sufficient rooms for sixty (60) nursing home residents;
2. Provide a private room for each resident of Carthage Senior Care and sixteen (16) of the residents of Trend of Carthage, the provision of which will allow residents to better protect themselves from contagious diseases such as COVID-19;
3. Provide sixteen (16) additional private rooms at Trend of Carthage;
4. Allow the Nursing Home with its enhanced therapy center and Trend of Carthage with its fewer residents to more efficiently and effectively provide enhanced skilled rehabilitation therapy services;
5. Provide a homelike setting for patients and residents of the Nursing Home;
6. Provide for the construction and operation of a facility that continues to meet the needs of the residents of Carthage, Leake County, and Mississippi and particularly those residing in LTCPD IV.

The Applicant states the ultimate goal of the project is to create a viable sixty (60) bed skilled nursing facility that will improve the quality of life and health of nursing home residents and patients at the Nursing Home and Trend of Carthage, by creating a homelike and safe setting and by providing individualized and specialized care, including 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 certifies the Nursing Home will comply with all state and local building codes, zoning ordinances, and/or appropriate regulatory authority. Further, the Applicant affirms the Nursing Home will comply with all applicable state statutes and regulations for the protection of the environment, including 1) approved water supplies; 2) sewage and water disposal; 3) hazardous waste disposal; 4) water pollution control; 5) air pollution control; and 6) radiation control.

Carthage Senior Care projects 17.1 additional full-time equivalent (FTE) staff will be hired at an annual cost of \$619,176.07 the first year. The Applicant projects a total capital expenditure of \$14,428,124.00, as itemized in Section IV of this Staff Analysis. The Applicant proposes to finance the project with a twenty-five (25) year loan of \$9,500,000.00 financed at five percent (5%) interest, equity contribution of \$1,500,000.00 and related company financing of \$3,428,124.00.

Carthage Senior Care expects to obligate the capital expenditure upon receipt of CON approval and anticipates the project to be complete within eighteen (18) months following receipt of the CON.

The application contains a letter dated June 8, 2022, documenting MSDH Division of Health Facilities Licensure and Certification's approval of the site for the facility.

## II. TYPE OF REVIEW REQUIRED

The Mississippi State Department of Health (“MSDH”) will review applications for a CON under the statutory 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 Certificate of Need according to the general criteria listed in the *Mississippi Certificate of Need Review Manual*, all adopted rules, procedures, and plans of MSDH, and the specific criteria and standards listed below.

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 ten (10) days of publication of the staff analysis. The opportunity to request a hearing expires on August 18, 2022.

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

### A. State Health Plan (SHP)

The *FY 2022 Mississippi State Health Plan, Second Edition* (“MSHP”) contains policy statements regarding Certificate of Need Applications for the Offering of Nursing Home Care Services. The application is in compliance with the policy statements stated in the MSHP as follows:

#### **Policy Statements Regarding the Certificate of Need Applications for the Offering of Nursing Home Care Services**

##### **Policy Statement 1 – Legislation**

- a. **Permanent moratorium.** The Applicant states the project involves (i) the construction of a new building to replace the existing building that currently houses the residents of the Nursing Home. Furthermore, the Applicant affirms the replacement facility will be sited on the same 8.10 acres on which the Nursing Home is currently located, and (ii) upon completion of the replacement facility construction, the project also involves the less-than-one mile relocation of sixteen (16) licensed nursing home beds from Trend of Carthage to Carthage Senior Care. No additional beds will be added to the nursing home inventory in LTCPD IV. Therefore, the Applicant states this policy statement is not applicable.
- b. **Exemptions for beds licensed under the Department of Mental Health.** The Applicant submits this policy statement is not applicable.
- c. **The 1999 Mississippi Legislature.** The Applicant states this policy statement is not applicable.

- d. **April 12, 2002, Legislature.** The Applicant states this policy statement is not applicable as the project does not involve the addition of new nursing home beds or the conversion of licensed beds from one category to another. However, the project does contemplate the addition of sixteen (16) beds relocated from Trend of Carthage to Carthage Senior Care. The legislation states no health care facility shall be authorized to **add any** beds or convert any beds to another category of beds without a CON. Therefore, the project requires a CON under this paragraph as Carthage Senior Care will add sixteen (16) nursing home beds to its inventory as a result of this project.
- e. **March 4, 2003 Legislature.** The Applicant states this project does not involve placing beds in abeyance.
- f. **Ceased operation for a period of sixty (60) months.** The Applicant states both Carthage Senior Care and Trend of Carthage are currently licensed, opened, and operating.
- g. **Long Term Care Planning District (LTCPD).** The Applicant states both Carthage Senior Care and Trend of Carthage are located in LTCPD IV.

### **Policy Statement 2 – Bed Need**

The Applicant states both Carthage Senior Care and Trend of Carthage are existing licensed skilled nursing homes with a total of 143 beds. The Applicant further states upon completion of the project, the total combined skilled nursing home beds of Carthage Senior Care and Trend of Carthage will remain 143.

However, the bed complement of Carthage Senior Care will increase from forty-four (44) to sixty (60), an increase of sixteen (16) beds, and Trend of Carthage will decrease from ninety-nine (99) to eighty-three (83) nursing home beds.

### **Policy Statement 3 – Population Projections:**

As stated above, both Carthage Senior Care and Trend of Carthage are existing licensed skilled nursing homes with a total of 143 beds. The Applicant states Carthage Senior Care is not requesting MSDH to authorize the addition of new “never-before-authorized” nursing home beds. The Applicant affirms, upon completion, the total combined skilled nursing home beds of Carthage Senior Care and Trend of Carthage will remain 143.

### **Policy Statement 4 – Bed Inventory**

The Applicant submits the project does not request authority for newly authorized nursing home beds.

### **Policy Statement 5 – Size of Facility**

The application requests to construct a replacement nursing home facility for sixty (60) beds.

### **Policy Statement 6 – Definition of CCRC**

The Applicant states neither Carthage Senior Care nor Trend of Carthage is a Continuing Care Retirement Community.

### **Policy Statement 7 – Medicare Participation**

According to the Applicant, both Carthage Senior Care and Trend of Carthage currently participate in the Medicaid and Medicare programs and, after completion of the project, both will continue to participate in the Medicaid and Medicare programs.

### **Policy Statement 8 – Alzheimer’s/Dementia Care Unit**

The Applicant states the project does not include a specifically designated Alzheimer’s/Dementia Care Unit; however, both Carthage Senior Care and Trend of Carthage are equipped to care for residents with dementia and maintain secured exits that prohibit residents with dementia from wandering outside the facilities.

## **Certificate of Need Criteria and Standards for Nursing Home Care Beds**

### **Need Criterion 1: Nursing Home Care Bed Need**

The Applicant submits both Carthage Senior Care (with forty-four (44) beds) and Trend of Carthage (with ninety-nine (99) beds) are existing licensed nursing homes.

### **Need Criterion 2: Number of Beds to be Constructed, Converted, and/or Licensed**

The Applicant states the project involves the construction of a replacement facility consisting of sixty (60) nursing home beds. The Applicant further states, upon completion of the project, Carthage Senior Care will be licensed for sixty (60) beds and Trend of Carthage will be licensed for eighty-three (83) beds. The Applicant affirms this project does not contemplate any new nursing home beds in Leake County, LTCPD IV, or Mississippi, whether by addition or conversion.

### **Need Criterion 3: Consideration of Statistical Need**

The application submitted by the Applicant is not a competing application. The Applicant states Carthage Senior Care and Trend of Carthage are the only existing nursing homes in Leake County and are affiliates.

#### **Need Criterion 4: Alzheimer's/Dementia Care Unit**

The Applicant states the project does not contemplate the inclusion of a designated Alzheimer's/Dementia Care Unit.

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

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

The Applicant states both Carthage Senior Care and Trend of Carthage are located immediately adjacent to one another in Carthage, Leake County, which is in LTCPD IV.

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

The project contemplates the relocation of sixteen (16) beds from Trend of Carthage (currently with ninety-nine (99) beds) to Carthage Senior Care (currently with forty-four (44) beds). Upon completion of the project, Carthage Senior Care will consist of sixty (60) beds, and Trend of Carthage will consist of eighty-three (83) beds.

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

The Applicant states the project does not contemplate the inclusion of a designated Alzheimer's/Dementia Care Unit, and currently neither the Nursing Home nor Trend of Carthage has a designated 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 – State Health Plan**

The application was reviewed for consistency with the *FY 2022 Mississippi State Health Plan* in effect at the time of submission. The Applicant asserts the project substantially complies with the six (6) Priority Health Needs as well as the four (4) General CON Policies stated in the *FY 2022 State Health Plan, Second Edition*.

##### **GR Criterion 2 – Long Range Plan**

The Applicant states, during the negotiations and on-site inspections leading to the purchase of the facility in 2021, it became evident the approximately fifty-three (53) year old

Carthage Senior Care building could not accommodate a homelike environment. Therefore, Mr. Kelly began to assess how to better utilize the forty-four (44) Carthage Senior Care beds to assist in evolving toward more modern and effective styles of care. The Applicant states, upon careful analysis, Mr. Kelly developed a plan to construct a new replacement building on the site and relocate the sixteen (16) Trend of Carthage beds to a new state-of-the-art sixty (60) bed skilled nursing facility with all private rooms located on the existing site of the Nursing Home, which site is in the immediate proximity of Baptist Medical Center – Leake.

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

- a. Advantages and Disadvantages:** The Applicant states two options were considered: i) Do nothing and ii) renovate or modernize the existing building.

- i) Do Nothing:** The Applicant states the advantage of doing nothing is the owner of the Nursing Home would not be obligated to incur any costs regarding the upgrade or replacement of the facility.

The Applicant states the disadvantage of this option is the Nursing Home would not be able to provide the enhanced therapy services that allow some nursing home residents to return home or to a family member. In addition, the Applicant states residents would not be provided the private room option in some cases at Carthage Senior Care and in most cases at Trend of Carthage. The Applicant states the need for more private rooms in the nursing home industry has become apparent as a result of the pandemic and the loss of elderly residents who were unable to separate themselves from other residents due to the lack of private rooms.

- ii) Renovate or Modernize Existing Building:** The Applicant states the advantage of this option is the Nursing Home would achieve more space and, because the Department does not require the renovation/expansion of a nursing home to provide room for sixty (60) beds, Carthage Senior Care could save some of its construction costs by maintaining the facility as a forty-four (44) bed nursing home.

However, the Applicant states the disadvantage to this option is renovation would be extremely disruptive for the residents and patients at Carthage Senior Care. The Applicant states some of the residents would more than likely need to be moved to other facilities during the construction process resulting in not only severe hardship on the residents but also a loss of revenue for the Nursing Home. The Applicant states because of the building's old age (53 years), renovation, modernization, and expansion to provide the sixty (60) bed facility for purposes of cost efficiencies (also required of a replacement facility) would be cost prohibitive.

- b. New Construction Projects:** The Applicant states, for the reasons stated above, Management decided that renovation of the current building would not be in the best interest of the Nursing Home's residents; therefore, the option to renovate was rejected.
- c. Beneficial Effects to the Health Care System:** The Applicant submits the selected option of constructing a new state-of-the-art building to house Carthage Senior Care is the best option to meet the needs of the residents of Leake County and LTCPD IV more adequately and effectively, as there will be little or no disruption in the lives of the residents and the improvements in their lives will be significant as a result of the new building.

The Applicant states, through the construction of a new building with sixty (60) private rooms, a complete and enhanced therapy center, and multi-task activity area, among other improvements, Carthage Senior Care will provide its residents a facility with a homelike atmosphere, offering privacy, utility and increased safety given the residents can better isolate themselves from the general population in the event of contagious diseases. In addition, the Applicant states, with the rising acuity of residents in long-term care facilities, facilities that offer a stronger emphasis on rehabilitation and safer conditions regarding contagion can reduce the lengths of stay for those residents who may be capable of returning home and prevent such patients from becoming long-term care residents. Furthermore, the Applicant states Medicaid costs and other healthcare costs are reduced each time a resident receives sufficient rehabilitation to allow him/her to return to his/her home.

- d. Effective and Less Costly Alternatives:**
  - i. Unnecessary Duplication of Services:** The Applicant states the project furthers the Department's goal to prevent an unnecessary duplication of services because the proposed project does not contemplate the addition of new beds or new services in Leake County, LTCPD IV, or in Mississippi. The Applicant further states the project is an improvement of an existing health service.
  - ii. Efficient Solution:** The Applicant submits the project will more effectively meet the needs of persons needing long-term nursing home care and short-term rehabilitation nursing home care. Furthermore, the applicant states, by placing an emphasis on a homelike and safe environment, the Nursing Home can encourage those leaving an acute care facility who are in need of skilled nursing rehabilitation to seek such care. The Applicant states this will allow those persons a better quality of life upon return to their homes and will ultimately save healthcare costs.

- e. **Improvements and Innovations:** The Applicant asserts investing in a modern physical plant that emphasizes privacy and a homelike setting instead of institutional living is a major stride in delivering quality health care above which is currently offered by most providers of nursing home care. The Applicant states not only does the project demonstrate a commitment to its current residents and patients and residents of Leake County, LTCPD IV, and Mississippi, it also openly embraces the oncoming needs of the largest aging population in America's history. The Applicant states Carthage Senior Care strives to assure that each resident receives clinical services and is treated with the highest level of dignity possible by offering residents a quality homelike and safe environment for themselves and their visitors.
- f. **Relevancy:** The Applicant asserts the new physical plant will provide all private rooms, which are becoming necessary in the face of the pandemic. In addition, the Applicant states the nursing home industry has begun to recognize the benefits received by residents and residents' families when a nursing home provides a homelike setting.

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

- a. **Proposed Charge:** The Applicant states the proposed reimbursement will follow the standard Medicare RUG schedule, the State Medicaid per diem for Carthage Senior Care, and the Medicare Part B physician fee schedule. The Applicant further states such reimbursement compares favorably with similar facilities in the area and the services provided will be in compliance with the regulations for each payor source.
- b. **Projected Levels of Utilization:** The Applicant states the projected levels of utilization of the Nursing Home (year 1 – 90%, year 2 – 91%, year 3 - 93%) are reasonably consistent with the levels of utilization experienced by the other nursing homes in Leake County and the counties that surround Leake County (Attala, Madison, Newton, Neshoba, Rankin, Scott, and Winston counties, together with Leake County, the "Eight-county Area") that are strictly private pay and providers of Medicare and Medicaid according to the department's *2022 Directory of Health Facilities* and the *2019 Report on Long-Term Care Facilities*.
- c. **Financial Feasibility Study:** The application contains a letter from Carthage Senior Care's Chief Financial Officer, a certified public accountant, attesting to the financial feasibility of the project.
- d. **Financial Forecasts:** The Applicant affirms the financial forecasts do not deviate significantly from the current occupancy rate of the Nursing Home.
- e. **Means of Covering Expenses in Event of Failure to Meet Projections:** The Applicant states the Nursing Home will not change its provider number

or lose any residents as a result of the project, as it will continue operations without a break in time. Additionally, the Applicant states, as the Manager and President of Trend Consultants, Bruce Kelly will cause Trend Consultants to provide whatever support is required to implement the project and operate the Nursing Home, if necessary, including providing necessary capital to implement the project and to cover any expenses incurred if the project fails to meet projected revenues.

- f. **Impact of Proposed Project on Health Care Cost:** The Applicant asserts the project will have minimal, if any, impact on the cost of health care in Mississippi or on Medicaid, Medicare, or any other payor. The Applicant states, because Carthage Senior Care will provide enhanced skilled nursing care in the new therapy center, it is projected that the Nursing Home's Medicare days will increase significantly.

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

- a. **Access by Population Served:** The Applicant states the building that currently houses Carthage Senior Care was built in 1969 as part of Leake Memorial Hospital and at a time when nursing homes were essentially considered long-term care homes and not facilities geared to provide physical, occupational, and speech therapy. In addition, the Applicant states the building that currently houses the Nursing Home has problems that would have to be corrected were Carthage Senior Care to remain in the current building; however, the Applicant states most problems cannot be resolved due to the inadequate size of the rooms and the building's configuration.

The Applicant states Carthage Senior Care accepts all persons in need of long-term nursing home care, including the elderly, low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups.

- b. **Relocation of Services:** The Applicant submits the only relocation that will occur with respect to the project is the relocation of sixteen (16) licensed nursing home beds from Trend of Carthage to Carthage Senior Care, which are only a few hundred feet apart.
  - i. **Replacement Facility:** The Applicant states Bruce Kelly will evaluate carefully how the building can be used recognizing the age of the building and need for maintenance. The Applicant states there will be no financial impact on the disposition of the building currently housing the Nursing Home regardless as to what the disposition may be.
  - ii. **Relocation of Services:** The Applicant states the entire building currently housing the Nursing Home will be vacated

and all residents, services, equipment, and supplies will be moved to the new replacement facility.

- c. **Current and Projected Utilization of Comparable Facilities:** The Applicant submits the project does not involve the establishment of a new skilled nursing home or service; therefore, the project does not contemplate the addition of any unauthorized skilled nursing homes, service, or beds.
- d. **Probable Effect on Existing Facilities in the Area:** The Applicant asserts there are only two (2) skilled nursing home facilities in Leake County, one of which is owned and operated by Carthage Senior Care and the other is owned and operated by Trend of Carthage, an affiliate of Carthage Senior Care. The Applicant states the occupancy rate of Carthage Senior Care is 90.03% and the occupancy rate of Trend of Carthage is 91.06%. Therefore, the Applicant states there will be no adverse impact on the skilled nursing providers in Leake County.
- e. **Community Reaction:** The application contains six (6) letters of support from health care providers and community leaders.

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

- a. **Access to Services.** The Applicant certifies that all residents of the health planning service area, hospital service area, or patient service area, including Medicaid recipients, charity/medically indigent patients, racial and ethnic minorities, women, handicapped persons, and the elderly will have access to the services proposed.

The following table shows the projected percentage of gross patient revenue and actual dollar amount of health care proposed to be provided to medically indigent patients and/or charity patients.

	Medically* Indigent (%)	Medically Indigent (\$)	Charity Care (%)	Charity Care (\$)
Historical Year 2020	N/A	N/A	N/A	N/A
Historical Year 2021	Included in Charity	Included in Charity	8.8%	\$247,311.00
Projected Year 1	Included in Charity	Included in Charity	2.00%	\$121,679.00
Projected Year 2	Included in Charity	Included in Charity	2.00%	\$126,956.00

- b. **Existing Obligations:** The Applicant certifies the facility has no existing obligations under any federal regulation.

- c. Unmet Needs of Medicare/Medicaid and Medically Indigent Patients:** The Applicant submits Carthage Senior Care is currently certified by both Medicare and Medicaid. Further, the Applicant states the Nursing Home recognizes the need for enhanced skilled nursing rehabilitative services that will allow skilled nursing patients the therapy needed to achieve their highest level of independence, thereby reducing healthcare costs and meeting the needs of Medicare patients.
- d. Access to Proposed Facility:** The Applicant submits the Nursing Home accepts all residents of the area, including the elderly, low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups.
- e. Access Issues**
- i. Transportation and Travel:** The Applicant submits the new site of Carthage Senior Care is conveniently located next to the hospital in Carthage.
  - ii. Restrictive Admissions Policy:** The Applicant submits Carthage Senior Care does not have a restrictive admissions policy. A copy of the Admissions Policy was included in the submitted CON application.
  - iii. Access to Care by Medically Indigent Patients:** The Applicant certifies all patients, including medically indigent patients will have access to care. Further, the Applicant states no restrictions or advantages will be placed on care based on payor source.
  - iv. Operational Hours of Service:** The Applicant certifies Carthage Senior Care operates and will continue to operate twenty-four (24) hours per day seven (7) days per week.

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

The Applicant affirms Carthage Senior Care will record and maintain, at a minimum, the required information regarding charity care, care to the medically indigent, and Medicaid populations and make it available to the Department within fifteen (15) business days of request.

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

- a. Comparable Services:** The Applicant states there are only two (2) nursing homes in Leake County, owned by the two (2) Trend-affiliated companies (Carthage Senior Care and Trend of Carthage). The Applicant states both facilities are skilled nursing homes that accept all payor sources, including Medicare and Medicaid.

**b. Effect on Existing Health Services**

- i. Complement Existing Services:** The Applicant states, by constructing a new physical plant with a spacious and state-of-the-art therapy center, homelike common areas for the residents and their visitors, private bedrooms, and many other amenities, Carthage Senior Care will provide the community it serves as homelike a setting as possible, the necessary therapy to allow skilled nursing patients an opportunity to regain independence, and a safe and caring atmosphere for those who will make the Nursing Home their final home.
  - ii. Provide Alternative or Unique Service:** The Applicant states upon completion of the construction of the replacement facility, Carthage Senior Care will offer enhanced physical, occupational, and speech therapy services.
  - iii. Provide a service for a specified target population:** The Applicant asserts the Nursing Home is serving and will continue to serve all nursing-facility-appropriate residents, regardless of payor source. In addition, the Applicant states by enhancing its therapy center, the Nursing Home can assist those persons in need of rehabilitative services achieve independence that, in many cases, will allow them to return to their homes or be discharged to a less intensive kind of care.
  - iv. Provide services for which there is an unmet need:** The Applicant states the project will provide enhanced therapy services that are much needed in the state to help those who are able to rehabilitate to the point of returning home or to some lower level of care.
- c. Adverse Impact:** The Applicant asserts failure to implement this project will result in (i) the loss of a new state-of-the-art nursing home that will offer its residents and patients as homelike a setting as possible to replace a fifty-three (53) year old nursing home facility, (ii) fewer private nursing home rooms in Leake County, in LTCPD IV, and in Mississippi, and (iii) a lost opportunity to provide enhanced therapy services in the proposed new state-of-the-art therapy center and a means of reducing healthcare costs and providing the elderly and infirmed population an opportunity to return home and avoid long-term nursing home care.
- d. Transfer/Referral/Affiliation Agreements:** The Applicant submits Carthage Senior Care has a transfer agreement with American Medical Technologies (provides ambulatory services) and Baptist Memorial Hospital – Leake (an acute care hospital).

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

- a. New Personnel:** The Applicant asserts Carthage Senior Care, which has a good record of hiring and retaining appropriate staffing, is confident it will experience no problem in hiring the needed employees. The Applicant states the Nursing Home will utilize normal recruiting practices to fill available positions with the applicants best suited, including placing ads in local newspapers and other publications to assist in the recruiting efforts. In addition, the Applicant states special efforts will also be made to work with the area's institutions of higher learning to recruit skilled personnel.
- b. Contractual Services:** The Applicant submitted a list of contractual agreements with nine (9) entities regarding clinically-related services.
- c. Existing Facilities or Services:** The Applicant states Carthage Senior Care, as well as Trend of Carthage, neither of which own any other facilities or services, maintain a full complement of staff without the need to employ temporary agency staffing.
- d. Alternative Uses of Resources:** The Applicant states Carthage Senior Care is authorized to provide nursing home services including skilled rehabilitative nursing home services and long-term care nursing home services.

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

- a. Support and Ancillary Services:** The Applicant indicates Carthage Senior Care has twelve (12) agreements in place to provide necessary support and ancillary services.
- b. Changes in Costs or Charges:** The Applicant asserts the costs associated with the operation of the Nursing Home at its new location will rise primarily because of the increase in the number of beds from forty-four (44) to sixty (60).
- c. Accommodation of Changes in Cost or Charges:** The Applicant states it anticipates the estimated increase in the utilization rate will increase the patient/resident revenue and that such increase in revenue will cover any increase in costs. Also, the Applicant anticipates that with the enhanced therapy center, the Nursing Home will provide more rehabilitative services, which results in greater revenue per Medicare patient day.

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

The Applicant states the Nursing Home will consider each request made by any health professional training program located within the service area. Each request will be reviewed based upon the merits of the training for the facility, the residents, and the participants.

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

As stated above, the Applicant states the Nursing Home will consider each request made by any health professional training program located within the service area. Each request will be reviewed based upon the merits of the training for the facility, the residents, and the participants.

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

The Applicant states the Nursing Home's services will be available to any qualifying resident or patient who wishes to receive care at the facility, including those in need of skilled nursing care, physical therapy, speech therapy, occupational therapy, and long-term nursing home care.

### **GR Criterion 14 - Construction Projects**

The Applicant proposes to construct a 50,340 square foot, sixty (60) bed facility to replace Carthage Senior Care.

### **GR Criterion 15 – Competing Applications**

There are no competing applications filed with the Mississippi State Department of Health for the construction of a replacement skilled nursing home facility.

### **GR Criterion 16 - Quality of Care**

- a. **Past Quality of Care:** The Applicant asserts Bruce Kelly, the manager and president of Carthage Senior Care and Trend Consultants, has fourteen (14) skilled nursing homes in Mississippi and has a long history of assuring that each of those nursing homes provides high quality medical care to its residents. Further, the Applicant states the nursing home 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.
- b. **Improvement of Quality of Care:** The Applicant asserts, with the enhanced therapy center, the Nursing Home will be better positioned to help patients enjoy the greatest level of physical health possible so they are better prepared to return home and to the daily activities they enjoy.

- c. **Accreditations and/or Certifications:** The Applicant submits Carthage Senior Care is certified to participate in the Medicare and Medicaid programs.

**IV. FINANCIAL FEASIBILITY**

**A. Capital Expenditure Summary**

Cost Item	Projected Cost	Percentage of Cost (%)
Construction – New	\$ 8,772,764.00	60.80%
Construction (Renovation)	0.00	0.00%
Capital Improvement	0.00	0.00%
Fixed Equipment	0.00	0.00%
Non-fixed Equipment	1,720,000.00	11.92%
Land Cost	0.00	0.00%
Site Preparation	1,415,017.00	9.81%
Fees (Architectural)	1,495,404.00	10.37%
Capitalized Interest	0.00	0.00%
Contingency Reserve	100,000.00	0.69%
Other Building Cost	524,939.00	3.64%
Other Project Development Costs	400,000.00	2.77%
<b>Total Capital Expenditure</b>	<b>\$14,428,124.00</b>	<b>100.00%</b>

**B. Method of Financing**

The Applicant proposes to finance \$9,500,000 of the project with a loan at a rate of five percent (5%) interest for a term of twenty-five (25) years. In addition, the Applicant proposes equity contributions of \$1,500,000.00 and related company financing of \$3,428,124. The application includes a Summary of Principal Terms and Conditions from Trustmark Bank regarding financing of the project.

Additionally, the Applicant proposes to lease the land for an annual cost of \$9,000.00 at a rate of three percent (3%) for a period of five (5) years.

**C. Effect on Operating Cost**

The three-year projected operating statement for Carthage Senior Care is presented at Attachment 1.

**D. Cost to Medicaid/Medicare**

Carthage Senior Care projects gross patient revenue cost (Project Only) to third party payors as follows:

<b>Payor Mix</b>	<b>Utilization Percentage (%)</b>	<b>First Year Revenue (\$)</b>
<b>Medicare</b>	31.00%	\$ 1,942,900.00
<b>Medicaid</b>	58.00%	3,577,337.00
<b>Commercial</b>	0.00%	0.00
<b>Self Pay</b>	3.00%	216,810.00
<b>Charity Care</b>	0.00%	0.00
<b>Other</b>	7.00%	462,015.00
<b>Total</b>	<b>100.00%</b>	<b>\$ 6,199,062.00</b>

**V. RECOMMENDATIONS OF OTHER AFFECTED AGENCIES**

The Division of Medicaid was provided a copy of this application for review and comment. A letter dated July 21, 2022, indicated the Division of Medicaid has no opinion on this request.

**VI. CONCLUSION AND RECOMMENDATION**

This project is in substantial compliance with the *FY 2022 Mississippi State Health Plan, Second Edition*; 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.

Therefore, the Division of Health Planning and Resource Development recommends approval of the application submitted by Carthage Senior Care, LLC for the Construction of a Replacement Skilled Nursing Home Facility.

**Attachment 1**

<b>Carthage Senior Care, LLC</b>			
<b>Construction of a Replacement Skilled Nursing Home Facility</b>			
<b>Three-Year Operating Statement (With Project)</b>			
	Year 1	Year 2	Year 3
<b>Revenue</b>			
Patient Revenue:			
Inpatient	\$ 6,199,062.00	\$ 6,469,202.00	\$ 6,816,015.00
Outpatient	0.00	0.00	0.00
<b>Gross Patient Revenue</b>	<b>\$ 6,199,062.00</b>	<b>\$ 6,469,202.00</b>	<b>\$ 6,816,015.00</b>
Charity Care	121,679.00	126,956.00	133,764.00
Deductions from Rev.	347,015.00	353,295.00	359,702.00
<b>Net Patient Revenue</b>	<b>\$ 5,730,368.00</b>	<b>\$ *5,988,950.00</b>	<b>\$ 6,322,549.00</b>
Other Operating Revenue	0.00	0.00	0.00
<b>Total Operating Revenue</b>	<b>\$ 5,730,368.00</b>	<b>\$ 5,988,950.00</b>	<b>\$ 6,322,549.00</b>
<b>Expenses</b>			
Operating Expenses:			
Salaries	\$ 1,704,443.00	\$ 1,789,665.00	\$ 1,879,148.00
Benefits	382,702.00	401,837.00	421,929.00
Supplies	587,110.00	616,466.00	647,289.00
Service	1,580,691.00	1,644,725.00	1,711,962.00
Lease	747,346.00	748,213.00	749,123.00
Depreciation	5,513.00	5,788.00	6,078.00
Interest	31,963.00	33,561.00	35,240.00
Other	466,454.00	475,603.00	485,210.00
<b>Total Expenses</b>	<b>\$ 5,506,222.00</b>	<b>\$ 5,715,858.00</b>	<b>\$ 5,935,979.00</b>
<b>Net Income (Loss)</b>	<b>\$ 224,146.00</b>	<b>\$ 273,092.00</b>	<b>\$ 386,570.00</b>
<b>Assumptions</b>			
Inpatient days	19,710	19,929	20,367
Outpatient days			
Procedures			
Charge/inpatient day	\$ 315.00	\$ 325.00	\$ 335.00
Charge per outpatient			
Charge per procedure			
Cost per inpatient day	\$ 279.00	\$ 287.00	\$ 291.00
Cost per outpatient day			
Cost per procedure			

**Attachment 2  
 Carthage Senior Care, LLC  
 Construction of a Replacement Skilled Nursing Home Facility  
 Construction Cost Calculation**

<b>Cost Component</b>	<b>Total</b>	<b>New Construction</b>	<b>Renovation</b>
New Construction Cost	\$8,772,764	\$8,772,764	
Renovation Cost	\$0		\$0
Total Fixed Equipment Cost	\$0	\$0	
Total Non-Fixed Equipment Cost	\$1,720,000	\$1,720,000	
Capital Improvement	\$0		
Land Cost	\$0	\$0	
Site Preparation Cost	\$1,415,017	\$1,415,017	
<i>Fees (Architectural, Consultant, etc.)</i>	\$1,495,404	\$1,495,404	\$0
<i>Contingency Reserve</i>	\$100,000	\$100,000	\$0
<i>Capitalized Interest</i>	\$0	\$0	\$0
Other Building Cost	\$524,939	\$0	
Other Project Development Costs	\$400,000	\$0	
<b>Total Proposed Capital Expenditure*</b>	<b>\$14,428,124</b>	<b>\$13,503,185</b>	<b>\$0</b>
Square Footage	<b>50,340</b>	50,340	0
<i>Allocation Percent</i>		100.00%	0.00%
<b>Costs Less Land, Non-Fixed Equip. &amp; Cap. Improvement</b>		<b>\$13,503,185</b>	<b>\$0</b>
<b>Cost Per Square Foot</b>		<b>\$268.24</b>	<b>\$0.00</b>
<b>Cost per Bed (n=60)</b>	<b>\$240,469</b>		

**\*Note: Formula excludes "Other Costs and Fees" such as Building Cost of \$524,939; and Project Development Costs of \$400,000. These items are not considered a part of the construction cost.**