

**DIVISION OF HEALTH PLANNING
AND RESOURCE DEVELOPMENT
JUNE 19, 2017**

**CON REVIEW HG-SB-0517-005
FORREST COUNTY GENERAL HOSPITAL
D/B/A HIGHLAND COMMUNITY HOSPITAL
OFFERING OF SWING BED SERVICES
LOCATION: HATTIESBURG, FORREST COUNTY, MISSISSIPPI
CAPITAL EXPENDITURE: \$-0-**

STAFF ANALYSIS

I. PROJECT SUMMARY

A. Applicant Information

Forrest County General Hospital d/b/a Highland Community Hospital (“Highland Community Hospital”) is a hospital-based facility that is governed by hospital officers and trustees and is presently governed by an eight-member Board of Trustees.

Although the facility has not provided swing bed services since 2006, it has an active Medicare Swing Bed Provider Number and National Provider Identifier for the Swing Bed Program. Also, the applicant states that it is licensed by The Mississippi State Department of Health (MSDH).

The facility is licensed for 50 short-term acute care beds and 10 adult psychiatric beds. The occupancy rates, average length of stay (ALOS), and Medicaid Utilization for the three most recent years are as follows:

Fiscal Year	Occupancy Rate (%)	ALOS (DAYS)	Medicaid Utilization Rate%
2013	26.99	2.93	25.63
2014	29.32	3.11	21.77
2015	30.24	3.58	19.63

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

B. Project Description

Highland Community Hospital requests CON authority to establish swing bed services for the facility.

Briefly, Highland Community Hospital was known as L.O. Crosby Memorial Hospital in 1954 and it began accepting patients at its location on Goodyear Boulevard in Picayune, Mississippi. However, in 1997, New American Corporation took over operation of the facility, but they declared bankruptcy in 1998. In 2006, the hospital was acquired by Forrest County General Hospital and renamed Highland Community Hospital.

The applicant states that approximately 95% of the admissions to Highland Community Hospital originate from five different zip code areas (39464, 39426, 39470, 39463, and 39457). The applicant points out that in the 1980s Highland Community Hospital (then L.O. Crosby Memorial Hospital) began offering Swing Bed Services. The hospital continued to offer swing bed services through 2006. The applicant asserts that this proposed project will not have a capital expenditure.

The applicant states that 336.0 FTEs (Full-Time Equivalents) or personnel will increase to 348.0 FTEs and will be required for the proposed project. The estimated annual cost of additional personnel will be \$800,025.00.

The applicant was issued a site approval letter by the Division of Licensure and Certification.

The applicant states the primary objective of this proposed project is to reinstitute swing-bed services at Highland Community Hospital as part of the hospital's continuum of care.

The applicant states the proposed project will be complete 90 days post receipt of CON.

II. TYPE OF REVIEW REQUESTED

The Mississippi State Department of Health will review applications for a Certificate of Need (CON) to establish swing-bed services under the applicable 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 CON according to the general criteria listed in the *Mississippi Certificate of Need Review*

Manual, April 9, 2017, Revision ; all adopted rules, procedures, and plans of the 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 10 days of publication of the staff analysis. The opportunity to request a hearing expires June 29, 2017.

III. CERTIFICATE OF NEED CRITERIA AND STANDARDS

A. State Health Plan (SHP)

The *FY 2015 Mississippi State Health Plan (MSHP)* contains criteria and standards which the applicant is required to meet before receiving CON authority to establish swing-bed services. This application is in compliance with applicable criteria and standards.

SHP Criterion 1- Need

The applicant asserts that it will meet the federal regulations regarding swing-bed services. Highland Community Hospital states it will not have more licensed beds or a higher average daily census than the maximum number specified in federal regulations for participation in the swing-bed program.

SHP Criterion 2 - Governing Board Approval

The applicant provided a copy of the Resolution adopted by its governing board showing that the Board of Trustees approved the proposed participation.

SHP Criterion 3 – Federal Regulations

The applicant is not proposing to operate and staff more than the maximum number of beds specified in federal regulations for participation in the swing-bed program. Thus, the applicant is not required to give written assurance that only private pay patients will receive swing-bed services.

SHP Criterion 4 - Medicare (Title XVIII of the Social Security Act)

Highland Community Hospital affirms that upon receiving CON approval and meeting all federal requirements for participation in the swing-bed program, Highland Community Hospital shall render services provided under the swing-bed program to any patient eligible for Medicare who is certified by a physician to need such services.

SHP Criterion 5 – Hospital Stay Requirements

The applicant states that upon receiving CON approval and meeting all federal requirements for participation in the swing-bed program, the applicant shall not permit any patient who is eligible for both Medicaid and Medicare, or who is eligible only for Medicaid, to stay in the swing beds of a hospital for more than 30 days per admission unless the Hospital receives prior approval for such patient from the Division of Medicaid.

SHP Criterion 6 - 50-mile Radius (Geographic Area) Requirement

Highland Community Hospital asserts the hospital will not have more licensed beds or a higher average daily census than the maximum number specified in federal regulations for participation in the swing-bed program. Therefore, this criterion is not applicable.

SHP Criterion 7- Transfer Agreements

The application includes a transfer agreement memorandum of intent between Highland Community Hospital and Bedford Care Center-Picayune.

SHP Criterion 8- Compliance with Federal Regulation

The applicant states that subject to the conditions stated in Criterion #5, Highland Community Hospital hereby affirms that it will be subject to suspension from participation in the swing-bed program for a reasonable period of time by the Department of Health if the Department, upon a hearing complying with due process, determines that the applicant has failed to comply with the requirements.

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 2 - Long Range Plan

The applicant states that the reinstatement of swing-bed services at Highland Community Hospital is consistent with the Hospital's long-range plan of offering health services in response to community health needs. Also, the residents of Highland Community Hospital's service area will greatly benefit from the continuum of care provided through the Hospital's swing-bed program.

GR Criterion 3- Availability of Alternatives

Highland Community Hospital considered the establishment of a distinct-part skilled nursing facility (“SNF”); however, the applicant determined that it was preferable to reinstitute swing-bed services in order to provide greater flexibility in responding to the needs of its patients.

The applicant asserts that the implementation of swing-bed services does not require a capital expenditure, while the cost of instituting a distinct part SNF would be in excess of \$500,000.00, due to the creation of a dayroom, dining room, family conference and other areas required for an SNF.

Furthermore, the applicant states that offering of swing-bed services at Highland Community Hospital will benefit the health care system by allowing patients to remain in the hospital, in a post-acute care setting, prior to discharge.

The applicant states that this would be the superior alternative because such a program enables the hospital to have the flexibility to respond to patient’s needs.

Also, the level of care offered by swing-bed services is beneficial to the patient in need of post-acute care and is also highly cost effective.

The applicant states that there is not a less costly alternative for the proposed project. Also, this proposed project will enable Highland Community Hospital to continue to provide post-acute care services to patients in a cost-effective setting.

The applicant asserts that the proposed project is not a duplication of existing services. The offering of swing-bed services will enable Highland Community Hospital to provide a continuum of care.

Highland Community Hospital indicates that this proposed project will allow acute care patients to receive appropriate post-acute care without the necessity of transfer or discharge.

GR Criterion 4 - Economic Viability

The applicant states the projected charges are based on Highland Community Hospital's financial experience and assessment.

The projected level of utilization is based on an analysis which includes patient population demographics, the shortage of skilled nursing beds in Pearl River County as demonstrated by the *2015 State Health Plan*, and other factors.

The applicant asserts that the hospital does not project any significant deviations in its financial forecasts.

Highland Community Hospital indicates that it would be able to cover expenses with cash reserves, if needed; however, that is not expected.

Also, the financial tables accompanying the proposed project show the impact on the third-party payors. Through the offering of swing-bed services, Highland Community Hospital will be able to provide care to patients in need of such services, in a more appropriate and cost-effective setting.

GR Criterion 5 - Need for the Project

The applicant states as a Mississippi community hospital, Highland Community Hospital is accessible to all residents of the service area.

The applicant states that the only other hospital in Pearl River County is Pearl River County Hospital in Poplarville. Also, Pearl River County Hospital is a critical access hospital with a limited average daily census. In addition, Pearl River County Hospital operates an affiliated nursing home. The proposed project at Highland Community Hospital will not duplicate or impact the health services provided by Pearl River County Hospital or its nursing home. The applicant states that Highland Community Hospital swing-bed proposed project will serve the needs of acute care patients in need of post-acute care.

The applicant also indicated that the proposed project will not have an adverse impact on Bedford Care Center-Picayune, a 60-bed nursing facility, or Picayune Rehabilitation and Healthcare Center, a 120-bed nursing facility. Highland Community Hospital states that the proposed project will complement the health services currently offered by Highland Community Hospital, as well as the Bedford Care Center-Picayune and the nursing facilities. Also, Highland Community Hospital and Bedford Care Center-

Picayune will enter into a transfer agreement in order to facilitate the provision of care the patients and residents of both facilities.

Nine (9) endorsement letters from various community officials and the medical community were included in the CON application dated May 5, 2017.

GR Criterion 6 -Accessibility

Highland Community Hospital states that it is fully accessible to Medicare, Medicaid and medically indigent patients. The applicant asserts that all health services offered by Highland Community Hospital are accessible to all residents of the services area. Highland Community Hospital is easily accessible by Interstate 59 and State Highway 43.

Highland Community Hospital indicates it is fully accessible to medically indigent patients.

Highland Community Hospital operates 24 hours a day, 7 days a week.

	FY 2016	FY 2017
Changes foregone, based on established rates.	\$27,646,912.00	\$26,188,280.00
Estimated costs and expenses incurred to provide charity care.	7,986,300.0	7,745,611.00
Equivalent percentage of charity care patients to all patients served,	<u>1.60%</u>	<u>1.63%</u>

Note: This information reflects the charity care provided by Forrest County General Hospital, which owns and operates Highland Community Hospital. It is expected that the level of charity care provided in the two (2) years following project completion will be in the same range as provided in FY 2015 and FY 2016.

GR Criterion 7- Information Requirement

Highland Community Hospital affirms that they will record and maintain the information required by this criterion and shall make the data available to the Mississippi Department of Health within fifteen (15) business days of request.

GR Criterion 8 - Relationship to Existing Health Care System

As the applicant previously stated, Highland Community Hospital swing-bed program will serve the needs of the acute care patients in need of continued care in a post-acute setting. The proposed project will not duplicate or adversely impact existing services or providers. Highland Community

Hospital insists that the swing-bed program will complement the existing acute care services offered at the Hospital and the long-term skilled nursing services provided by Bedford Care Center-Picayune. The swing-bed program is a unique arrangement, authorized by both federal and state regulations, in which a hospital is allowed to adjust its level of care in direct response to patient needs.

The applicant states that the specific population that will benefit from such an arrangement is the acute care patient in need of post-acute care. Also, the proposed project will serve the unmet needs of patients who no longer need to be cared for in an acute care setting but could benefit from post-acute care prior to transfer or discharge.

The applicant indicates failure to implement this proposed project would be detrimental primarily to hospital's acute care patients in need of post-acute services and care.

GR Criterion 9 - Availability of Resources

Highland Community Hospital states that they will be able to staff the proposed project with existing personnel.

The applicant states that 336.0 FTEs (Full-Time Equivalents) or personnel will increase to 348.0 FTEs and will be required for the proposed project. The estimated annual cost of personnel will be \$800,025.00.

The applicant is licensed by the Mississippi State Department of Health and certified for Medicare and Medicaid participation.

GR Criterion 10 - Relationship to Ancillary or Support Services

The applicant asserts that will provide all necessary and ancillary services for its swing-bed program.

GR Criterion 11- Health Professional Training Programs

The applicant states that there will be no effect on health professional training programs.

GR Criterion 12- Access by Health Professional Schools

The applicant states that there will be no change to the health professional training programs.

GR Criterion 16 - Quality of Care

The applicant asserts the proposed project will improve the quality of care provided to Highland Community Hospital acute care patients by enabling the hospital to offer a continuum of care.

As stated previously, Highland Community Hospital is licensed by the Mississippi State Department of Health and certified for participation in the Medicare and Medicaid Programs.

IV. FINANCIAL FEASIBILITY

A. Capital Expenditure Summary

The proposed project does not require a capital expenditure.

B. Cost to Medicaid/Medicare

Payor Mix	Utilization Percentage (%)	First Year Revenue (\$)
Medicare	36	\$44,077,133
Medicaid	18	22,120,383
Commercial	33	40,419,183
Self Pay	12	14,509,068
Charity Care	1	1,783,902
Other	0	0
Total	100	\$122,909,669

C. Effect on Operating Cost

The applicant's projections of gross revenues for the first, second, and third year of operation, expenses and net income are shown in Attachment 1. Utilization, cost, and charges are also included in the applicant's Three-Year Projected Operating Statement (see Attachment 1).

V. RECOMMENDATION OF OTHER AFFECTED AGENCIES

The Division of Medicaid was provided a copy of this application for review and comment. As of this date, the Division has not provided any comments on the proposed project.

VI. CONCLUSION AND RECOMMENDATION

This project is in substantial compliance with the criteria and standards for swing-bed services as contained in the *FY 2015 Mississippi State Health Plan*; Chapter 8 of the *Mississippi Certificate of Need Review Manual, April 9, 2017, Revised*; and all adopted rules, procedures, and plans of the Mississippi Department of Health.

The Division of Health Planning and Resource Development recommends approval of this application submitted by Forrest County General Hospital, d/b/a Highland Community Hospital for the offering of swing-bed services.

ATTACHMENT 1
Forrest County General Hospital d/b/a Highland Community Hospital
Offering of Swing-Bed Services
Three-Year Projected Operating Statement
(With Project)

	Year 1	Year 2	Year 3
Revenue			
Patient Revenue:			
Inpatient	\$51,802,527	\$52,409,301	\$48,288,795
Outpatient	71,356,073	71,892,841	72,433,192
Gross Patient Revenue	<u>123,158,600</u>	<u>124,302,142</u>	<u>120,721,987</u>
Charity Care	1,783,902	1,797,321	1,810,830
Deductions from Revenue	<u>87,430,308</u>	<u>88,743,894</u>	<u>86,610,638</u>
Net Patient Revenue	<u>\$33,944,390</u>	<u>\$33,380,203</u>	<u>\$32,924,440</u>
Expenses			
Operating Expenses:			
Salaries	\$15,874,903	\$15,914,404	\$15,452,282
Benefits	3,287,297	3,295,243	3,181,340
Supplies	4,176,417	4,196,774	3,939,775
Services	6,518,763	6,575,034	6,402,663
Lease	1,920,092	1,939,293	1,958,686
Depreciation	4,097,860	4,036,392	3,975,846
Interest	2,392,717	2,392,717	2,392,717
Other	<u>2,765,712</u>	<u>2,809,796</u>	<u>2,792,006</u>
Total Expenses	<u>\$41,033,761</u>	<u>\$41,159,653</u>	<u>\$40,095,315</u>
Net Income (Loss)	(\$6,474,705)	(\$6,779,450)	(\$7,170,875)
Assumptions			
Inpatient days	10,363	10,565	10,766
Outpatient days	16,463	16,504	16,545
Procedures	0	0	0
Charge per outpatient day	4,334	4,356	4,378
Charge per inpatient day	4,999	4,961	4,485
Charge per procedure	NA	NA	NA
Cost per inpatient day	3,960	3,896	3,724
Cost per outpatient day	2,492	2,494	2,423
Cost per procedure	NA	NA	NA