

**STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED**

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

NF Bay, LLC/CON #10244

40 South Palafox Place, Suite 400
Pensacola, Florida 32502

Authorized Representative: Craig Robinson
(800) 861-9907

PruittHealth – Bay County, LLC/CON #10245

1626 Jeurgens Court
Norcross, Georgia 30093

Authorized Representative: Neil L. Pruitt, Jr.
(770) 806-6893

2. Service District/Subdistrict

District 2/Subdistrict 2-2 (Bay County)

B. PUBLIC HEARING

A public hearing was not held or requested regarding any of the proposed projects.

Letters of Support

NF Bay, LLC (CON #10244): The Agency received various letters of support submitted by the applicant. All of the letters were composed by health care providers working in Florida, with the exception of one written by an elder law attorney practicing in Tallahassee, Florida.

PruittHealth – Bay County, LLC (CON #10245): The Agency received various letters of support submitted by the applicant. All were form letters of support signed by local health care providers, members of the local fire departments and Bay County residents.

C. PROJECT SUMMARY

NF Bay, LLC (CON #10244), an affiliate of Gulf Coast Health Care LLC (referred to as Gulf Coast throughout this document), proposes to establish a new 90-bed community nursing home through the delicensure of 27 beds from an existing licensed nursing home within the same subdistrict, Panama City Health and Rehabilitation Center and 63 beds from the fixed need pool in District 2/Subdistrict 2-2, Bay County.

The applicant provides a notarized letter signed by Craig Robinson, Authorized Representative of Panama City Health and Rehabilitation Center, agreeing to voluntarily relinquish 27 of its 120 beds should the Agency approve this CON application in Exhibit 1-1 of CON application #10244.

The applicant states that Gulf Coast owns and operates 44 skilled nursing facilities (SNFs) and assisted living facilities in Florida, Mississippi and Alabama, 33 of these facilities are located in Florida:

- Accentia Health and Rehabilitation Center of Tampa
- Arcadia Health and Rehabilitation Center
- Bayside Health and Rehabilitation Center
- Rosewood Health and Rehabilitation Center
- Specialty Health and Rehabilitation Center
- Silvercrest Health and Rehabilitation Center
- Bay Breeze Senior Living and Rehabilitation Center
- Grand Boulevard Health and Rehabilitation Center
- GlenCove Health and Rehabilitation Center
- Panama City Health and Rehabilitation Center
- Chipola Health and Rehabilitation Center
- Riverchase Health and Rehabilitation Center
- Brynwood Health and Rehabilitation Center
- Windsor Health and Rehabilitation Center
- Lake Eustis Health and Rehabilitation Center
- Suwannee Health and Rehabilitation Center
- Flagler Health and Rehabilitation Center
- Coastal Health and Rehabilitation Center
- DeBary Health and Rehabilitation Center
- Seaside Health and Rehabilitation Center
- Parkside Health and Rehabilitation Center
- Heritage Park Health and Rehabilitation Center
- Glen Oaks Health and Rehabilitation Center
- Lake Placid Health and Rehabilitation Center
- Wave Crest Health and Rehabilitation Center

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- The Rehabilitation Center of Winter Park
- Oaks of Kissimmee Health and Rehabilitation Center
- Longwood Health and Rehabilitation Center
- Oakbrook Health and Rehabilitation Center
- Salerno Bay Health and Rehabilitation Center
- Boynton Health and Rehabilitation Center
- Royal Palm Beach Health and Rehabilitation Center
- Margate Health and Rehabilitation Center

The project involves 69,044 gross square feet (GSF) of new construction. The construction cost is \$12,676,500. Total project cost is \$18,732,800. Project cost includes land, building, equipment, project development, financing and start-up costs.

The applicant does not wish to accept any conditions for the proposed project.

PruittHealth – Bay County, LLC (CON #10245), an affiliate of PruittHealth, proposes to establish a new 77-bed community nursing home in District 2/Subdistrict 2-2, Bay County. The applicant states that it intends to aggregate beds from Subdistrict 2-3 (Calhoun, Franklin, Gulf, Liberty and Wakulla Counties) that has a calculated bed need of 14 beds with published need from 2-2 in order to accommodate the proposed project.

According to Section 408.034 (6), Florida Statutes

“If nursing home bed need is determined to exist in geographically contiguous subdistricts within a district, an applicant may aggregate the subdistricts’ need for a new community nursing home in one of the subdistricts. If need is aggregated from two subdistricts, the proposed nursing home site must be located in the subdistrict with the greater need as published by the agency in the Florida Administrative Register. “

The reviewer confirms that Bay County had the greater need as published by the Agency in the Florida Administrative Register.

The applicant operates one SNF with 120 beds in Florida, located in Subdistrict 1-1:

- PruittHealth – Santa Rosa

The project involves 60,797 GSF of new construction. The construction cost is \$8,525,144. Total project cost is \$14,783,721. Project cost includes land, building, equipment, project development, financing and start-up costs.

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The applicant proposes to condition the project as shown below:

- Seek Joint Commission accreditation or accreditation from some other similarly recognized accrediting body
- Implement a program designed to reduce hospital readmissions
- Incorporate a minimum of 71 percent private rooms/beds into the facility design
- Participate in an organization-wide Quality Assurance/Performance Improvement initiative that entails quarterly visits in regard to clinical, operational, pharmaceutical and reimbursement areas by corporate consultants to ensure compliance with all local, state and federal laws
- Implement the WanderGuard system as a management component of the Alzheimer's program
- Implement Electronic Medical Records (EMR) at the facility and include Smart Charting or other similar bed side patient charting tool
- Implement Resident Safety Technology including Call Guard and WanderGuard into the facility
- Implement Clinical Kiosks in appropriate locations throughout the facility
- Implement Alzheimer, dementia and other special behavioral health management programs
- Implement the top five special amenities requested by existing health care providers in this subdistrict:
 - Specialized therapy equipment, state of the art rehab suites, occupational therapy kitchens, therapy pool and custom meals
- Implement the top special operational initiatives requested by existing health care providers:
 - High percentage of private rooms, program to reduce hospital readmissions and specialized training for staff
- Implement the top five clinical services requested by existing health care providers:
 - Respiratory care, wound care, bariatric program, mental/behavioral health program and PT/OT/ST
- Assure all staff maintains ongoing training and continuing education credits utilizing Pruitt University and at no cost to employees
- Participate in a company-wide Annual Quality Report to demonstrate transparency in operations and make this Quality Report available to the public
- Adopt the PruittHealth patient model of care including the UniPath Programs appropriate for this facility and described in the CON application and Supporting Documents

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- Implement PointRight Technology (or a future similar technology) in ongoing operations
- Implement a bariatric suite to include specially designed rooms with integral lifts, special toilet rooms and showers and other equipment specifically designed for bariatric patients
- Maintain a minimum Medicaid percentage which exceeds the subdistrict wide average Medicaid percentage in regard to percentage occupancy

NOTE: Section 408.043 (4) Florida Statutes, prohibits accreditation by any private organization as a requirement for the issuance or maintenance of a certificate of need, so Joint Commission accreditation (the first condition listed) will not be cited as a condition to approval.

Total GSF and Project Costs of Co-Batched Applicants					
Applicant	CON #	Project	GSF	Costs \$	Cost Per Bed
NF Bay	10244	New 90-Bed Facility	69,044	\$18,732,800	\$208,142
PruittHealth – Bay	10245	New 77-Bed Facility	60,797	\$14,783,721	\$191,996

Source: CON applications 10244 and 10245 and their respective Schedules 1 and 9

Should a project be approved, the applicant’s proposed conditions would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3), Florida Administrative Code.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes; and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

Applications are analyzed to identify strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district, applications are comparatively reviewed to determine which applicant(s) best meets the review criteria.

Rule 59C-1.010(3)(b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant.

As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, the consultant, Lucy Villafrate analyzed the application with consultation from the financial analyst, Everett Broussard, Bureau of Central Services, who evaluated the financial data and Said Baniahmad of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project with the criteria and application content requirements found in Florida Statutes, sections 408.035 and 408.037; applicable rules of the State of Florida, Chapter 59C-1 and 59C-2, Florida Administrative Code.

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Rule 59C-1.008 (2), Florida Administrative Code.

In Volume 40, Number 193 of the Florida Administrative Register dated October 3, 2014, a fixed need pool of 63 beds was published for Subdistrict 2-2 for the July 2017 Planning Horizon. Subdistrict 2-2 is comprised of Bay County.

After publication of this fixed need pool, zero existing Subdistrict 2-2 facilities filed exemption requests or filed expedited CON reviews to increase or add community nursing home beds.

As of November 19, 2014, Subdistrict 2-2 had 854 licensed and zero approved community nursing home beds. During the 12-month period ending June 30, 2014, Subdistrict 2-2 experienced 89.61 percent utilization at eight existing facilities. Below is a table illustrating nursing home patient days and occupancy within Subdistrict 2-2.

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**Bay County Nursing Home Patient Days and
Occupancy July 1, 2013-June 30, 2014**

Facility	Comm. Nursing Home Bed Inventory	Bed Days	Patient Days	Total Occupancy	Medicaid Occupancy
Bay Center	160	58,400	43,058	73.73%	81.52%
Community Health and Rehabilitation Center	120	43,800	42,278	96.53%	59.39%
Emerald Shores Health and Rehabilitation	77	28,105	25,782	91.73%	49.23%
GlenCove Health and Rehabilitation Center	115	41,975	39,298	93.62%	60.12%
Lisenby on Lake Caroline	22	8,030	7,911	98.52%	86.56%
Panama City Health and Rehabilitation Center	120	43,800	42,223	96.40%	73.94%
Sea Breeze Health Care	120	43,800	41,535	94.83%	73.69%
St. Andres Bay Skilled Nursing and Rehabilitation Center	120	43,800	37,250	85.05%	55.81%
Total	854	311,710	279,335	89.61%	66.58%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2014 Batching Cycle

The reviewer notes the current and projected population of Subdistrict 2-2 for the planning horizon. The projected population growth, both numerically and by percent are illustrated below.

**Current and Projected Population Growth Rate
Bay County, District 2, and Florida
January 2014 and January 2017**

Area	January 1, 2014 Population			January 1, 2017 Population		
	0-64	65+	Total	0-64	65+	Total
Bay	144,520	26,889	171,409	148,454	29,605	178,059
District 2	631,474	102,928	734,402	641,308	114,806	756,114
Florida	15,881,702	3,548,756	19,430,458	16,349,888	3,891,621	20,241,509
Area	2014-2017 Increase			2014-2017 Growth Rate		
	0-64	65+	Total	0-64	65+	Total
Bay	3,934	2,716	6,650	2.72%	10.10%	3.88%
District 2	9,834	11,878	21,712	1.56%	11.54%	2.96%
Florida	468,186	342,865	811,051	2.95%	9.66%	4.17%

Source: Florida Agency for Health Care Administration Population Estimates, September 2013

The community nursing home beds per 1,000 residents for the age 65 and older cohort in the subdistrict are shown below.

Beds per 1,000 Residents Age 65 and Older

County	Community Beds	2014 Pop. Aged 65+	2014 Beds per 1,000	2017 Pop. Aged 65+	2017 Beds per 1,000
Bay County	854	26,889	32	29,605	29
District 2	3,709	102,928	36	114,806	32
Florida	80,050	3,548,756	23	3,891,621	21

Source: Florida Agency for Health Care Administration Population Estimates, September 2013 and Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2014 Batching Cycle

NF Bay, LLC (CON #10244) indicates that Panama City Health and Rehab will decompress its physical plant, reducing the beds from 120 to 93 and the resulting facility will be retooled to a smaller facility, with improved room sizes and amenities for residents, consistent with cultural change priorities. The applicant notes that improvements include:

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- Four bedroom wards will be converted to semi-private rooms
- Three bedroom wards will be converted to semi-private rooms
- Semi-private rooms will be converted to private rooms--the result gives the facility eight private rooms to meet residents' requests
- With the spatial reconfiguration, additional square footage will be gained to expand common areas, dining and life enrichment for personal and group use

The applicant asserts that the 90-bed facility has several hallmarks associated with culture change requested by advocates and among those changes are features such as:

- Six interior courtyards for residents
- Each side of the facility provides for a separate living room and activity room for residents
- Each side of the facility provides for a gathering room with a featured aquarium for residents' enjoyment
- The resident room availability within the facility is 45 privates, 15 semi-privates and 15 suites
- A large, centralized dining room also is provided
- Back of the house functions are located in centralized areas and not intermixed with resident rooms and areas of the facility
- Therapeutic areas are grouped for efficiencies
- A complete activities of daily living suite is provided

NF Bay includes a discussion of change fostered by options to nursing home care. The applicant indicates that in regards to long-term care a growing proportion of federal and states' health care expenditures utilizing managed care plans, nursing homes will continue to see reduced payments and perhaps somewhat lower utilization in the years ahead.

PruittHealth – Bay County, LLC (CON #10245) states its application is being submitted in response to the Agency's fixed need pool publication on October 3, 2014. The applicant states that the proposed 77-bed facility—aggregated from Subdistrict 2-1 and 2-2—will serve the residents of Bay, Calhoun, Franklin, Gulf, Liberty and Wakulla Counties.

PruittHealth states that it completed an extensive market research initiative that included surveying/interviewing existing health care providers and analyzing existing health care provider data. The applicant asserts that it incorporated a multitude of elements identified by the market research into the overall proposed facility plan. PruittHealth reports that the service area's health care providers indicated that the community's strongest needs in relation to:

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- Bed and program mix were possessing a high percentage of private rooms, providing a high proportion of Medicaid beds and offering a secure Alzheimer's unit and specialized Alzheimer's programming
- Special operational initiatives were possessing a high percentage of private rooms, implementing a program designed to reduce readmissions, incorporating a high ratio of total and licensed nursing hours per patient day and providing specialized training programs for staff
- Clinical services were for one that could provide respiratory therapy, mental/behavioral health, bariatric program, wound care and PT/OT/ST
- Special amenities include providing specialized therapy equipment, possessing state of the art rehab suites, including an occupational therapy kitchen, offering a therapy pool and offering custom meal planning

PruittHealth states that it understands need for health care services pursuant to the published need that will best meet the future needs for long-term care in Subdistrict 2-2 and serving Subdistrict 2-3. The applicant declares that as such, approval of this project will:

- Improve access for persons in need of Medicaid services
- Improve access for Alzheimer's programming for those in need
- Improve access to private rooms
- Provide a modern design that supports independence and choice
- Provide state of the art rehabilitation programming
- Provide extensive clinical programming focused on reducing hospital readmissions

2. Agency Rule Preferences

Please indicate how each applicable preference for the type of service proposed is met. Chapter 59C-1.036, Florida Administrative Code.

Chapter 59C-1.036 of the Florida Administrative Code does not contain preferences relative to community nursing home beds nor does the Agency publish specific preferences for these facilities. However, the rule does contain standards the Agency utilizes in assessing an applicant's ability to provide quality care to the residents.

- a. **Geographically Underserved Areas.** In a competitive certificate of need review within the nursing home subdistrict as defined in 59C-2.200, Florida Administrative Code, the Agency shall award a certificate of need if the applicant meets all applicable criteria for a geographically underserved area as specified in subsection 408.032(18), Florida Statutes, and if the applicant meets the applicable statutory certificate of need review criteria specified in section 408.035, Florida Statutes, including bed need according to the relevant bed need formula contained in this rule. If the applicant is awarded a certificate of need based on the provisions of this paragraph, the applicant shall agree that the nursing facility will be located in a county without a nursing facility, or in the center of an area within the subdistrict of a radius of at least 20 miles which meets the definition of a geographically underserved area. The center of the geographically underserved area shall be the proposed nursing home location in the application.

None of the applications were submitted to remedy a geographically underserved area as defined above.

- b. **Proposed Services.** Applicants proposing the establishment of Medicare-certified nursing facility beds to be licensed under Chapter 400, Florida Statutes, shall provide a detailed description of the services to be provided, staffing pattern, patient characteristics, expected average length of stay, ancillary services, patient assessment tools, admission policies and discharge policies.

NF Bay, LLC (CON #10244) proposes to provide both short-term and long-term care and will participate in the Medicare and Medicaid programs. The applicant indicates on its Schedule 7 that the average length of stay (ALOS) will be 44 days for years one and two of operation. The applicant notes that all facility residents will receive:

- Restaurant style dining with specialized dietary needs accommodated
- Enclosed courtyards
- Spa and laundry services
- Satellite TV and Wi-Fi
- Medical transportation assistance

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- Full day of calendar activities
- 24-hour visitation
- Pet therapy
- 24-hour RN coverage
- State of the art therapy gym and equipment
- Newspaper delivery
- Community outings
- Pharmacy and laboratory services

NF Bay insists that Gulf Coast continues to develop specialized programs to provide residents with the highest level of care. The applicant maintains that the centers follow specific standards of care which differentiates the centers in properly determining and treating specific diagnoses and problem areas of their residents, as well as minimizing the risk of hospitalization.

The applicant notes that specialized programs include:

- Physical, speech, occupational and respiratory therapy
- Specialized wound care
- Cardiac services
- Vita Stim therapy
- IV therapy
- KCI wound vac care
- Complex medical and pain management
- Stroke rehab
- Orthopedic services
- Tracheotomy, hospice and respite care
- Alzheimer's and dementia care
- Surgical recovery

NF Bay indicates that ancillary services include:

- Pulmonary
- Infectious disease
- Psychology
- Optometry
- Orthopedics
- Internal medicine
- Psychiatry
- Podiatry
- Family services
- Registered Dietician

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NF Bay provides a detailed analysis of the services to be provided on pages 2-6 through 2-15 of CON application #10244. The applicant explains that each of the top seven major diagnostic categories (MDCs) was examined to identify the diagnostic related groups that comprised it that contained hospital discharges to SNFs. The applicant asserts that Gulf Coast already has a variety of specialized programs and continues to innovate in order to best meet residents' needs.

The applicant indicates that admission is a coordinated process that assures the individual and his or her family that the facility has the required staff and services to appropriately and effectively meet the medical and nursing needs. NF Bay explains that upon admission and detailed assessment to provide a plan of care, effort is directed toward discharge.

NF Bay asserts that discharge plans begin with the initial assessment when patient and family needs and attributes are assessed with admission diagnosis specifically addressed. The applicant states that it is responsibility of the facility to have identified the medically related social service or home-based services needs of the resident and assure the needs are met by the appropriate disciplines.

Schedule 6 illustrates that FTEs for year one (ending June 30, 2018) total 60.2 and total 99.5 for year two (ending June 30, 2019). The proposed project's year one and year two FTEs are shown in the table below.

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NF Bay, LLC (CON application #10244) Projected Year One and Year Two Staffing		
	Year One FTEs	Year Two FTEs
Administration		
Administrator	1.00	1.00
Director of Nursing	1.00	1.00
Admissions Director	2.00	2.00
Bookkeeper	1.00	1.00
Secretary	1.40	1.40
Medical Records Clerk	1.50	2.00
Other: Nursing Admin	3.40	5.40
Physicians		
Medical Director (Contracted)	0.10	0.20
Nursing		
RNs	4.10	7.50
LPNs	6.80	12.80
Nurses' Aides	20.50	38.40
Dietary		
Dietary Supervisor	2.00	2.00
Cooks	1.40	2.80
Dietary Aides	3.60	6.60
Social Services		
Social Service Director	1.50	1.50
Activity Director	1.00	1.00
Activities Assistant	0.80	1.50
Housekeeping		
Housekeeping Supervision	1.00	1.00
Housekeepers	3.20	6.00
Laundry		
Laundry Aides	1.40	2.60
Plant Maintenance		
Maintenance Supervisor	1.00	1.00
Maintenance Assistance	0.50	1.00
Total	60.20	99.50

Source: CON application #10244, Schedule 6

PruittHealth – Bay County, LLC (CON #10245) indicates that it has designed a facility that is responsive to surveys from existing health care providers. The survey methodologies utilized by the applicant--including a copy of the survey, survey responses and how PruittHealth will respond to these needs--can be found on pages 41 through 76 of CON application #10245.

PruittHealth’s design and outlook for the proposed facility includes the following:

- High percent of private rooms
- Alzheimer dementia program
- Enhancing Medicaid access at 3.5 percent greater than current Subdistrict 2-2 experience
- Hospital readmission reduction program
- High ratio of total nursing hours per patient days

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- Specialized care staff
- High ratio of skilled nursing hours per patient days
- Specialized therapy equipment
- State of the art rehab suites
- Therapy pool
- Occupational therapy kitchen
- Vent care/respiratory therapy
- Wound care
- Mental/behavioral health program
- Bariatric program

The applicant notes that essential services will include, but not be limited to the following:

- 24-hour nursing services
- Physical, occupational, speech and IV therapy
- Tube feeding and total parental nutrition
- Wound care management
- Pain management
- Central lines
- Oxygen therapy
- Outpatient therapy

PruittHealth indicates that unique services and characteristics that set it apart from other nursing home providers include, but are not limited to:

- UniPath specialty care programs
- Clinic oversight teams
- Mandatory daily interdisciplinary team meetings
- Electronic medical records
- Medication monitoring
- Dedicated quality staff
- General and clinical kiosks

PruittHealth discusses the programs and routine services to be offered at the proposed facility on pages 87 through 108 of CON application #10245.

The applicant states that the proposed facility will have strict admissions policies to accurately screen inquiries to assure the appropriateness of facility placement and to assure medical necessity of services. The applicant insists that based on information gathered during preadmission screening, the Admissions Committee, in consultation with the facility's Medical Director, will determine if the facility is the appropriate setting for

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the prospective resident. PruittHealth indicates that the proposed facility will develop a discharge plan for each resident from the day of admission for a smooth transfer of the resident from the facility to home or another care setting to provide continuity of care.

PruittHealth’s Schedule 7 indicates that the ALOS will be 60 days for year one and 76 days for year two of operation.

Schedule 6 illustrates that FTEs for year one (ending June 30, 2018) total 49.24 and total 95.18 for year two (ending June 30, 2019). The proposed project’s year one and year two FTEs are shown in the table below.

PruittHealth – Bay County, LLC (CON application #10245) Projected Year One and Year Two Staffing		
	Year One FTEs	Year Two FTEs
Administration		
Administrator	1.00	1.00
Director of Nursing	1.00	1.00
Admissions Director	1.00	1.00
Secretary	1.40	1.40
Medical Records Clerk (C)	0.70	1.00
Other: Financial Counselor	1.00	1.00
Physicians		
Medical Director (Contracted)	0.20	0.20
Other: Physician Services (Contracted)	0.02	0.02
Nursing		
RNs	3.40	7.20
LPNs	6.50	13.00
Nurses’ Aides	15.40	37.00
Other: RN MDS Nurse	0.70	1.00
Ancillary		
Physical Therapist (Contracted)	0.68	1.60
Physical Therapist Assistant (Contracted)	0.79	1.88
Speech Therapist (Contracted)	0.32	0.76
Occupational Therapist (Contracted)	0.78	1.84
Occupational Therapy Assistant (Contracted)	0.29	0.68
Dietary		
Dietary Supervisor	1.00	1.00
Cooks	1.40	2.80
Dietary Aides	2.40	4.20
Social Services		
Social Service Director	1.00	1.00
Activity Director	1.00	1.00
Housekeeping		
Housekeepers	4.90	9.80
Laundry		
Laundry Aides	1.40	2.80
Plant Maintenance		
Maintenance Supervisor	1.00	1.00
Total	49.24	95.18

Source: CON application #10245, Schedule 6

c. **Quality of Care. In assessing the applicant's ability to provide quality of care pursuant to s. 408.035 (1) (c), Florida Statutes, the Agency shall evaluate the following facts and circumstances:**

1. **Whether the applicant has had a Chapter 400, Florida Statutes, nursing facility license denied, revoked or suspended within the 36 months prior to the current application.**

Each co-batched applicant states that they are newly created entities and therefore this criterion does not apply.

2. **Whether the applicant has had a nursing facility placed into receivership at any time during the period of ownership, management or leasing of a nursing facility in the 36 months prior to the current application?**

Each co-batched applicant states that they are newly created entities and therefore this criterion does not apply.

3. **The extent to which the conditions identified within subparagraphs 1 and 2 threatened or resulted in direct significant harm to the health, safety or welfare of the nursing facility residents.**

Each co-batched applicant indicates that this provision is not applicable.

4. **The extent to which the conditions identified within subparagraph 3 were corrected within the time frames allowed by the appropriate state agency in each respective state and in a manner satisfactory to the Agency.**

Each co-batched applicant indicates that this provision is not applicable.

5. **Rule 59C-1.036 (4) (f) Harmful Conditions.** The Agency shall question the ability of the applicant to provide quality of care within any nursing facility when the conditions identified in the subparagraph (e) 1 and (e) 2 result in the direct, significant harm to the health, safety or welfare of a nursing facility resident, and were not corrected within the time frames allowed by the appropriate state agency in each respective state and in a manner satisfactory with the Agency.

Each co-batched applicant indicates that this provision is not applicable, since there have been no violations.

- d. **Rule 59C-1.036 (5) Utilization Reports.** Within 45 days after the end of each calendar quarter, facilities with nursing facility beds licensed under Chapter 400, Florida Statutes shall report to the Agency, or its designee, the total number of patient days, which occurred in each month of the quarter, and the number of such days that were Medicaid patient days.

Each co-batched applicant states that it will provide the required data to the applicable local health council and to the Agency.

3. **Statutory Review Criteria**

- a. **Is need for the project evidenced by the availability, quality of care, accessibility and extent of utilization of existing health care facilities and health services in the applicants service area? ss. 408.035 (1)(b) and (e), Florida Statutes.**

There are 32 licensed community nursing homes with a total of 3,709 community nursing home beds in District 2. Subdistrict 2-2 is composed of Bay County and has eight licensed community nursing homes with a total of 854 community nursing home beds. The subdistrict averaged 89.61 percent total occupancy for the 12-month period ending June 30, 2014.

NF Bay, LLC (CON #10244) indicates that the high occupancies around 90 percent in Bay County for the three most recent annual periods indicate a lack of availability of nursing home beds. The applicant insists that moreover, change in expectations also exist--frequent requests for private rooms to respond to residents and families' requests are needed within Bay County.

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NF Bay asserts that considering geographic accessibility, the preferred location for the new SNF is within Bay County ZIP code 32405--this ZIP code represents almost the center-point of the county with respect to population. The applicant states that from the centroid of ZIP code 32405 a five-mile radius captures 45 percent of the total population and 44 percent of the elderly population 65+ and a 10-mile radius captures 57 percent of the total population and 59 percent of the elderly population 65+. The applicant provides a map of Bay County illustrating population concentrations on page 1-3 of CON application #10244.

The applicant notes that with respect to financial accessibility, the proposed SNF will be both Medicare and Medicaid certified and in addition, NF Bay will have third-party contracts to assure the widest coverage for the community. The applicant points out that as a community nursing home, the facility will be open to all persons.

NF Bay discusses utilization in Bay County for the 12-month period ending June 2014--noting that of the nine community nursing homes, seven are occupied at 91 percent or above, with six of those 94 percent or higher. The applicant states that taking another look at utilization shows that two of the nine facilities have low occupancy compared to the other facilities--Bay Center (74 percent) and Andrews Bay Skilled Nursing and Rehab (85 percent). The applicant indicates that the "Facility Profiles" from Floridahealthfinder.gov show that these two facilities have had some problems over the years including moratoriums (though lifted), one on the Watch List (time frame 06/12/2012 to 12/12/2014), conditional licenses and fines. NF Bay feels that quality will make a difference in today's environment and that without these two facilities, subdistrict occupancy is 95 percent.

NF Bay includes a detailed table of population estimates by ZIP code and age group for 2019 with 2014 as the baseline for Bay County. The applicant states that overall population growth is less than one percent per year, however the compounded annual growth rate for the age cohort 65+ is 3.5 percent.

The applicant provides a table of forecasted nursing home resident days for the Subdistrict and facility assuming a 92 percent occupancy rate in the second year of operation. NF Bay believes Bay County will experience growth in resident days to 331,213 and assuming 92 percent occupancy, the new facility would absorb 30,222 days, leaving a balance of 300,991 days to be allocated to the existing SNFs in the county. The applicant insists that with the new nursing home, the number of licensed beds increases by 63 to 917 and at 331,213 forecasted resident days for 2019, the subdistrict's occupancy rate would be 99 percent in 2019.

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Next, NF Bay allocates the balance of 300,991 resident days to each existing nursing home by market share. The applicant asserts that the results show that in the second year of operation, all existing SNFs have resident days above what was reported in the baseline period. The applicant concludes that the result shows that its proposal would not adversely impact already licensed and occupied SNFs in Bay County. See the table below.

**Analysis of the Impact of NF Bay on
Existing Nursing Homes in Bay County, Second Year of Operation
07/01/2018 to 06/30/2019**

Factor	FY 2019		
Forecasted NH Resident Days for Bay County	331,213		
New Facility NH Days @ 92% Occupancy Year 2	30,222		
Net Days Remaining for other NHs	300,991	07/01/13-06/30/14	07/01/18-06/30/19
Allocate Remaining Days to Existing Nursing Homes by Baseline Market Shares		Baseline Days	Net Increase
Bay Center	46,396	43,058	3,338
Community Health and Rehabilitation Center	45,556	42,278	3,278
Emerald Shores Health and Rehabilitation	27,781	25,782	1,999
GlenCove Health and Rehabilitation Center	42,345	39,298	3,047
Lisenby on Lake Caroline	8,524	7,911	613
Panama City Health and Rehabilitation Center	45,496	42,223	3,273
Sea Breeze Health Care	44,755	41,535	3,220
St. Andrews Bay Skilled Nursing and Rehab	40,138	37,250	2,888
Total	300,991	279,335	21,656

Source: CON application #10244, page 1-17, Baseline utilization comes from the Agency publication, Florida Nursing Home Bed Need Projections by District and Subdistrict, October 3, 2014

The applicant states that the expectation is that nursing home utilization may decline as options are fostered to placement--how much of a reduction new initiatives will cause is difficult to predict. NF Bay indicates that in examining the start-up facilities first and second years' experience, the assumption of 92 percent occupancy rate was adjusted downward.

The reviewer created the following chart from the applicant's Schedule 7.

NF Bay, LLC Forecasted Utilization

	Year One	Year Two
Total Admissions	355	666
Total Patient Days	15,733	29,565
Occupancy	47.76%	90.00%

Source: CON application #10244, Schedule 7

PruittHealth – Bay County, LLC (CON #10245) notes that the physical location will be located in Bay County, Subdistrict 2-2, which is the Subdistrict with the greater published need. The applicant defines its “Service Area” for the proposed 77-bed facility as Bay, Calhoun, Franklin, Gulf, Liberty and Wakulla Counties--home to 13 community SNFs with

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an aggregated 1,420 licensed beds. The applicant reports that Bay County is the most populated of these, home to 60 percent of the Service Area’s beds and 69 percent of the Service Area’s senior population.

PruittHealth provides an analysis of nursing home beds per 1,000 elderly population in the table below. The applicant notes by 2019, even with the approval of 77 total beds in Bay County, given significant forecasted population growth, the beds per 1,000 elderly will decline from 31.3 in 2014 to 29.6.

Licensed Nursing Home Beds per 1,000 Population, Ages 65+

County	2014			2019		
	Licensed Nursing Home Beds	Population	Beds per 1,000 Population	Licensed Nursing Home Beds	Population	Beds per 1,000 Population
Bay	854	27,301	31.3	931	31,475	29.6
Calhoun	246	2,428	101.3	246	2,788	88.2
Franklin	90	2,195	41.0	90	2,455	36.7
Gulf	120	2,832	42.4	120	3,158	38.0
Liberty	0	1,006	0.0	0	1,190	0.0
Wakulla	120	3,965	30.3	120	4,903	24.5
Service Area	1,430	39,717	36.0	1,507	45,969	32.8
Subdistrict 2-2	854	27,301	31.3	931	31,475	29.6
Subdistrict 2-3	576	12,426	46.4	576	14,494	39.7
Florida	80,050	3,595,188	22.3	83,165**	4,153,269	20.0

*The applicant notes licensed bed inventory for 2019 includes 77 beds approved in Bay County for PruittHealth – Bay

** The applicant notes 2019 licensed nursing home beds in Florida include the Agency’s published need for 3,115 beds in the state

Source: CON application #10245, page 112, based on Florida Population Estimates and Projections, September 2013, Florida Nursing Home Bed Need Projections by District and Subdistrict, October 3, 2014 and NHA Analysis

The applicant declares that as there is no applicant for the 14 beds “needed” in Subdistrict 2-3, and given the bed ratios in Subdistrict 2-3 in contrast with that in Subdistrict 2-2, the region’s needs can only be met with the approval of all 77 beds to be located in this PruittHealth facility.

PruittHealth includes an analysis of Subdistrict 2-2 and 2-3’s community nursing home utilization for the 12-month period ending June 30, 2014. The applicant reports that the occupancy rates between the most recent six-month period and the prior six-month period in the service area increased ever so slightly--from 88.0 percent to 88.3 percent.

PruittHealth notes that occupancy rates of 88.0+ percent exceed the Agency’s 85 percent occupancy threshold which triggers need for additional nursing home beds. The applicant reports that in Subdistrict 2-2 alone, the eight SNFs were even more occupied than the service area aggregative, achieving nearly 90.0 percent occupancy in the most recent six-month reporting period--in Subdistrict 2-3, five nursing facilities were nearly 86.0 percent occupied.

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The applicant points out that within Subdistrict 2-2, occupancy rates ranged between 86.3 and 98.5 percent, with one exception. PruittHealth reports that of the total patient days provided in the most recent 12-month period in the service area, 71.3 percent of all days were Medicaid patients. The applicant notes PruittHealth – Santa Rosa provided 27,529 Medicaid patient days during the 12-month period, equating to nearly 68.0 percent of its total patient day volume.

PruittHealth contends that nursing homes beds, as they exist within the service area today, are virtually unavailable to meet incremental demand based on respective occupancy rates. PruittHealth states that given the majority of the few available beds at these facilities at any given time are semi-private accommodations, other issues as to their lack of availability arise such as co-mingling genders or co-morbid conditions. PruittHealth concludes that the proposed facility will fulfill incremental demand in the two subdistricts.

The applicant points out that the only Agency Gold Seal Award SNF recipient in the service area is Clifford Chester Sims State Veterans Nursing Home--which is not CON reviewable and therefore not included in the applicant's Service Area analysis of existing resources. PruittHealth asserts that it will develop programs, services, protocols and exceed benchmarks in an effort to ultimately achieve Agency Gold Seal eligibility and receipt in due time.

PruittHealth notes that two of the 13 SNFs in the service area--St. Andrews Bay Skilled Nursing Rehab Center and Eden Springs Nursing and Rehab Center--are currently on the Agency's Nursing Home Watch List and have one-star quality ratings. The reviewer confirms this information on FloridaHealthFinder.gov.

PruittHealth states that 100 percent of those who responded to the specific support question of the local health care providers it interviewed expressed support for the proposed facility. The applicant insists that in aggregate, the health care providers indicated a willingness to refer 212 patients per month to PruittHealth once implemented. The applicant provides the following forecasted utilization for the first two years of operation.

**PruittHealth – Bay County, Forecasted Utilization
77-Bed Facility**

	Year One	Year Two
Medicare/Medicare HMO, Skilled Patients		
Admissions	122	288
Average Daily Census	8.0	19.0
Long-term Patients		
Admissions	68	66*
Average Daily Census	23.1	54.5
Total		
Admissions	190	354
Occupancy Rate	40%	95%
Average Daily Census	31.1	73.5

*The applicant notes given the long-term nature of these patients, annual admissions are based on replacement of long-term residents

Source: CON application #10245, page 78

PruittHealth declares it will have no adverse impact on existing nursing home facilities in the Subdistrict given the obvious demand for skilled nursing services into the planning horizon. The applicant asserts that the proposed facility will have a positive impact on the local health care infrastructure as it will serve as an additional post-acute discharge destination for hospitals and physicians to refer their patients, post hospitalization.

- b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality of care? Is the applicant a Gold Seal Program nursing facility that is proposing to add beds to an existing nursing home? ss. 408.035 (1) (c) and (j), Florida Statutes.**

NF Bay, LLC (CON #10244) notes that it is a new entity, however, as an affiliate of Gulf Coast, the facility is defined by the following mission statement: *“To provide a compassionate community of caring for our residents, families and associates.”* NF Bay explains that Gulf Coast is built on four pillars of excellence: people, service, quality and finance.

The applicant discusses the quality outcome ratings by the Centers for Medicare and Medicaid Services (CMS) for its Florida centers. NF Bay declares that Gulf Coast facilities have made great strides in measureable quality outcomes in the a three-year period--from six five-star facilities in 2012, the company now has 21 out of 34 of its Florida SNFs attaining five star ratings in 2014.

NF Bay maintains that every Gulf Coast facility has achieved at least Bronze Level on the quality awards by the American Health Care Association/National Center for Assistive Living (AHCA/NCAL) Program and 15 have achieved Silver Level.

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The applicant notes that it has a formal quality improvement program (QAPI) as well two additional initiatives for improving resident care:

- Using PointClickCare for electronic medical records
- Using INTERACT (Interventions to Reduce Acute Care Transfers) to reduce the number of re-hospitalizations

NF Bay provides an overview of Gulf Coast’s QAPI on pages 4-5 through 4-6 of CON application #10244.

The applicant provides a detailed discussion of each of the following topics related to quality of care:

- Residents’ rights
- Ensuring resident participation
- Activities
- Community involvement

Agency complaint records indicate that the affiliated nursing homes associated with the parent company, for the three-year period ending November 19, 2014, had 46 substantiated complaints at its 33 facilities. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

Nursing Homes affiliated with Gulf Coast Health Care	
Complaint Category	Number Substantiated
Quality of Care/Treatment	19
Resident/Patient/Client Rights	10
Admission, Transfer & Discharge Rights	6
Dietary Services	5
Administration/Personnel	5
Resident/Patient/Client Assessment	3
Nursing Services	3
Physical Environment	2
Unqualified Personnel	2
Infection Control	1
Physician Services	1
Resident/Patient/Client Abuse	1
Restraints/Seclusion General	1
Life Safety Code	1

Source: Florida Agency for Healthcare Administration Complaint Records

PruittHealth – Bay County, LLC (CON #10245) states that it does not have a history of providing quality of care because it is a newly formed entity. However, the applicant notes that its parent company is committed to the appropriate provision of comprehensive, high quality, safe, and cost-effective nursing care facility services to persons in need of such services.

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The applicant asserts that it will develop all policies and procedures as well as the quality assurance program based on its other affiliated facilities throughout the southeastern United States--including its one facility in Santa Rosa County. The applicant notes some of PruittHealth – Santa Rosa’s most recent quality achievements:

- American Health Care Association Silver Award Winner for Healthcare Centers
- Overall Rating of Five Stars from Medicare.gov
- Facility Administrator recognized as the American Health Care Association’s Nursing Home Administrator of the year in Florida in 2013
- Net Promoter Score Rating of Five Stars (Internal award)
- Named as one of the “Best Nursing Homes in the U.S.” by *U.S. News and World Report*
- Recent PruittHealth “Go for Gold” award winner (Internal award)
- Two deficiency free surveys within the last four years
- Downward trending hospital readmission rate

The applicant provides a detailed discussion of each of the following programs and policies related to quality of care:

- Commitment to caring campaign
- Corporate standards
- Memberships and awards
- CMS five-star rating
- The Joint Commission accreditation
- External benchmarking and benchmarking tools
- PruittHealth consulting services
- PruittHealth pharmacy
- CMS’s quality improvement organization
- Performance improvement program
- Customer service and transparency

PruittHealth asserts that it has a strict education and certification standards for its staff and staff of its affiliates. The applicant maintains that all staff members will be highly educated in their fields, participate in continuing education and maintain current certification and licensure.

Agency complaint records indicate that the affiliated nursing home associated with the parent company, for the three-year period ending November 19, 2014, had one substantiated complaint in the complaint category of unqualified personnel.

- c. **What resources, including health manpower, management personnel and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035 (1)(d), Florida Statutes.**

NF Bay, LLC (CON #10244):

Analysis:

The purpose of our analysis for this section is to determine if the applicant has access to the funds necessary to fund this and all capital projects. Our review includes an analysis of the short and long-term position of the applicant, parent or other related parties who will fund the project. The analysis of the short and long-term position is intended to provide some level of objective assurance in the likelihood that funding will be available. The stronger the short-term position, the more likely cash on hand or cash flows could be used to fund the project. The stronger the long-term position, the more likely that debt financing could be achieved if necessary to fund the project. We also calculate working capital (current assets less current liabilities) a measure of excess liquidity that could be used to fund capital projects.

Historically we have compared all applicant financial ratios regardless of type to bench marks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a particular CON project it is a reasonable proxy for health care related entities.

The below is an analysis of the audited financial statements of Omega Healthcare Investors, Inc., (3rd party) and where the two short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

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Omega Healthcare Investors, Inc.		
	Dec-13	Dec-12
Current Assets	\$150,120,000	\$126,891,000
Total Assets	\$3,462,216,000	\$2,982,005,000
Current Liabilities	\$5,000,000	\$0
Total Liabilities	\$2,162,113,000	\$1,970,676,000
Net Assets	\$1,300,103,000	\$1,011,329,000
Total Revenues	\$418,714,000	\$350,460,000
Excess of Revenues Over Expenses	\$172,521,000	\$120,698,000
Cash Flow from Operations	\$279,949,000	\$208,271,000
Short-Term Analysis		
Current Ratio (CA/CL)	30.0	N/A
Cash Flow to Current Liabilities (CFO/CL)	5598.98%	N/A
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	165.9%	194.9%
Total Margin (ER/TR)	41.20%	34.44%
Measure of Available Funding		
Working Capital	\$145,120,000	\$126,891,000

Position	Strong	Good	Adequate	Moderately Weak	Weak
Current Ratio	above 3	3 - 2.3	2.3 - 1.7	1.7 - 1.0	< 1.0
Cash Flow to Current Liabilities	>150%	150%-100%	100% - 50%	50% - 0%	< 0%
Debt to Equity	0% - 10%	10%-35%	35%-65%	65%-95%	> 95% or < 0%
Total Margin	> 12%	12% - 8.5%	8.5% - 5.5%	5.5% - 0%	< 0%

Capital Requirements and Funding:

The applicant provided a development stage audit. The audit indicates that the applicant has very little assets, liabilities, net worth and no revenue. The applicant indicates on Schedule 2 capital projects totaling \$18,732,800 which consists entirely of this project. The applicant indicates on Schedule 3 that funding for the project will be provided by non-related company financing. The applicant provided a letter from Omega committing to funding this project. Omega submitted their audited financial statements as proof of available funding. Overall, Omega has a strong financial position and is likely to either fund through existing capital or raise the capital necessary to meet the commitments set forth in various CON applications in this batching cycle.

Conclusion:

Funding for this project should be available as needed.

PruittHealth – Bay County, LLC (CON #10245):

Analysis:

The purpose of our analysis for this section is to determine if the applicant has access to the funds necessary to fund this and all capital projects. Our review includes an analysis of the short and long-term position of the applicant, parent, or other related parties who will fund the project. The analysis of the short and long-term position is intended to provide some level of objective assurance in the likelihood that funding will be available. The stronger the short-term position, the more likely cash on hand or cash flows could be used to fund the project. The stronger the long-term position, the more likely that debt financing could be achieved if necessary to fund the project. We also calculate working capital (current assets less current liabilities) a measure of excess liquidity that could be used to fund capital projects.

Historically we have compared all applicant financial ratios regardless of type to bench marks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a particular CON project it is a reasonable proxy for health care related entities.

Below is an analysis of the audited financial statements of United Health Services, Inc. and subsidiaries, (parent) and where the two short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

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United Health Services, Inc. and Subsidiaries		
	Jun-14	Jun-13
Current Assets	\$112,327,439	\$115,158,327
Total Assets	\$652,711,670	\$608,711,370
Current Liabilities	\$139,346,559	\$144,507,882
Total Liabilities	\$515,844,067	\$473,033,567
Net Assets	\$136,867,603	\$135,677,803
Total Revenues	\$867,051,915	\$848,974,314
Excess of Revenues Over Expenses	\$4,968,036	\$28,034,180
Cash Flow from Operations	\$34,425,289	\$49,299,334
Short-Term Analysis		
Current Ratio (CA/CL)	0.8	0.8
Cash Flow to Current Liabilities (CFO/CL)	24.70%	34.12%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	275.1%	242.1%
Total Margin (ER/TR)	0.57%	3.30%
Measure of Available Funding		
Working Capital	(\$27,019,120)	(\$29,349,555)

Position	Strong	Good	Adequate	Moderately Weak	Weak
Current Ratio	above 3	3 - 2.3	2.3 - 1.7	1.7 - 1.0	< 1.0
Cash Flow to Current Liabilities	>150%	150%-100%	100% - 50%	50% - 0%	< 0%
Debt to Equity	0% - 10%	10%-35%	35%-65%	65%-95%	> 95% or < 0%
Total Margin	> 12%	12% - 8.5%	8.5% - 5.5%	5.5% - 0%	< 0%

Capital Requirements and Funding:

The applicant provided a development stage audit. The audit indicates that the applicant has no assets, liabilities, net worth or revenue. The applicant indicates on Schedule 2 capital projects totaling \$14,783,721 which consists entirely of this project.

The applicant indicates on Schedule 3 that 75 percent of the construction, land and major equipment costs will be financed by permanent financing by Synovus. The applicant further states that the balance of the project costs will be funded by United Health Services, Inc. and its Subsidiaries' operating cash flows. The applicant also notes that United Health Services Inc. and its subsidiaries maintain a working

capital facility with GE Capital and can draw upon these funds as necessary to fund any equity component of a project, and states that as of November 30, 2014, \$29.6 million in funds were available through this \$36.0 million facility.

In support of these claims, the applicant provided several items of documentation. The applicant provided a letter from Dominic Romeo, Senior Vice President of Treasury Management and Treasurer, PruittHealth, stating that as a financial representative of United Health Services, Inc. (UHS), UHS commits to providing all funds necessary for the development and operation of the project, including, but not limited to the equity contribution, working capital and funding of any operating deficits and pre-opening costs.

In addition, the above provided a letter recapping the claimed GE Capital credit facility, but did not provide any independent supporting documentation for the current available balance on that credit facility.

The applicant also provided a letter of intent from Synovus dated December 8, 2014, to finance up to 75 percent of the project costs or \$10,425,000 (based on an estimated \$13,900,000 for land, construction, and equipment costs).

The parent's overall financial position is relatively weak and they are highly leveraged. The parent also has five other applications in this batching cycle with similar funding arrangements. Despite the weak financial position, the parent has sufficient cash flows to finance this project which makes debt financing likely. However, if all six CON applications were granted, it is not clear that the applicant could acquire debt financing for all applications.

Conclusion:

Funding for this project should be available as needed.

- d. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035 (1) (f), Florida Statutes.**

NF Bay, LLC (CON #10244):

Analysis:

The immediate and long-term financial feasibility of the project is tied to expected profitability. The purpose of our analysis for this section is to evaluate the reasonableness of the applicant's profitability projections and, ultimately, whether profitability is achievable for this project. Our analysis includes an evaluation of net revenue per patient day (NRPD), cost per patient day (CPD), nurse staffing ratios and profitability. We

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compared the NRPD, CPD and profitability to actual operating results from SNFs as reported on Medicaid cost reports (2012 and 2013 cost report years). For our comparison group, we selected SNFs with similar Medicaid utilizations to the utilization projected by the applicant on a per patient day basis (PPD). Comparison group data was adjusted for inflation to match the second year projection (inflation factor was based on the new CMS Market Basket Price Index as published in the 3rd Quarter 2014, Health Care Cost Review).

NRPD, CPD, and profitability or operating margin that fall within the group range are considered reasonable projections. Below is the result of our analysis.

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	11,278,500	381	499	394	258
Total Expenses	10,935,000	370	498	374	293
Operating Income	343,500	12	64	16	-113
Operating Margin	3.05%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	29,565	90.00%	96.71%	90.25%	70.42%
Medicaid/MDCD HMO	10,939	37.00%	49.81%	44.42%	30.80%
Medicare	13,304	45.00%	62.12%	33.63%	10.26%

Staffing:

Section 400.23(3)(a)(1), Florida Statutes, specifies a minimum certified nursing assistant staffing of 2.5 hours of direct care per resident per day and a minimum licensed nursing staffing of 1.0 hour of direct resident care per resident day. Based on the information provided in Schedule 6, the applicant’s projected staffing meets this requirement.

The projected NRPD, CPD and profit fall within the group range and are considered reasonable.

Conclusion:

This project appears to be financially feasible based on the projections provided by the applicant.

PruittHealth – Bay County, LLC (CON #10245):

Analysis:

The immediate and long-term financial feasibility of the project is tied to expected profitability. The purpose of our analysis for this section is to evaluate the reasonableness of the applicant’s profitability projections and, ultimately, whether profitability is achievable for this project. Our analysis includes an evaluation of net revenue per patient day (NRPD), cost per patient day (CPD), nurse staffing ratios and profitability. We compared the NRPD, CPD and profitability to actual operating results from SNFs as reported on Medicaid cost reports (2012 and 2013 cost report years). For our comparison group, we selected SNFs with similar Medicaid utilizations to the utilization projected by the applicant on a per patient day basis (PPD). Comparison group data was adjusted for inflation to match the second year projection (inflation factor was based on the new CMS Market Basket Price Index as published in the 3rd Quarter 2014, Health Care Cost Review).

NRPD, CPD and profitability or operating margin that fall within the group range are considered reasonable projections. Below is the result of our analysis.

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	8,835,605	329	409	311	201
Total Expenses	8,171,357	305	397	303	212
Operating Income	664,248	25	26	8	-49
Operating Margin	7.52%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	26,828	95.46%	96.92%	89.97%	67.17%
Medicaid/MDCD HMO	18,798	70.07%	79.96%	70.95%	60.04%
Medicare	6,935	25.85%	30.30%	16.14%	3.03%

Staffing:

Section 400.23(3)(a)(1), Florida Statutes, specifies a minimum certified nursing assistant staffing of 2.5 hours of direct care per resident per day and a minimum licensed nursing staffing of 1.0 hour of direct resident care per resident day. Based on the information provided in Schedule 6, the applicant’s projected staffing meets this requirement.

The projected NRPD, CPD and profit fall within the group range and are considered reasonable.

Conclusion:

This project appears to be financially feasible based on the projections provided by the applicant.

- e. **Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035 (1)(e) and (g), Florida Statutes.**

Analysis:

The type of competition that would result in increased efficiencies, service and quality is limited in health care. Cost-effectiveness through competition is typically achieved via a combination of competitive pricing that forces more efficient cost to remain profitable and offering higher quality and additional services to attract patients from competitors. Since Medicare and Medicaid are the primary payers in the nursing home industry, price-based competition is limited. With a large portion of the revenue stream essentially fixed on a per patient basis, the available margin to increase quality and offer additional services is limited. In addition, competitive forces truly do not begin to take shape until existing business' market share is threatened. The publication of need in this area suggests that there is an unmet and untapped customer base for a new entrant to absorb. Since nursing home services are limited to available beds and the need formula suggest excess capacity in the market to fill those beds, the impact on market share would be limited. The combination of the existing health care system's barrier to price-based competition via fixed price payers and the existence of unmet need in the district limits any significant gains in cost-effectiveness and quality that would be generated from competition.

Conclusion:

These projects are not likely to have a material impact on competition to promote quality and cost-effectiveness.

- f. **Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035 (1) (h), Florida Statutes; Ch. 59A-4, Florida Administrative Code.**

NF Bay, LLC (CON #10244): The construction type is not listed but building materials are described as non-combustible and comply with the requirements of the applicable codes.

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives

and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant owner. Approval from the Agency for Health Care Administration's Office of Plans and Construction is required before the commencement of any construction.

PruittHealth – Bay County, LLC (CON #10245): The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant owner. Approval from the Agency for Health Care Administration's Office of Plans and Construction is required before the commencement of any construction.

- g. Does the applicant have a history of and propose the provision of health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035 (1) (i), Florida Statutes.**

A five-year history of Medicaid patient days and occupancy for the subdistrict, district and state is provided in the table below.

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**Medicaid Patient Days and Medicaid Occupancy in
Bay County, District 2 and Florida**

Medicaid Patient Days					
Area	2009	2010	2011	2012	2013
Bay County	169,813	176,273	174,671	179,091	182,326
District 2	822,226	840,157	843,653	848,605	848,387
Florida	15,411,373	15,530,575	15,612,015	15,733,318	15,700,197
Medicaid Occupancy					
Area	2009	2010	2011	2012	2013
Bay County	62.25%	63.17%	62.56%	63.75%	64.96%
District 2	69.81%	70.25%	69.96%	70.32%	70.72%
Florida	61.26%	61.33%	61.56%	61.85%	61.66%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2014 Batching Cycle

NF Bay, LLC (CON #10244) states that the newly created entity does not have a history. The applicant provides an overview of changes to long-term care including the advent of Statewide Medicaid Managed Care (SMMC) plans. In this discussion, NF Bay includes information on the available plans and services in Region 2.

NF Bay believes that the expectation is that Medicaid Managed Care Plans will continue a downward trend in nursing home placements, offering options to recipients to maintain them in less restrictive settings. The applicant states that in contrast, Medicare continues to promote Medicare Advantage Plans and the numbers of enrollees in them has grown. NF Bay asserts that recent 2014 data for enrollees in Bay County show that of the Medicare enrollees of 33,671, there are 5,539 persons enrolled in Advantage plans, yielding a penetration rate of 16.45 percent.

The applicant provides the following payer forecast for the first two years of operation, indicating that the expectation is that higher levels of rehabilitative and restorative care will be provided for shorter stays as residents return home, including Medicaid recipients.

NF Bay, LLC, Projected Utilization

Payer	Year One: FY 2018 Days	Year Two: FY 2018 Days	Year One: FY 2019 Admits	Year Two: FY 2019 Admits	Percent of Days
Medicare	5,891	10,939	233	438	37.0%
Medicare Managed Care	1,259	2,365	58	108	8.0%
Medicaid Managed Care	5,821	10,939	16	30	37.0%
Self-Pay	944	1,774	16	30	6.0%
All Other Payers	1,888	3,548	32	60	12.0%
Total	15,733	29,565	355	666	100.0%
Occupancy	47.9%	90.0%			

Source: CON application #10244, page 9-4

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The applicant states that as noted in its Schedule 8, charity care and related uncollected amounts are 1.22 percent of gross revenues, or equivalent to 192 resident days of care in year one and 361 resident days of care in year two.

The reviewer compiled the following Medicaid occupancy data for Gulf Coast Florida facilities for July 1, 2013 to June 30, 2014. See the table below.

**Medicaid Occupancy and Total Occupancy Rates for Gulf Coast Health Care Skilled Nursing Facilities in Florida
July 2013-June 2014**

District	County	Facility Name	July 2013-June 2014	
			Medicaid Occupancy	Total Occupancy
1	Escambia	Arcadia Health and Rehabilitation Center	61.4%	88.7%
1	Escambia	Bayside Health and Rehabilitation Center	70.6%	91.5%
1	Escambia	Rosewood Health and Rehabilitation Center	80.9%	93.8%
1	Escambia	Specialty Health and Rehabilitation Center	63.5%	94.4%
1	Okaloosa	Silvercrest Health and Rehabilitation	70.65%	94.9%
1	Santa Rosa	Bay Breeze Senior Living	60.6%	91.3%
1	Walton	Grand Boulevard Health and Rehabilitation	50.05%	83.6%
2	Bay	GlenCove Health and Rehabilitation Center	60.1%	93.6%
2	Bay	Panama City Health and Rehabilitation	13.9%	96.4%
2	Gadsden	Riverchase Health and Rehabilitation	83.2%	94.9%
2	Jackson	Chipola Health and Rehabilitation Center	60.3%	89.5%
2	Jefferson	Brynwood Health and Rehabilitation Center	75.4%	88.9%
3	Bradford	Windsor	71.1%	93.0%
3	Lake	Lake Eustis Health and Rehabilitation	61.2%	92.3%
3	Suwannee	Suwannee Health and Rehabilitation	77.7%	92.6%
4	Flagler	Flagler Health and Rehabilitation Center	52.0%	92.3%
4	Volusia	Costal Health and Rehabilitation Center	80.9%	98.2%
4	Volusia	DeBary Health and Rehabilitation Center	68.1%	93.5%
4	Volusia	Seaside Health and Rehabilitation Center	85.5%	68.8%
4	Volusia	Parkside Health and Rehabilitation Center	81.4%	89.0%
5	Pasco	Heritage Health and Rehabilitation Center	70.1%	94.4%
5	Pinellas	Glen Oaks Health and Rehabilitation Center	84.5%	90.6%
6	Highlands	Lake Placid Health and Rehabilitation	65.0%	94.1%
6	Hillsborough	Accentia Health and Rehabilitation Center	77.9%	84.4%
7	Brevard	Wave Crest Health and Rehabilitation	75.4%	81.3%
7	Orange	The Rehabilitation Center of Winter Park	65.8%	79.5%
7	Osceola	Oaks of Kissimmee Health	56.4%	91.0%
7	Seminole	Longwood Health and Rehabilitation Center	69.6%	94.1%
8	Hendry	Oakbrook Health and Rehabilitation Center	69.4%	87.3%
9	Martin	Salerno Bay Health and Rehabilitation	70.1%	90.6%
9	Palm Beach	Boynton Health and Rehabilitation Center	64.7%	82.8%
9	Palm Beach	Royal Palm Beach Health	76.9%	97.0%
10	Broward	Margate Health and Rehabilitation Center	58.7%	93.6%
	Total		67.67%	90.36%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2014 Batching Cycle

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 37.0 percent and 6.0 percent, respectively, of year one and year two annual total patient days.

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PruittHealth – Bay County, LLC (CON #10245) maintains that given it is a newly established entity, it has no Medicaid history. The applicant indicates that however, PruittHealth is part of the PruittHealth of providers which include one SNF in Florida and currently 93 such facilities throughout the southeastern United States.

PruittHealth indicates that all of these facilities have demonstrated a history and commitment to Medicaid population. The applicant provides the following table displaying PruittHealth affiliated facilities’ commitment to Medicaid.

**PruittHealth Medicaid Percent of Total Patient Days
CY 2011 through CY 2013**

	CY 2011	CY 2012	CY 2013
PruittHealth Facilities, Company Wide			
Percent Days	1,643,360	1,805,084	1,907,180
Percent of Patient Days	60.1%	61.6%	63.0%
PruittHealth – Santa Rosa			
Patient Days	26,598	24,568	25,606
Percent of Patient Days	63.8%	60.1%	62.1%

Source: CON application #10245, page 148, based on PruittHealth

The reviewer notes that the applicant incorrectly reported Medicaid data for PruittHealth – Santa Rosa. See the table below.

**PruittHealth – Santa Rosa Medicaid
CY 2011 through CY 2013**

	CY 2011	CY 2012	CY 2013
Medicaid Patient Days	26,717	24,502	25,605
Medicaid Percent of Patient Days	64.10%	59.99%	62.18%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, February 2012, 2013 and 2014 Batching Cycles

The applicant notes that as the table demonstrates, PruittHealth’s affiliated SNFs have provided more than 5.3 million Medicaid patient days during the past three calendar years.

PruittHealth provides the following payer forecast for the first two years of operation.

PruittHealth – Bay County Forecasted Utilization

	Year One	Year Two
Medicare	2,694	6,570
Medicare HMO	242	365
Medicaid	7,485	18,798
VA	242	365
Private Pay	699	730
Total	11,362	26,282

Source: CON application #10245, page 78

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 65.9 percent and 6.2 percent, respectively, of year one and 70.1 percent and 2.7 percent, respectively, of year two annual total patient days.

F. SUMMARY

NF Bay, LLC (CON #10244), an affiliate of Gulf Coast Health Care LLC, proposes to establish a new 90-bed community nursing home through the delicensure of 27 beds from an existing licensed nursing home within the same subdistrict, Panama City Health and Rehabilitation Center, and 63 beds from the fixed need pool in Subdistrict 2-2, Bay County.

The applicant provides a notarized letter signed by Craig Robinson, Authorized Representative of Panama City Health and Rehabilitation Center, agreeing to voluntarily relinquish 27 of its 120 beds should the Agency approve this CON application in Exhibit 1-1 of CON application #10244.

Gulf Coast owns and operates 33 SNFs in Florida.

The project involves 69,044 GSF of new construction. The construction cost is \$12,676,500. Total project cost is \$18,732,800. Project cost includes land, building, equipment, project development, financing and start-up costs.

The applicant does not wish to accept any conditions for the proposed project.

PruittHealth – Bay County, LLC (CON #10245), an affiliate of PruittHealth, proposes to establish a new 77-bed community nursing home in District 2/Subdistrict 2-2, Bay County. The applicant states that it intends to aggregate beds from Subdistrict 2-3 (Calhoun, Franklin, Gulf, Liberty and Wakulla Counties) that has a calculated bed need of 14 beds with published need from 2-2 in order to accommodate the proposed project.

The applicant operates one SNF in Florida.

The project involves 60,797 GSF of new construction. The construction cost is \$8,525,144. Total project cost is \$14,783,721. Project cost includes land, building, equipment, project development, financing and start-up costs.

The applicant proposes 18 conditions on its Schedule C.

Need:

In Volume 40, Number 193 of the Florida Administrative Register dated October 3, 2014, a fixed need pool of 63 beds was published for Subdistrict 2-2 for the July 2017 Planning Horizon.

As of November 19, 2014, Subdistrict 2-2 had 854 licensed and zero approved community nursing home beds. During the 12-month period ending June 30, 2014, Subdistrict 2-2 experienced 89.61 percent utilization at eight existing facilities.

NF Bay, LLC (CON #10244) indicates that Panama City Health and Rehab will decompress its physical plant, reducing the beds from 120 to 93 and the resulting facility will be retooled to a smaller facility, with improved room sizes and amenities for residents, consistent with cultural change priorities. The applicant notes that improvements include:

- Four bedroom wards will be converted to semi-private rooms
- Three bedroom wards will be converted to semi-private rooms
- Semi-private rooms will be converted to private rooms--the result gives the facility eight private rooms to meet residents' requests
- With the spatial reconfiguration, additional square footage will be gained to expand common areas, dining and life enrichment for personal and group use

The applicant asserts that the 90-bed facility has several hallmarks associated with culture change requested by advocate and among those changes are features such as:

- Six interior courtyards for residents
- Each side of the facility provides for a separate living room and activity room for residents
- Each side of the facility provides for a gathering room with a featured aquarium for residents' enjoyment
- The resident room availability within the facility is 45 privates, 15 semi-privates and 15 suites
- A large, centralized dining room also is provided
- Back of the house functions are located in centralized areas and not intermixed with resident rooms and areas of the facility
- Therapeutic areas are grouped for efficiencies
- A complete activities of daily living suite is provided

NF Bay indicates on its Schedule 7 that the ALOS will be 44 days for years one and two of operation.

PruittHealth – Bay County, LLC (CON #10245) states its application is being submitted in response to the Agency’s fixed need pool publication on October 3, 2014. The applicant states that the proposed 77-bed facility—aggregated from Subdistrict 2-1 and 2-2—will serve the residents of Bay, Calhoun, Franklin, Gulf, Liberty and Wakulla Counties.

PruittHealth states that it completed an extensive market research initiative that included surveying/interviewing existing health care providers and analyzing existing health care provider data. The applicant asserts that it incorporated a multitude of elements identified by the market research into the overall proposed facility plan.

PruittHealth reports that the service area’s health care providers indicated that the community’s strongest needs in relation to:

- Bed and program mix were possessing a high percentage of private rooms, providing a high proportion of Medicaid beds and offering a secure Alzheimer’s unit and specialized Alzheimer’s programming
- Special operational initiatives were possessing a high percentage of private rooms, implementing a program designed to reduce readmissions, incorporating a high ratio of total and licensed nursing hours per patient day and providing specialized training programs for staff
- Clinical services were for one that could provide respiratory therapy, mental/behavioral health, bariatric program, wound care and PT/OT/ST
- Special amenities include providing specialized therapy equipment, possessing state of the art rehab suites, including an occupational therapy kitchen, offering a therapy pool and offering custom meal planning

PruittHealth’s Schedule 7 indicates that the ALOS will be 60 days for year one and 76 days for year two of operation.

Quality of Care:

Both applicants described their ability to provide quality care.

NF Bay, LLC (CON #10244): The applicant’s controlling interest had 46 substantiated complaints at its 33 Florida SNFs during November 19, 2011 to November 19, 2014.

PruittHealth – Bay County, LLC (CON #10245): The applicant’s controlling interest had one substantiated complaint at its one Florida SNF during November 19, 2011 to November 19, 2014.

Financial Feasibility/Availability of Funds:

NF Bay, LLC (CON #10244): Funding for this project should be available as needed. Based on the information provided in Schedule 6, the applicant's projected staffing meets this requirement. This project appears to be financially feasible based on the projections provided by the applicant.

These projects are not likely to have a material impact on competition to promote quality and cost-effectiveness.

PruittHealth – Bay County, LLC (CON #10245): Funding for this project should be available as needed. Based on the information provided in Schedule 6, the applicant's projected staffing meets this requirement. This project appears to be financially feasible based on the projections provided by the applicant.

These projects are not likely to have a material impact on competition to promote quality and cost-effectiveness.

Medicaid/Charity Care:

NF Bay, LLC (CON #10244) does not propose to condition project approval to a percentage of Medicaid days.

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 37.0 percent and 6.0 percent, respectively, of year one and year two annual total patient days.

The applicant provides an overview of changes to long-term care including the advent of SMMC plans. In this discussion, NF Bay includes information on the available plans and services in Region 2.

PruittHealth – Bay County, LLC (CON #10245) proposes to condition project approval to maintaining a minimum Medicaid percentage which exceeds the subdistrict wide average Medicaid percentage in regard to percentage occupancy.

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 65.9 percent and 6.2 percent, respectively, of year one and 70.1 percent and 2.7 percent, respectively, of year two annual total patient days.

The applicant notes PruittHealth's affiliated SNFs have provided more than 5.3 million Medicaid patient days during the past three calendar years.

Architectural:

NF Bay, LLC (CON #10244): The cost estimate and project completion forecast appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

PruittHealth – Bay County, LLC (CON #10245): The cost estimate and project completion forecast appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

G. RECOMMENDATION

Approve CON #10245 to establish a 77-bed community nursing home in District 2, Subdistrict 2, Bay County. The total project cost is \$14,783,721. The project involves 60,979 GSF of new construction and a construction cost of \$8,525,144.

CONDITIONS:

- Seek Joint Commission accreditation or accreditation from some other similarly recognized accrediting body
- Implement a program designed to reduce hospital readmissions
- Incorporate a minimum of 71 percent private rooms/beds into the facility design
- Participate in an organization-wide Quality Assurance/Performance Improvement initiative that entails quarterly visits in regard to clinical, operational, pharmaceutical and reimbursement areas by corporate consultants to ensure compliance with all local, state and federal laws
- Implement the WanderGuard system as a management component of the Alzheimer's program
- Implement Electronic Medical Records (EMR) at the facility and include Smart Charting or other similar bed side patient charting tool
- Implement Resident Safety Technology including Call Guard and WanderGuard into the facility

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- Implement Clinical Kiosks in appropriate locations throughout the facility
- Implement Alzheimer, dementia and other special behavioral health management programs
- Implement the top five special amenities requested by existing health care providers in this subdistrict:
 - Specialized therapy equipment, state of the art rehab suites, occupational therapy kitchens, therapy pool and custom meals
- Implement the top special operational initiatives requested by existing health care providers:
 - High percentage of private rooms, program to reduce hospital readmissions and specialized training for staff
- Implement the top five clinical services requested by existing health care providers:
 - Respiratory care, wound care, bariatric program, mental/behavioral health program and PT/OT/ST
- Assure all staff maintains ongoing training and continuing education credits utilizing Pruitt University and at no cost to employees
- Participate in a company-wide Annual Quality Report to demonstrate transparency in operations and make this Quality Report available to the public
- Adopt the PruittHealth patient model of care including the UniPath Programs appropriate for this facility and described in the CON application and Supporting Documents
- Implement PointRight Technology (or a future similar technology) in ongoing operations
- Implement a bariatric suite to include specially designed rooms with integral lifts, special toilet rooms and showers and other equipment specifically designed for bariatric patients
- Maintain a minimum Medicaid percentage which exceeds the subdistrict wide average Medicaid percentage in regard to percentage occupancy

Deny CON #10244.

AUTHORIZATION FOR AGENCY ACTION

Authorized representatives of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: _____

Marisol Fitch
**Health Services and Facilities Consultant Supervisor
Certificate of Need**