

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

**A. PROJECT IDENTIFICATION**

**1. Applicant/CON Action Number**

**Madison Health Investors, L.C./CON #10249**  
46 3<sup>rd</sup> Street NW  
Hickory, North Carolina 28601

Authorized Representative: Michael T. Jones  
(828) 322-8171

**2. Service District/Subdistrict**

District 2/Subdistrict 2-5 (Jefferson, Madison and Taylor Counties)

**B. PUBLIC HEARING**

A public hearing was not held or requested regarding the proposed project.

**Letters of Support**

The Agency received various letters of support submitted by the applicant. The letters were composed by a senior staff member of affiliate Lake Park of Madison, a health care provider of Lake Park of Madison and medical providers that make referrals to Lake Park of Madison.

**C. PROJECT SUMMARY**

**Madison Health Investors, L.C. (CON #10249)**, also referenced as MHI or the applicant, a wholly owned subsidiary of CM Healthcare Holdings I, LLC, proposes to add 19 community nursing home beds to Lake Park of Madison in Subdistrict 2-5, Madison County.

Lake Park of Madison is a 120-bed skilled nursing facility (SNF) located in the City of Madison in Madison County.

The applicant operates three SNFs in Florida:

- Cross City Rehabilitation and Health Care Center
- Lafayette Health Care Center in Mayo, Lafayette County
- Lake Park of Madison (the subject of this CON application)

The project involves 7,883 gross square feet (GSF) of new construction. The construction cost is \$1,340,110. Total project cost is \$1,917,484. Project cost includes land, building, equipment, project development and financing costs.

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

**Total GSF and Project Costs of CON #10249**

<b>Applicant</b>	<b>CON #</b>	<b>Project</b>	<b>GSF</b>	<b>Costs \$</b>	<b>Cost Per Bed</b>
Madison Health Investors, L.C.	10249	Add 19 Community Beds	7,883	\$1,917,484	\$100,920

Source: CON applications #10249, Schedules 1 and 9

**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, Steve Love analyzed the application, with consultation from the financial analyst, Everett “Butch” Broussard, of the 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 19 community nursing home beds was published for Subdistrict 2-5 for the July 2017 Planning Horizon.

After publication of this fixed need pool, zero existing Subdistrict 2-5 facilities filed exemption requests or filed expedited CON reviews to increase or add community nursing home beds.

As of November 19, 2014, Subdistrict 2-5 had 515 licensed and zero approved community nursing home beds. During the 12-month period ending June 30, 2014, Subdistrict 2-5 experienced 85.98 percent utilization at six existing community nursing homes. Below is a table illustrating nursing home patient days and total occupancy within Subdistrict 2-5, for the referenced time frame.

**Subdistrict 2-5 Nursing Home Patient Days and  
Total Occupancy July 1, 2013-June 30, 2014**

County/Facility	Comm. Nursing Home Bed Inventory	Bed Days	Patient Days	Total Occupancy	Medicaid Occupancy
<b>Jefferson County</b>					
Brynwood Health and Rehabilitation Center	97	35,405	31,456	88.85%	75.40%
Cross Landings Health and Rehabilitation Center	60	21,900	19,151	87.45%	72.94%
<b>Madison County</b>					
Crosswinds Health and Rehabilitation Center	58	21,170	18,574	87.74%	77.58%
Lake Park of Madison	120	43,800	34,545	78.87%	73.84%
Madison Nursing Center	60	21,900	20,734	94.68%	80.82%
<b>Taylor County</b>					
Marshall Health and Rehabilitation Center	120	43,800	37,164	84.85%	82.99%
<b>Total</b>	<b>515</b>	<b>18,7975</b>	<b>161,624</b>	<b>85.98%</b>	<b>77.46%</b>

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

The reviewer notes the current and projected population of the individual counties in Subdistrict 2-5, District 2 and the state for the planning horizon.

**Current and Projected Population Growth Rate  
Counties of Subdistrict 2-5, District 2 and Florida  
January 2014 and January 2017**

County/Area	January 1, 2014 Population			January 1, 2017 Population		
	0-64	65+	Total	0-64	65+	Total
Jefferson	11,772	2,179	14,491	11,815	3,113	14,928
Madison	15,902	3,296	19,198	15,800	3,591	19,391
Taylor	19,220	3,976	23,196	18,963	4,368	23,331
Subdistrict 2-5	46,894	9,991	56,885	46,578	11,072	57,650
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
County/Area	2014-2017 Increase			2014-2017 Growth Rate		
	0-64	65+	Total	0-64	65+	Total
Jefferson	43	394	437	0.37%	14.49%	3.02%
Madison	-102	295	193	-0.64%	8.95%	1.01%
Taylor	-257	392	135	-1.34%	9.86%	0.58%
Subdistrict 2-5	-316	1,081	765	-0.67%	10.82%	1.34%
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+ cohort in the subdistrict are shown below.

**Beds per 1,000 Residents Age 65 and Older**

County/Area	Community Beds	2014 Pop. Aged 65+	2014 Beds per 1,000	2017 Pop. Aged 65+	2017 Beds per 1,000
Jefferson	157	2,719	58	3,113	50
Madison	238	3,296	72	3,591	66
Taylor	120	3,976	30	4,368	27
Subdistrict 2-5	515	9,991	52	11,072	47
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

**Madison Health Investors, L.C. (CON #10249)** states that the proposed bed addition will allow the applicant to provide enhanced access to the growing elderly population in the subdistrict, to low-income residents needing nursing facility care and to discharges from area hospitals. MHI presents a table reflecting the estimated growth in the elderly population from July 1, 2014 to July 1, 2017. According to the applicant’s table, the age 65+ population will increase by 1,136 residents (or 11 percent) and the age 75+ population will increase by 327 residents (or eight percent). MHI indicates that the total population will increase by one percent. See the table below.

**District 2 Subdistrict 5  
Population Estimates and Projections**

Age Segment	7/1/14 Estimated Population	7/1/17 Estimated Population	Percent Increase 2014 to 2017
Total	56,994	57,772	1%
65+	10,138	11,274	11%
75+	4,069	4,396	8%

Source: CON application #10249, page 16

MHI contends that in Madison County, geographic accessibility results from two primary elements:

- Locating in an area accessible to residents in need of nursing facility care--Madison is the county seat of Madison County, home to the largest population base in the county and is centrally located.
- Access to primary traffic arteries serving Madison County and the other counties in the subdistrict--Lake Park of Madison is located just south of U.S. Highway 90 on the western side of Madison. I-10 and U.S. Highway 90 are major east/west highways running through Madison County and also Jefferson County to the west. Lake Park is located about five miles from the nearest interchange on I-10 at SR 14. Most Taylor County residents would come into Madison via SR 14 after traveling on other roads.

- b. **If no Agency policy exists, the applicant will be responsible for demonstrating need through a needs assessment methodology, which must include, at a minimum, consideration of the following topics, except where they are inconsistent with the applicable statutory or rule criteria:**

The applicant is responding to the Agency's published fixed need pool, so this criterion is not applicable.

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.**

The application was not 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.**

**Madison Health Investors, L.C. (CON #10249)** indicates that the proposed addition of beds will be certified for Medicare and Medicaid as are the facility's current beds. MHI states that Lake Park of Madison provides a full range of services to all residents including:

- Care planning
- Nursing, physician and support services
- Hospice and respite care
- Dietary services
- Activities
- Rehabilitative therapy

The applicant asserts other ancillary services provided to meet the overall care needs of each resident include but are not limited to:

- Pharmaceuticals
- Medical supplies
- Lab and diagnostic, radiological and respiratory services
- Wound care and audiologist services
- Other ancillary services as needed

MHI includes facility brochures on its Lake Park of Madison therapy programs and services in Exhibit 4 of CON application #10249.

The applicant maintains that patient characteristics at Lake Park vary depending on needs, but are broadly classified into residents requiring short-term rehabilitation, residents with complex medical conditions, residents needing long-term care and residents needing end-of-life palliative care.

MHI insists that Medicare Part A residents comprise the majority of admissions to the facility following their discharge from an acute care hospital. MHI reports that when admitted to the facility, Medicare Part A residents fall into one of eight broad categories of service:

- Rehabilitation plus extended service
- Rehabilitation

- Extensive services
- Special care high
- Special care low
- Clinically complex
- Behavioral symptoms and cognitive performance
- Physical function reduced

MHI indicates that the primary patient assessment tool will be the Minimum Data Set (MDS) Form--which contains a group of screening, clinical and functional status elements that measure such things as cognitive condition, communication/hearing patterns, physical functioning and structural problems and disease diagnosis in the assessment of skilled care residents. The applicant states that the frequency of assessments will comply with licensure regulations.

The applicant asserts that Lake Park of Madison has strict admissions policies to accurately screen inquiries to assure the appropriateness of facility placement and to assure medical necessity of services. MHI explains that the Care Planning Committee has formal responsibility for appropriateness review after resident admission.

MHI notes that Lake Park develops a discharge plan for each resident--patients are discharged only by physician order. The applicant indicates that the discharge plan includes items such as a resident's diagnosis, rehabilitation potential, cognitive ability, medical necessity for care, family support and community resources which might be needed upon discharge.

The applicant provides the following table detailing its projected average length of stay (ALOS):

**Lake Park of Madison, Projected ALOS**

	<b>ALOS in Days in Year One</b>	<b>ALOS in Days in Year Two</b>
Private Pay	120	120
Medicaid	200	200
Medicare	30	30
Managed Care	30	30
Hospice	45	45

Source: CON application #10249, page 11

The applicant's Schedule 7 shows an ALOS of 101.76 days in year one and 103.42 in year two for the 19 bed addition. The schedule also shows 42 incremental admissions and 4,274 incremental patient days in year one and 60 incremental admissions and 6,205



incremental patient days in year two. Schedule 6A illustrates that FTEs for year one (ending December 31, 2017) total 114.81 and total 116.50 for year two (ending December 31, 2018). The proposed project's year one and year two FTEs are shown in the table below.

<b>Madison Health Investors, L.C. (CON application #10249) Projected Year One and Year Two Staffing For 19-Bed Addition and Total 139-Bed Facility</b>				
	<b>Year One FTEs (19-bed addition)</b>	<b>Year One Total Facility FTEs</b>	<b>Year Two (19-bed addition) FTEs</b>	<b>Year Two Total Facility FTEs</b>
<b>Administration</b>				
Administrator		1.00		1.00
Director of Nursing		1.00		1.00
Admissions Director		2.00		2.00
Bookkeeper		1.00		1.00
Secretary/Ward Clerks		2.00		2.00
Medical Records Clerk		1.00		1.00
Human Resources		1.00		1.00
ADON		1.00		1.00
Staff Development Coordinator		1.00		1.00
Office Manager		1.00		1.00
Receptionist		1.00		1.00
Central Supply/Scheduler		1.00		1.00
MDS/Care Planning Coordinator	0.50	2.00	0.50	2.00
<b>Nursing</b>				
RNs		4.20		4.20
LPNs	3.09	19.89	3.50	20.3
Nurses' Aides	7.25	56.25	8.40	57.40
<b>Dietary</b>				
Dietary Supervisor		2.00		2.00
Cooks	0.50	3.50	0.50	3.50
Dietary Aides	0.87	6.47	1.00	6.60
<b>Social Services</b>				
Social Service Director		1.00		1.00
Activity Director		1.00		1.00
Activities Assistant	0.50	1.50	0.50	1.50
Social Services Assistant	0.50	0.50	0.50	0.50
<b>Plant Maintenance</b>				
Maintenance Supervisor		1.00		1.00
Maintenance Assistance	0.50	1.50	0.50	1.50
<b>Total</b>	<b>13.71</b>	<b>114.81</b>	<b>15.40</b>	<b>116.50</b>

Source: CON application #10249, Schedule 6A

The applicant asserts that highlights of its staffing resources include:

- An overall average staffing ratio of 3.79 direct nursing hours per patient day once the bed addition reaches stabilized occupancy
- 24-hour RN coverage
- Two full-time MDS assessment/care planning coordinators

- Nursing administrative support from the DON, ADON and staff development coordinator
- In addition to administrative staff typically found in a nursing facility, MHI will also have a full-time person serving in the positions of human resources

**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.**

The applicant states that it has never had a nursing home facility license denied, revoked or suspended.

- 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?**

The applicant states that it has never had a nursing home placed into receivership.

- 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.**

The applicant states 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.**

The applicant states 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.**

The applicant states that this provision is not applicable.

- 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.**

The applicant states that it will provide the required utilization data to the Agency and any of its designees, including the Big Bend Health Council.

### 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 applicant's 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 2-5 is composed of Jefferson, Madison and Taylor Counties and has six licensed community nursing homes with a total of 515 community nursing home beds. The subdistrict averaged 85.98 percent total occupancy for the 12-month period ending June 30, 2014.

The applicant indicates that subdistrict residents benefit from access to several quality facilities. MHI provides the following summary of the star ratings from Medicare.gov Nursing Home Compare as of November 23, 2014. The reviewer added the Florida Nursing Home Guide star ratings as well.

**District 2-5, Medicare.gov and FloridaHealthFinder.gov  
Star Rating – 11/23/2014**

<b>Facility</b>	<b>CMS Star Rating</b>	<b>FloridaHealthFinder.gov Rating</b>
<b>Jefferson County</b>		
Brynwood Health and Rehabilitation Center	Five	Five
Cross Landings Health and Rehabilitation Center	Five	Five
<b>Madison County</b>		
Crosswinds Health and Rehabilitation Center	Four	Three
Lake Park of Madison	Four	Four
Madison Nursing Center	Four	Three
<b>Taylor County</b>		
Marshall Health and Rehabilitation Center	One	One

Source: CON application #10249, page 16 and the Nursing Home Guide as published on FloridaHealthFinder.gov on February 20, 2015

The applicant asserts that Medicare.gov is a better indicator of quality ratings for individual facilities than the Nursing Home Guide on FloridaHealthFinder.gov. MHI cites the following text from FloridaHealthFinder.gov,

*“All of the nursing homes in a particular region could perform better than the statewide average. Therefore, a low rank does not necessarily indicate a ‘low quality’ facility.”*

MHI notes that the Statewide Medicaid Managed Care Long-Term Care (SMMC LTC) program in Region 2 became effective as of November 1, 2013. The applicant reports that Lake Park of Madison provides access to the enrollees of both providers of SMMC LTC plans in its region. MHI includes the following list of the two programs and the number of Medicaid days of care it provided to enrollees of each program for the first 11 months of 2014:

- United Healthcare—15,233 days
- American Eldercare—7,127 days

The applicant indicates that 75 percent of Lake Park of Madison’s admissions are discharged from Tallahassee Memorial Hospital. The applicant states and the reviewer confirms a letter of support from the office manager/case management at Tallahassee Memorial Hospital, who states that Lake Park of Madison has worked diligently in helping the hospital with many hard to place patients. The applicant further contends that Capital Regional Medical Center and South Georgia Medical Center are also key sources of facility admissions. The applicant maintains that the proposed additional beds will continue to serve residents discharged from these three hospitals--plus any other referring hospitals.

The applicant provides narrative discussion and a table illustrating Subdistrict 2-5’s utilization for the six-month period January 2014-June 2014 on page 19 of CON application #10249. The reviewer confirms these data in the Agency’s *Florida Nursing Home Bed Need Projections by District and Subdistrict*, published October 3, 2014. MHI indicates the following are findings from the table:

- The subdistrict’s overall average occupancy was 87 percent
- The Madison County overall average occupancy was also 87 percent

MHI contends that although the current occupancy in the subdistrict is under 90 percent, the applicant has an expectation that the average occupancy in the subdistrict will increase to 94 percent by the second quarter of 2017, as a result of elderly population growth. Below is the applicant’s bed need and occupancy projection for 2017.

**District 2 Subdistrict 5  
Bed Need and Occupancy Projection 2017**

	<b>Subdistrict Total</b>
<b>Elderly Population</b>	
July 1, 2014 population 65+	10,138
July 1, 2017 population 65+	11,274
Percentage growth 2014-2017	11%
<b>Bed Inventory</b>	
Current inventory	515
Beds-this project	19
Total inventory after approval of this project	534
<b>Need Projection-2017</b>	
Actual total patient days	40,638
Projected percentage growth-over 65	11%
Projected quarterly patient day demand	45,192
Days in quarter	90
Average daily census	502
Total inventory after approval of this project	534
Projected average occupancy	94%

Source: CON application #10249, page 18

- 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.**

**Madison Health Investors, L.C. (CON #10249)** reports that Lake Park of Madison currently has a four-star rating on the Medicare.gov Nursing Home Compare website. The applicant indicates that the other two SNFs that Lake Park of Madison shares common ownership with, Lafayette

Health Care Center and Cross Creek Rehabilitation and Health Care Center, have a five-star and a three-star rating, respectively. The reviewer notes that Lake Park of Madison actually has a three-star rating currently on Medicare.gov, which may have changed since the applicant pulled the report provided in Exhibit 5 of CON application #10249 on November 20, 2014.

MHI maintains that Lake Park of Madison uses the Agency Risk Management Quality Assurance Program (RMQAP) to satisfy the requirements of Chapter 400.147, Florida Statutes. The reviewer confirms that the referenced statute pertains to internal risk management and quality assurance programs in Florida nursing homes. MHI states that the RMQAP is to assess resident care practices, review facility quality indicators, facility incident reports, deficiencies cited by the Agency and resident grievances. The applicant also mentions the development of a plan of action to correct and respond quickly to any identified quality deficiencies.

The applicant contends that goals of the RMQAP are:

- To ensure optimal resident care
- To reduce the frequency of preventable injuries and accidents by maintaining and improving quality care
- To identify “early warning systems” for detecting adverse events to permit early investigation and intervention

According to MHI, the Risk Management/Quality Assurance Committee meets monthly and that the following areas, if applicable for that particular month, are covered in the meeting:

- Resident care practices
- Quality measure/quality indicator review
- Deficiencies
- Quality validation report
- Consultant reports
- Quality monitor recommendations
- Infection control
- Clinical performance improvement plan
- Risk prevention/loss control
- Event reports
- Life safety
- Adverse reporting
- Medical device equipment
- Medication errors
- Employee events
- Resident council

- Resident concerns
- Consumer satisfaction
- Occupational Safety and Health Administration needle sticks
- Monthly liability claim
- Project team reports
- Additional discussion items

Again on a monthly basis, MHI indicates that a Risk Management Summary is prepared and the applicant provides a list of 29 chronic care measures on page 21 of the application. The applicant provides additional information on the “RMCAP”, including program standards, the monthly meeting minutes form and care measures in Exhibit 6 of CON application #10249.

MHI contends that in addition to RMCAP, Lake Park of Madison uses two key protocols as part of the Quality Indicator Survey (QIS). These two protocols are stated to be the Resident Interview and Resident Observation and the Family Interview. MHI provides additional information on QIS protocols, including a QIS matrix and applicable forms used by the QIS survey team.

Lake Park of Madison is not a Gold Seal Program nor is it on the Nursing Home Watch List. The most recent Agency inspection indicates that Lake Park of Madison received an overall four-star rating out of a possible five stars. The Agency’s Nursing Home Guide was last updated November 2014. Lake Park of Madison had one substantiated complaint in two complaint categories during November 19, 2011 to November 19, 2014.

**Lake Park of Madison**

<b>Substantiated Complaint Categories for the Past 36 Months</b>	
<b>Complaint Category</b>	<b>Number Substantiated</b>
Quality of Care/Treatment	1
Resident/Patient/Client Rights	1

Source: Florida Agency for Health Care Administration Complaint Records

Agency records indicate that Healthtique is affiliated with and operates four SNFs in Florida:

- Cross City Rehabilitation and Health Care Center
- Lafayette Health Care Center
- Lake Park of Madison
- Westwood Nursing and Rehabilitation Center

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

<b>Nursing Homes affiliated with Healthtique</b>	
<b>Complaint Category</b>	<b>Number Substantiated</b>
Quality of Care/Treatment	4
Resident/Patient/Client Rights	2
Administration/Personnel	1
Physical Environment	1
Dietary Services	1

Source: Florida Agency for Health Care Administration Complaint Records

- 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.**

**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 applicant provided copies of its parent company, CM



Healthcare Holdings I, LLC and subsidiaries, audited financial statements for the periods ending December 31, 2013 and 2012, which includes the applicant's audited financial statements as supplemental data. Below is an analysis of the audited financial statements of the applicant where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

<b>CM Healthcare Holdings I, LLC and Subsidiaries</b>		
	<b>Current Year</b>	<b>Previous Year</b>
Current Assets	\$2,941,347	\$2,757,600
Total Assets	\$3,627,110	\$3,419,433
Current Liabilities	\$2,078,875	\$2,466,192
Total Liabilities	\$3,892,158	\$4,304,033
Net Assets	(\$265,048)	(\$884,600)
Total Revenues	\$16,825,811	\$16,344,642
Excess of Revenues Over Expenses	\$619,552	(\$240,896)
Cash Flow from Operations	(\$237,952)	\$733,855
<b>Short-Term Analysis</b>		
Current Ratio (CA/CL)	1.4	1.1
Cash Flow to Current Liabilities (CFO/CL)	-11.45%	29.76%
<b>Long-Term Analysis</b>		
Long-Term Debt to Net Assets (TL-CL/NA)	-684.1%	-207.8%
Total Margin (ER/TR)	3.68%	-1.47%
<b>Measure of Available Funding</b>		
Working Capital	\$862,472	\$291,408

<b>Position</b>	<b>Strong</b>	<b>Good</b>	<b>Adequate</b>	<b>Moderately Weak</b>	<b>Weak</b>
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 indicates on Schedule 2 capital projects totaling \$2,281,464 which includes \$1,917,484 for this project. The applicant indicates on Schedule 3 that funding for the capital costs of the project will be provided by supplemental financing to the existing first mortgage

on the facility. The borrower on the first mortgage loan is MHI Healthcare, LLC, the related party owner of the real estate, according to the applicant.

The applicant provided a copy of a letter from the current lender on the first mortgage of the facility, OHI Asset (FL), a subsidiary of Omega Healthcare Investors, Inc., indicating their intent to fund 100 percent of the cost of the bed addition. Essentially, the applicant appears to be refinancing the existing loan to pay for the addition.

Given that the funding is to be provided by modification of an existing loan, and the lender submitted a letter of intent to make that modification for this CON, funding for this project is likely.

**Conclusion:**

Funding for this 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.**

**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	11,304,383	252	330	264	199
Total Expenses	10,811,364	241	334	262	183
Operating Income	493,019	11	36	3	-31
Operating Margin	4.36%		<b>Comparative Group Values</b>		
	Days	Percent	Highest	Median	Lowest
Occupancy	44,895	88.49%	99.65%	85.91%	44.87%
Medicaid/MDCD HMO	34,569	77.00%	89.99%	78.56%	69.96%
Medicare	4,938	11.00%	24.87%	11.91%	3.51%

**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 nursing and nursing assistant staffing meet 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:**

This project is 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.**

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the propose 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.

**Medicaid Patient Days and Medicaid Occupancy at  
Lake Park of Madison, Subdistrict 2-5, District 2 and Florida**

<b>Medicaid Patient Days</b>					
<b>Facility/Area</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Lake Park of Madison	32,069	31,496	33,873	29,485	25,114
Subdistrict 2-5	128,023	126,431	129,052	127,189	123,804
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
<b>Medicaid Occupancy</b>					
<b>Facility/Area</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Lake Park of Madison	82.31%	80.09%	85.41	81.55%	75.66%
Subdistrict 2-5	77.60%	76.46%	77.37	78.28%	77.23%
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

**Madison Health Investors, L.C. (CON #10249)** reports that for the six months ending June 30, 2014, Medicaid utilization at Lake Park of Madison was 72 percent.

MHI notes that the two other facilities that share common ownership with MHI both have a history of serving Medicaid. Lafayette Health Care Center and Cross City Rehabilitation and Health Care Center had Medicaid utilization of 76 percent and 69 percent, respectively, for the six months ending June 30, 2014. The reviewer confirms these data in the Agency’s *Florida Nursing Home Bed Need Projections by District and Subdistrict*, published October 3, 2014.

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

**Healthtique Florida Medicaid Occupancy  
July 1, 2013 to June 30, 2014**

<b>Facility Name</b>	<b>Medicaid Days</b>	<b>Total Days</b>	<b>Medicaid Occupancy</b>
Cross City Rehabilitation and Health Care Center	12,312	18,876	65.23%
Lafayette Health Care Center	14,873	19,815	75.06%
Lake Park of Madison	25,507	34,545	73.84%
Westwood Nursing and Rehabilitation Center	7,158	18,177	39.38%
<b>Total</b>	<b>59,850</b>	<b>91,413</b>	<b>65.47%</b>

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

The applicant maintains that as of March 1, 2014 Florida discontinued all Medicaid Home and Community Based Service Waivers relevant to the elderly for long-term care--seniors now receive assistance from the SMMC LTC Program. MHI reports it is admitting enrollees of two SMMC LTC programs operating in Region 2.

MHI provides the following comparative table of Medicaid utilization patient days and percentage from the first six months of 2004 and the first six months of 2014. The reviewer notes the applicant did not provide a data source.

**Medicaid Utilization Comparison, 2004 Versus 2014**

	<b>Total Medicaid Patient Days Jan 2004 to June 2004</b>	<b>Average Medicaid Utilization Jan 2004 to June 2004</b>	<b>Total Medicaid Patient Days Jan 2014 to June 2014</b>	<b>Average Medicaid Utilization Jan 2014 to June 2014</b>
District 2-5	69,612	82.52%	62,886	77.64%
District 2	440,766	75.17%	428,494	71.60%
Statewide	8,152,102	63.29%	7,861,179	61.62%

Source: CON application #10249, page 41

The applicant points out that while there has been reduction in Medicaid demand from 2004 to 2014 in the subdistrict, district and statewide, nursing facilities are still an important provider of LTC services to Medicaid beneficiaries.

MHI states that its “existing 19 beds” at Lake Park of Madison have a condition for 75 percent of patient days to Medicaid. The applicant indicates it does not wish to place a Medicaid condition on the additional beds proposed--as a result, the blended Medicaid condition for the 90-bed facility would be about 65 percent of patient day to Medicaid. MHI notes its projected Medicaid utilization exceeds this. The reviewer notes that CON #9121 conditioned Lake Park of Madison to a minimum of 66.85 percent of the 120 bed facility’s total annual patient days to Medicaid patients. Agency records indicate that at least since 2004, Lake Park of Madison has met its Medicaid condition. If the proposed project is approved, the blended condition for the total 139-bed facility would be a minimum of 57.71 percent total annual patient days to Medicaid patients.

The applicant notes that because of the availability of government benefits to individuals without financial ability to pay for nursing home care, the incidence of charity care is extremely low in SNFs. MHI asserts that however, to allow for a rare instance of charity care cases, it has projected a charity care allowance of \$2.00 and \$2.05 per private pay patient day in year one and two, respectively.

The applicant’s Schedule 7 indicates that Medicaid and self-pay represent 77.0 percent and 5.0 percent, respectively, of year one and two annual total patient days.

**F. SUMMARY**

**Madison Health Investors, L.C. (CON #10249)**, a wholly owned subsidiary of CM Healthcare Holdings I, LLC, proposes to add 19 community nursing home beds to Lake Park of Madison in Subdistrict 2-5, Madison County.

The applicant states that it operates three SNFs in Florida.

The project involves 7,883 GSF of new construction. The construction cost is \$1,340,110. Total project cost is \$1,917,484. Project cost includes land, building, equipment, project development and financing costs.

The applicant does not wish to accept any conditions for the proposed project. Lake Park at Madison is already conditioned (through CON #9121) to a minimum of 66.85 percent of the 120-bed facility's total annual patient days to Medicaid patients.

**Need:**

In Volume 40, Number 193 of the Florida Administrative Register dated October 3, 2014, a fixed need pool of 19 community nursing home beds was published for Subdistrict 2-5 for the July 2017 Planning Horizon.

As of November 19, 2014, Subdistrict 2-5 had 515 licensed and zero approved community nursing home beds. During the 12-month period ending June 30, 2014, Subdistrict 2-5 experienced 85.98 percent utilization at six existing community nursing homes.

MHI maintains that project approval is justified for these reasons:

- From 2014 to 2017, the subdistrict's population age 65+ is estimated to increase by 1,136 residents (11 percent) and the population age 75+ is estimated to increase by 327 residents (eight percent)
- Locating in an area accessible to residents in need of nursing facility care--Madison is the county seat of Madison County, is home to the largest population base in the county and is centrally located in Madison County

- Access to primary traffic arteries serving Madison County and the other counties in the subdistrict--Lake Park of Madison is located just south of U.S. Highway 90 on the western side of Madison. I-10 and U.S. Highway 90 are major east/west highways running through Madison County and also Jefferson County to the west. Lake Park is located about five miles from the nearest interchange on I-10 at SR 14. Most Taylor County residents would come into Madison via SR 14 after traveling on other roads

**Quality of Care:**

The applicant described its ability to provide quality care.

For the most recent rating period, the existing facility had four out of a possible five-star Agency quality inspection rating.

Lake Park of Madison had one substantiated complaint during November 19, 2011 to November 19, 2014. Healthtique had nine substantiated complaints at its four Florida SNFs during November 19, 2011 to November 19, 2014.

**Financial Feasibility/Availability of Funds:**

Funding for this should be available as needed. Based on the information provided in Schedule 6, the applicant's projected nursing and nursing assistant staffing meet the requirement. This project appears to be financially feasible based on the projections provided by the applicant.

This project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

**Medicaid/Charity Care:**

MHI does not propose to condition project approval to a percentage of Medicaid days. Although the 120-bed facility does currently have a condition to provide 66.85 percent of patient days to Medicaid, the resulting condition if the proposed project is approved will result in a condition to provide a minimum of 57.71 percent of total annual patient days to Medicaid.

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 77.0 percent and 5.0 percent, respectively, of year one and two annual total patient days.



**Architectural:**

The cost estimate and the project completion for the proposed project 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 #10249 to add 19 community nursing home beds to Lark Park of Madison in District 2, Subdistrict 5, Madison County. The total project cost is \$1,917,484. The project involves 7,883 GSF of new construction and a construction cost of \$1,340,110.

**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**