

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

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Surrey Place of Lecanto, LLC/CON #10260
2123 Centre Pointe Boulevard
Tallahassee, Florida 32308

Authorized Representative: Joseph D. Mitchell
(850) 386-2522

2. Service District/Subdistrict

District 3/Subdistrict 5 (Citrus County)

B. PUBLIC HEARING

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

Letters of Support

The Agency received various letters of support submitted by the applicant. Four letters were composed by local health care providers, including Joyce Brancato, CEO of Seven Rivers Regional Medical Center. Three letters were written by faculty from Withlacoochee Technical College, which partners with the applicant for clinical rotation sites.

C. PROJECT SUMMARY

Surrey Place of Lecanto, LLC (CON #10260), the licensee of Diamond Ridge Health and Rehabilitation, hereafter referred to as Diamond Ridge or the applicant, an affiliate of Summit Care, proposes to add 22 community nursing home beds to Diamond Ridge Health and Rehabilitation Center in District 3/Subdistrict 3-5, Citrus County.

Summit Care operates 11 skilled nursing facilities (SNFs) and one assisted living facility (ALF) in Florida:

- Century Health and Rehabilitation Center
- Sandy Ridge Health and Rehabilitation Center
- Santa Rosa Health and Rehabilitation Center
- Seven Hills Health and Rehabilitation Center
- Madison Health and Rehabilitation Center
- Diamond Ridge Health and Rehabilitation Center
- Valencia Hills Health and Rehabilitation Center
- Ybor City Healthcare and Rehabilitation Center
- The Springs at Boca Ciega Bay
- Surrey Place Healthcare and Rehabilitation Center
- The Springs at Lake Pointe Woods
- New Port Inn (ALF)

The project involves 5,412 gross square feet (GSF) of renovation. The construction cost is \$22,000. Total project cost is \$168,848. Project cost includes building, equipment and project development costs.

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

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, Eric West, 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 65 beds was published for Subdistrict 3-5 for the July 2017 Planning Horizon. Subdistrict 3-5 is comprised of Citrus County.

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

As of November 19, 2014, Subdistrict 3-5 had 1,081 licensed and zero approved community nursing home beds. During the 12-month period ending June 30, 2014, Subdistrict 3-5 experienced 86.58 percent utilization at nine existing facilities. Below is a table illustrating nursing home patient days and occupancy within Subdistrict 3-5.

**Citrus 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
Arbor Trail Rehab and Skilled Nursing Center	116	42,340	39,210	92.61%	62.79%
Avante at Inverness	104	37,960	31,861	83.93%	63.56%
Citrus Health and Rehabilitation Center	111	40,515	31,864	78.65%	67.61%
Citrus Hills Health and Rehabilitation Center	120	43,800	43,258	98.76%	71.44%
Crystal River Health and Rehabilitation Center	150	54,750	39,648	72.42%	76.49%
Cypress Cove Care Center	120	43,800	38,293	87.43%	56.92%
Diamond Ridge Health and Rehabilitation Center	120	43,800	40,423	92.29%	50.77%
Health Center at Brentwood	120	43,800	42,276	96.52%	57.68%
Life Care center of Citrus County	120	43,800	34,800	79.45%	48.72%
Total	1081	394,565	341,633	86.58%	61.85%

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 3-5 for the planning horizon. The projected population growth, both numerically and by percent are illustrated below.

**Current and Projected Population Growth Rate
Citrus County, District 3, and Florida
January 2014 and January 2017**

County	January 1, 2014 Population			January 1, 2017 Population		
	0-64	65+	Total	0-64	65+	Total
Citrus	96,079	46,715	142,794	99,142	50,533	149,675
District 3	1,253,159	399,133	1,652,292	1,305,416	446,101	1,751,517
Florida	15,881,702	3,548,756	19,430,458	16,349,888	3,891,621	20,241,509
County	2014-2017 Increase			2014-2017 Growth Rate		
	0-64	65+	Total	0-64	65+	Total
Citrus	3,063	3,818	6,882	3.19%	8.17%	4.82%
District 3	52,257	46,968	99,225	4.17%	11.77%	6.01%
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
Citrus	1081	46,715	23	50,533	21
District 3	7,558	399,133	19	446,101	17
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

Diamond Ridge believes that one of the benefits of its proposal is that the 22-beds can be placed into service without a long construction period.

The applicant states that costs associated with this project are minimal, making this project the best and most cost-effective use of resources. To achieve the proposed project, the applicant states it will be converting 22 of its 52 private rooms to semi-private rooms. Diamond Ridge contends that with the proposed addition, the facility will continue to have a sufficient number of private rooms to promote independence and ensure residents' needs can be met.

The applicant provides several maps of Citrus County on pages 1-6, 1-7 and 3-3 of CON application #10260. Diamond Ridge indicates that these maps illustrate the following:

- The applicant is midway between each of the two hospitals it includes on the map
- The proximity of area hospitals nearby provides referral sources for residents requiring a rehabilitation following a hospital stay
- The SNFs are distributed in three areas of the county, giving Citrus County residents a choice for skilled nursing care
- Centrally located within the service area, Diamond Ridge is accessible to the majority of the population and remains highly occupied
- A large portion of the county, including ZIP codes with high concentrations of persons 65+ will be within a 20-minute drive time of Diamond Ridge
- Adding capacity to a facility that is highly utilized and located centrally within the service area will improve access

- 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.**

Diamond Ridge maintains that it provides short-term and long-term skilled nursing care and is dually certified for both Medicare and Medicaid participation. The applicant asserts that it provides

a broad range of nursing and restorative care services to manage short-term rehabilitation, long-term care and complex medical conditions, including:

- Physical, occupational and speech therapy
- Orthopedic, neurological and pulmonary rehabilitation
- Medical management
- Palliate, hospice and wound care

Diamond Ridge notes that other services and amenities that provide support, comfort and security include:

- Full-time medical manager
- 24-hour RN coverage
- On site x-rays and clinical lab testing
- Ostomy and enteral care
- Foley catheter care, changes and teaching
- Diabetic care and management
- Medication management
- Bowel and bladder training
- IV therapy
- Dialysis support
- Structured activities seven days a week
- Pet therapy
- Security system
- Daily transportation
- Beauty/barber shop

The applicant indicates that services provided under contract include eye care, podiatry and psychiatric services. Diamond Ridge's policies and procedures for care planning, admission and discharge policies can be found in Exhibit 2-1 of CON application #10260.

Diamond Ridge insists that developing a plan of care for a resident in a long-term care facility is the single most important task undertaken for that resident. The applicant declares that planning by an interdisciplinary team will help ensure the resident that his care will be coordinated and continuous with each individual discipline sharing responsibility for the resident reaching his maximum potential for the highest quality of life possible.

Diamond Ridge states that a multidisciplinary team of professionals evaluates the needs of each resident and decisions to transfer are based on consultation with the Care Team as well as with the resident and his or her family and physician. The applicant includes a list of applicable forms used as part of the admissions process.

The applicant asserts that discharge plans begin with the initial assessment when patient and family needs and attributes are assessed with admission diagnosis specifically addressed. Diamond Ridge 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.

Diamond Ridge maintains that utilization, average length of stay (ALOS) and average daily census (ADC) for the first two years of operation are provided below, keeping utilization patterns similar to the current provision on a going forward basis.

Diamond Ridge, First Two Years of Operation

	22-Bed Addition		Total Facility	
	Year One	Year Two	Year One	Year Two
Admissions	66	99	898	931
Patient Days	4,820	7,300	45,323	47,803
ALOS	73.0	73.7	50.5	51.3
ADC	13	20	124	131

Source: CON application #10260, page 2-8

The applicant indicates that the forecast for the total facility keeps allocation among remaining payers constant. Diamond Ridge expects the 22 beds to fill quickly, within the first year, achieving an ADC of 13 in the first year and 20 in the second year.

Schedule 6A illustrates that FTEs for year one (ending June 30, 2017) total 153.82 and total 160.42 for year two (ending June 30, 2018) for the total facility. Schedule 6A indicates that the applicant proposes to add 9.15 additional FTEs in the first year and 15.75 additional FTEs in the second year of operation. The proposed project's year one and year two FTEs are shown in the table below.

Surrey Place of Lecanto, LLC (CON application #10260) Projected Year One and Year Two Staffing		
	Year One FTEs	Year Two FTEs
Nursing		
LPNs	3.83	7.03
Nurses' Aides	5.32	8.72
Total	9.15	15.75

Source: CON application #10260, Schedule 6A

c. Quality of Care. In assessing the applicant’s ability to provide quality of care pursuant to ss. 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 not having had a nursing home 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 not having 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 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.**

The 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.**

The 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.**

The 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 applicant's service area? ss. 408.035 (1)(b) and (e), Florida Statutes.**

There are 63 licensed community nursing homes with a total of 7,558 community nursing home beds in District 3. Subdistrict 3-5 is composed of Citrus County and has nine licensed community nursing homes with a total of 1,081 community nursing home beds. The subdistrict averaged 86.58 percent total occupancy for the 12-month period ending June 30, 2014.

Diamond Ridge provides a table illustrating the three year utilization of Subdistrict 3-5, indicating that it can be determined that the applicant's occupancy rate has increased over the last three years, moving from 87.6 percent to the most recent rate of 92.3 percent. The applicant reports that four facilities in the subdistrict, including the applicant, had occupancy rates in excess of 92 percent for the most recently completed fiscal year.

The applicant indicates that one facility within the subdistrict, Avante at Inverness, has both three-bed and four-bed rooms, for a total of 65 beds in multi-resident rooms. Diamond Ridge insists that when three and four-bed wards are presumed to be in service with no more than two beds per room, the actual occupancy rate of 86.6 percent for the subdistrict would be much higher.

The applicant believes that resident comfort and the quality of services will be improved for residents of the service area by having more beds available at Diamond Ridge, a highly occupied facility, recognized by the community for its rehabilitation services. Diamond Ridge indicates that Summit Care is an experienced long-term care provider, local to Florida. The applicant notes that its most recent annual survey by the state cited only two deficiencies, which the applicant asserts is well below the average number of deficiencies for facilities across the state.

Diamond Ridge includes tables illustrating the estimated population and compounded annual growth rates (CAGRs) by ZIP code and age cohort for years 2014 and 2019 in the subdistrict. The applicant notes that approximately 34 percent of Citrus County's population in 2014 was 65+--and this will increase to 37 percent by 2019. Diamond Ridge asserts that it is located in a ZIP code with a higher annual growth rate for persons 65+ than that for the county's 65+ population (2.3 percent CAGR compared to 1.9 percent CAGR).

The applicant provides a forecast for nursing home use in the subdistrict for 2019. Diamond Ridge explains that when the days per 1,000 65+ (7,102 in 2014) are applied to the 2019 projected population, one derives an ADC of 1,026 or 95 percent occupancy for the subdistrict based on existing beds. The applicant calculates that with the addition of 22 beds, along with the assumption that the applicant will continue to maintain its current 92 percent occupancy rate, an ADC of 1,006 will be achieved for all remaining skilled nursing beds--resulting in an overall occupancy rate of 93 percent.

Diamond Ridge states that it recently decommissioned the assisted living units adjacent to the nursing home, creating a second wing for the nursing home--the expansion allowed for more private rooms. The applicant indicates that the project will be implemented through the conversion of 22 rooms from private back to their original semi-private configuration, resulting in a facility of 30 private and 56 semi-private rooms.

The applicant believes that one way to determine whether or not there will be an adverse impact on specific SNFs with the addition of new beds is to examine the market share each SNF represents within the subdistrict. Diamond Ridge explains that to obtain a baseline of market share, each SNF’s resident days as reported to the Agency were used to obtain the percent of the total subdistrict’s resident days, shown below.

**Historical Resident Days by Nursing Home and Market Share,
Subdistrict 3-5, Citrus County, July 1, 2013-June 30, 2014**

Citrus County Facilities	Resident Days	Market Share
Arbor Trail Rehab and Skilled Nursing Center	39,210	11.5%
Avante at Inverness	31,861	9.3%
Citrus Health and Rehabilitation Center	31,864	9.3%
Citrus Hills Health and Rehabilitation Center	43,258	12.7%
Crystal River Health and Rehabilitation Center	39,648	11.6%
Cypress Cove Care Center	38,293	11.2%
Diamond Ridge Health and Rehabilitation Health Center at Brentwood	40,423	11.8%
Life Care Center of Citrus County	42,276	12.4%
	34,800	10.2%
Total	341,633	100.0%

Source: CON application #10260, page 1-13

Diamond Ridge notes that no single nursing home has a large market share. The applicant concludes that given the distribution of market share is somewhat equally distributed across all facilities, coupled with the fact that the applicant is only proposing to add 22 beds, there should be no adverse impact on existing SNFs.

- 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.**

The applicant asserts that the proposed project will employ a systematic program to assure compliance with standards of care, referenced as Quality Assessment and Performance Improvement (QAPI).

Diamond Ridge indicates that it is guided by Summit Care’s mission statement: *“Quality focused care, one resident at a time.”* The applicant states that Summit Care maintains a Toll-Free Help Line number which may be accessed 24 hours a day by residents, family members, interested parties or employees to report concerns or comments they may have. The applicant maintains that follow-up is made to assure resolution of the situation.

Diamond Ridge insists that management strives to improve and provide quality, cost-effective care by utilizing a standardized Quality Improvement program. The applicant explains that each facility has an internal Quality Assessment and Assurance Program (QAA) in which the facility assesses resident care practices and reviews quality indicators, incident reports, resident grievances and deficiencies cited. The applicant includes a detailed overview of its QAA program on pages 4-3 to 4-5 of CON application #10260.

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

- Residents Rights
- Quality Assurance through Resident Council
- Activities

Diamond Ridge is not a Gold Seal Program nor is it on the Nursing Home Watch List. The most recent Agency inspection indicates Diamond Ridge received an overall three star rating out of a possible five stars. The Agency's Nursing Home Guide was last updated November 2014. Diamond Ridge had one substantiated complaint during November 19, 2011 to November 19, 2014 in the complaint category of quality of care/treatment.

Agency complaint records indicate that the affiliated nursing homes associated with the parent company, for the three-year period ending November 19, 2014 had 19 substantiated complaints for nine of its 11 facilities. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

Nursing Homes affiliated with Summit Care	
Complaint Category	Number Substantiated
Quality of Care/Treatment	13
Admission, Transfer and Discharge Rights	4
Administration/Personnel	3
Resident/Patient Client Assessment	2
Resident/Patient Client Rights	2
Nursing Services	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.

Below is an analysis of the audited financial statements of Summit Care Group, its parent company and the entity that is funding the project, where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

Summit Care Group		
	Current Year	Previous Year
Current Assets	\$20,564,346	\$19,687,591
Total Assets	\$34,624,391	\$29,968,745
Current Liabilities	\$12,387,899	\$10,153,533
Total Liabilities	\$30,295,781	\$24,023,484
Net Assets	\$4,328,610	\$5,945,261
Total Revenues	\$111,509,339	\$107,378,647
Excess of Revenues Over Expenses	\$6,260,304	\$3,619,090
Cash Flow from Operations	\$5,896,808	\$5,787,202
Short-Term Analysis		
Current Ratio (CA/CL)	1.7	1.9
Cash Flow to Current Liabilities (CFO/CL)	47.60%	57.00%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	413.7%	233.3%
Total Margin (ER/TR)	5.61%	3.37%
Measure of Available Funding		
Working Capital	\$8,176,447	\$9,534,058

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 lists \$382,248 for capital projects which includes this application currently under review and other capitalization budgets. The applicant intends to fund this project with cash on hand. The parent company is funding another CON application in this batch (10243). With working capital of \$8.2 million, the parent has sufficient resources to fund this project and the entire capital budget as well as fund CON 10243 (\$3,453,073 in capital projects listed in CON application #10243).

Conclusion:

Funding for this project and the entire capital budget 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	16,340,992	342	395	335	268
Total Expenses	15,015,010	314	379	326	272
Operating Income	1,325,982	28	44	8	-22
Operating Margin	8.11%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	47,803	92%	99.48%	89.88%	62.35%
Medicaid/MDCD HMO	24,443	51%	60.04%	51.33%	40.72%
Medicare	17,155	36%	42.37%	24.58%	10.76%

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:

The project appears reasonably profitable.

- 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.**

Detailed drawings with 1/4" = 1'-0" scale do not match the large 1/16" = 1'-0" scale drawing. Therefore it cannot be determined whether the private rooms can be converted to semi-private and comply with the required codes to accommodate the addition of 22 beds.

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 Diamond Ridge, the subdistrict, district and state is provided in the table below by calendar year.

Medicaid Patient Days and Medicaid Occupancy at Diamond Ridge, Citrus County, District 3 and Florida

Medicaid Patient Days					
Facility/Area	2009	2010	2011	2012	2013
Diamond Ridge	18,051	19,336	21,559	19,515	20,471
Citrus County	191,762	194,784	196,582	207,941	210,074
District 3	1,454,706	1,468,022	1,499,110	1,523,920	1,539,243
Florida	15,411,373	15,530,575	15,612,015	15,733,318	15,700,197
Medicaid Occupancy					
Facility/Area	2009	2010	2011	2012	2013
Diamond Ridge	46.66%	49.63%	54.83%	50.21%	50.40%
Citrus County	54.97%	55.84%	57.35%	60.08%	61.19%
District 3	59.99%	60.25%	61.28%	62.13%	62.34%
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

The applicant provides an overview of changes to long-term care including the advent of Statewide Medicaid Managed Care (SMMC) plans. In this discussion, Diamond Ridge includes information on the available plans and services in Region 3.

Diamond Ridge indicates that it has 120 licensed beds and has historically served Medicaid recipients. The applicant includes its most recent three years of total facility utilization and Medicaid utilization by fiscal year. Diamond Ridge notes that its Medicaid occupancy was 54.60 percent in 2012, 49.10 percent in 2013 and 50.80 percent in 2014.

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

**Summit Care Operated Facilities, Florida Medicaid Occupancy
July 1, 2013 to June 30, 2014**

Facility	Medicaid Days	Total Days	Medicaid Occupancy
Century Health and Rehab Center	24,437	30,885	79.12%
Sandy Ridge Health and Rehab	14,892	20,097	74.10%
Santa Rosa Health and Rehab	28,087	34,974	80.31%
Madison Health and Rehab Center	15,757	20,734	80.82%
Seven Hills Health and Rehab Center	33,575	50,731	66.18%
Diamond Ridge Health and Rehab Center	20,521	40,423	50.77%
Springs at Boca Ciega Bay, The	14,877	37,184	40.01%
Surrey Place Healthcare and Rehab	6,872	20,082	34.22%
Valencia Hills Health and Rehab Center	59,610	89,375	66.70%
Ybor City Healthcare and Rehab Center	20,309	26,734	75.97%
Springs at Lake Pointe Woods, The	19,600	38,202	51.31%
Total	258,537	409,421	63.59%

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

The applicant believes that the expectation is that SMMC plans will continue a downward trend in nursing home placements, offering options to recipients in less restrictive settings. Diamond Ridge states that in contrast, Medicare continues to promote Medicare Advantage Plans and the numbers of enrollees have grown. The applicant reports that 2014 data for enrollees in Citrus County show that of the Medicare enrollees of 50,838 there are 15,084 persons enrolled in Advantage plans, yielding a penetration rate of 29.67 percent.

Diamond Ridge maintains that it will continue to provide skilled nursing care to low income Medicaid recipients, though due to Medicaid managed care not projected to be at its historical rates. The applicant includes the following projections for the proposed project.

**Forecasted Patient Days, First Two Years of the 22-Bed Addition
(Total Facility of 142 Beds)**

22-Bed Addition						
	Year One: Ending June 30, 2016			Year Two: Ending June 30, 2017		
Payer	Admissions	Patient Days	%Total Days	Admissions	Patient Days	%Total Days
Medicare	21	490	10.17%	32	730	10.0%
Medicare HMO	32	732	15.19%	48	1,095	15.0%
Medicaid HMO	13	3,598	74.65%	20	5,475	75.0%
Total	66	4,820	100.0%	99	7,300	100.0%
Total Facility of 142 Beds						
	Year One: Ending June 30, 2016			Year Two: Ending June 30, 2017		
Payer	Admissions	Patient Days	%Total Days	Admissions	Patient Days	%Total Days
Medicare	688	15,820	34.91%	698	16,060	33.6%
Medicare HMO	32	732	1.62%	48	1,095	2.29%
Medicaid HMO	83	22,566	49.79%	90	24,443	51.13%
Insurance	16	365	0.81%	16	365	0.76%
Managed Care	63	1,460	3.22%	63	1,460	3.05%
Self-Pay	12	3,285	7.25%	12	3,285	6.87%
Other	4	1,095	2.42%	4	1,095	2.29%
Total	898	45,323	100.0%	931	47,803	100.0%

Source: CON application #10260, page 9-5

Diamond Ridge explains that the facility will continue to have all beds both Medicare and Medicaid-certified to maintain access. The applicant maintains that with the recent implementation of Medicaid Managed Care, future projections are dependent in large upon the Medicaid Managed Care Organizations and the plans offered under the SMMC program and therefore a condition is not sought.

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 74.65 percent and 0.00 percent, respectively, of year one and 75.00 percent and 0.00 percent of year two annual total patient days, respectively for the proposed project only.

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 49.79 percent and 7.25 percent, respectively, of year one and 51.13 percent and 6.87 percent of year two annual total patient days, respectively for the total facility of 142 beds.

F. SUMMARY

Surrey Place of Lecanto, LLC (CON #10260), the licensee of Diamond Ridge Health and Rehabilitation, an affiliate of Summit Care, proposes to add 22 community nursing home beds to Diamond Ridge Health and Rehabilitation Center in District 3/Subdistrict 3-5, Citrus County.

Summit Care operates 11 SNFs and one ALF.

The project involves 5,412 GSF of renovation. The construction cost is \$22,000. Total project cost is \$168,848. Project cost includes building, equipment and project development costs.

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

Need:

In Volume 40, Number 193 of the Florida Administrative Register dated October 3, 2014, a fixed need pool of 65 beds was published for Subdistrict 3-5 for the July 2017 Planning Horizon.

As of November 19, 2014, Subdistrict 3-5 had 1,081 licensed and zero approved community nursing home beds. During the 12-month period ending June 30, 2014, Subdistrict 3-5 experienced 86.58 percent utilization at 15 existing facilities.

Diamond Ridge believes that one of the benefits of its proposal is that the 22 beds can be placed into service without a long construction period. The applicant states that costs associated with this project are minimal, making this project the best and most cost-effective use of resources.

The applicant believes that resident comfort and the quality of services will be improved for residents of the service area by having more beds available at Diamond Ridge, a highly occupied facility, recognized by the community for its rehabilitation services. Diamond Ridge indicates that Summit Care is an experienced long-term care provider, local to Florida.

The applicant indicates that the forecast for the total facility keeps allocation among remaining payers constant. Diamond Ridge expects the 22 beds to fill quickly, within the first year, achieving an ADC of 13 in the first year and 20 in the second year.

Quality of Care:

The applicant described its ability to provide quality care.

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

Diamond Ridge had one substantiated complaint during November 19, 2011 to November 19, 2014.

The applicant's controlling interest had 19 substantiated complaints at nine of its 11 Florida SNFs during November 19, 2011 to November 19, 2014.

Financial Feasibility/Availability of Funds:

Funding for this project and the entire capital budget should be available as needed. Based on the information provided in Schedule 6, the applicant's projected staffing meets the requirement. The project appears reasonably profitable.

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

Medicaid/Charity Care:

Diamond Ridge 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 74.65 percent and 0.00 percent, respectively, of year one and 75.00 percent and 0.00 percent of year two annual total patient days, respectively for the proposed project only.

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 49.79 percent and 7.25 percent, respectively, of year one and 51.13 percent and 6.87 percent of year two annual total patient days, respectively for the total facility of 142 beds.

Architectural:

Detailed drawings with 1/4" = 1'-0" scale do not match the large 1/16" = 1'-0" scale drawing. Therefore it cannot be determined whether the private rooms can be converted to semi-private and comply with the required codes to accommodate the addition of 22 beds.

G. RECOMMENDATION

Approve CON #10260 to add 22 community nursing home beds to Diamond Ridge Health and Rehabilitation Center in District 3, Subdistrict 6, Citrus County. The total project cost is \$168,848. The project involves 5,412 GSF of renovation and a construction cost of \$22,000.

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