

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

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Gulf Care, Inc. /CON #10340
1333 Santa Barbara Boulevard
Cape Coral, Florida 33991

Authorized Representative: Kevin Ahmadi
(239) 772-1333

2. Service District/Subdistrict

District 8/Subdistrict 8-5 (Lee County)

B. PUBLIC HEARING

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

Letters of Support

The Agency received a couple letters of support submitted by the applicant. One letter was written by the Vice President for Lee Memorial Health System Care Management and one letter was composed by the President and Chief Executive Officer of Hope HealthCare Services.

C. PROJECT SUMMARY

Gulf Care, Inc. d/b/a Gulf Coast Village (CON #10340), hereafter referred to as Gulf Coast, proposes to add 31 community nursing home beds through the conversion of 31 sheltered nursing home beds in District 8/Subdistrict 8-5, Lee County, Florida.

Gulf Coast is a continuing care retirement community (CCRC) located in Lee County, Florida. The skilled nursing facility (SNF), Care Center at Gulf Coast Village, has 85 beds. Fifty-four beds are community nursing home beds and 31 are sheltered beds.

The proposed project is a conversion of existing licensed beds and will involve no construction or renovation. The applicant states that the only project costs are those costs associated with building 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, Derron Hillman, 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 40 beds was published for Subdistrict 8-5 for the July 2017 Planning Horizon. Subdistrict 8-5 is comprised of Lee 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 8-5 had 2,018 licensed and zero approved community nursing home beds. During the 12-month period ending June 30, 2014, Subdistrict 8-5 experienced 84.80 percent utilization at 17 existing facilities. Below is a table illustrating nursing home patient days and occupancy within Subdistrict 8-5.

Lee 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
Calusa Harbor	60	21,900	20,123	91.89%	32.28%
Citrus Garden of Fort Myers	120	43,800	34,329	78.38%	83.44%
Consulate Health Care of North Fort Myers	120	43,800	37,269	85.09%	68.22%
Coral Trace Health Care	120	43,800	39,317	89.76%	60.99%
Evans Health Care	120	43,800	42,034	95.97%	70.83%
Gulf Coast Village	54	19,710	19,710	100.00%	48.60%
HealthPark Care Center Inc.	112	40,880	35,919	87.86%	32.40%
Heartland Health Care Center – Fort Myers	120	43,800	36,621	83.61%	38.51%
Heritage Park Rehabilitation and Healthcare	120	43,800	42,091	96.10%	78.72%
Lehigh Acres Health and Rehabilitation Center	110	40,150	35,539	88.52%	55.02%
Life Care Center of Estero	155	56,575	48,330	85.43%	55.84%
ManorCare Health Services	120	43,800	37,418	85.43%	42.03%
Page Rehabilitation and Healthcare Center	180	65,700	52,634	80.11%	62.50%
Rehab and Healthcare Center of Cape Coral	120	43,800	39,831	90.94%	61.89%
Shell Point Nursing Pavilion	160	58,720	36,694	62.49%	19.03%
Signature Healthcare at College Park	107	39,269	25,881	65.91%	67.49%
Winkler Court	120	44,040	41,562	94.37%	77.06%
Total	2,018	737,344	625,302	84.80%	57.42%

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 8-5 for the planning horizon. The projected population growth, both numerically and by percent are illustrated below.

**Current and Projected Population Growth Rate
Lee County, District 8, and Florida
January 2014 and January 2017**

Area	January 1, 2014 Population			January 1, 2017 Population		
	0-64	65+	Total	0-64	65+	Total
Lee	504,162	158,689	662,851	536,723	177,186	713,909
District 8	1,195,439	448,179	1,643,618	1,245,992	489,630	1,735,622
Florida	15,881,702	3,548,756	19,430,458	16,349,888	3,891,621	20,241,509
Area	2014-2017 Increase			2014-2017 Growth Rate		
	0-64	65+	Total	0-64	65+	Total
Lee	32,561	18,497	51,058	6.46%	11.66%	7.70%
District 8	50,553	41,451	92,004	4.23%	9.25%	5.60%
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	Community Beds	2014 Pop. Aged 65+	2014 Beds per 1,000	2017 Pop. Aged 65+	2017 Beds per 1,000
Lee	2,018	158,689	13	177,186	11
District 8	7,225	448,179	16	489,630	15
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

The applicant analyzed 65+ population growth estimates for all of the subdistricts in District 8 from July 2014 to July 2017, finding that not only does Subdistrict 8-5 have the largest population but it also has the highest growth rate for the 65+ cohort among all subdistricts in District 8. The applicant reports that within the next three years, the elderly population of 65+ is expected to grow by 12.5 percent in Lee County, compared to 9.9 percent for the district.

Gulf Coast notes that it is centrally located within the subdistrict at Cape Coral in ZIP Code 33991 and provides a map illustrating 2014 Lee County population 65+ on page 1-10 of CON application #10340. The applicant notes that the facility is close to area hospitals. Gulf Coast indicates that within ZIP code 33991 the population 65+ is expected to grow by 28.1 percent from July 2014 to July 2019, compared to the subdistrict average growth rate of 18.2 percent for this same time. The applicant declares that the location of Gulf Coast will ensure access to residents of Lee County requiring skilled nursing care.

Next, Gulf Coast provides a detailed analysis of population estimates by Lee County ZIP codes for the years 2014 and 2019. The applicant concludes that the large concentration of seniors within the planning area and high growth rate for the elderly support the need for additional nursing home beds. Gulf Coast feels its location places it centrally within the county to 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.

Gulf Coast maintains that it offers a wide variety of restorative and rehabilitation services, including the following:

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

The applicant discusses memory care, asserting that dedicated professionals are available to help residents with memory impairment and their families.

Gulf Coast states that it is a Medicare-approved skilled nursing care center, offering both private and semi-private rooms for long and short-term stays with licensed nursing staff available 24 hours

a day. The applicant feels that the Care Center at Gulf Coast Village is not only one of the community's most trusted resources for quality, but is also committed to developing innovative practices to stay at the forefront of senior care.

The applicant indicates that at Gulf Coast, an Interdisciplinary Care Team, consisting of the nursing center's Administrator, Medical Director and other health care professionals, evaluates the needs of each resident. Gulf Coast includes a detailed description of its Resident Assessment policy and procedure on pages 2-5 to 2-6 of CON application #10340.

Gulf Coast asserts that resident assessments are begun on the first day of admission and completed no later than the 14th day after admission. The applicant states that a care plan is completed within seven days of completing the resident assessment. Gulf Coast notes that an individualized care plan must include measurable objectives and timetables that meet the resident's medical, nursing, mental and psychosocial needs.

The applicant explains that discharge plans begin with the initial assessment when patient and family needs/attributes are assessed with the admission diagnosis specifically addressed. Gulf Coast feels it is the responsibility of the facility to have identified the medical related social service or home-based service needs of the resident and assure that the needs are met by the appropriate disciplines.

Gulf Coast provides a detailed analysis of the services to be provided on pages 2-10 through 2-19 of CON application #10340. The applicant explains that each of the top six major diagnostic categories (MDCs) was examined to identify the diagnostic related groups that comprised it that contained hospital discharges to SNFs. Gulf Coast declares that its responses address the provisions of rule and that the proposed project's benefits were established and show conformity with the provisions.

The reviewer notes that the applicant's Schedule 7 shows an average length of stay (ALOS) of 58.40 for year one and year two of operations. Schedule 6A shows that no new FTEs will be added for year one (ending July 30, 2016) or for year two (ending July 30, 2017).

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 it has not 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 it has not 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 38 licensed community nursing homes with a total of 7,225 community nursing home beds in District 8. Subdistrict 8-5 is composed of Lee County and has 17 licensed community nursing homes with a total of 2,018 community nursing home beds. The subdistrict averaged 84.80 percent total occupancy for the 12-month period ending June 30, 2014.

Gulf Coast notes that there are four CCRCs in Lee County with 194 sheltered beds (including the applicant’s 31 beds). The applicant reports that its 54 community beds had an occupancy rate of 100 percent for the 12-month period ending June 30, 2014. Gulf Coast states that during this same time period, seven of the 17 community SNFs in Lee County were occupied at 90 percent or above.

The applicant provides the below utilization for Subdistrict 8-5 for the most recent three years showing the steady increase in patient days for area SNFs.

Subdistrict 8-5 Community Bed Utilization, Three Most Recent Years

Subdistrict 8-5	Beds	Bed Days	Patient Days	Occupancy Rate
7/2011-6/2012	2,018	738,588	595,700	80.65%
7/2012-6/2013	2,018	736,570	612,587	83.17%
7/2013-6/2014	2,018	737,344	625,302	84.80%

Source: CON application #10340, page 1-14, based on Florida Nursing Home Bed Projections by District and Subdistrict

Gulf Coast maintains that the steady increase in utilization exerts demand on area SNFs as occupancy rates continue to rise. The applicant states that utilization is high at Gulf Coast, as shown below for the facility’s community beds. The reviewer notes that the applicant actually shows greater than 100 percent utilization for calendar year (CY) 2012 as the 54 community beds only have 19,710 possible bed days. Additionally, the reviewer notes that the applicant does not have an exemption to utilize any of its sheltered beds for community bed use at present.

**Gulf Coast Village Utilization in 54 Community Beds
Two Most Recent Calendar Years and 2014 Year to October**

Factor	Number		
	CY 2012	CY 2013	Jan-Oct 2014
Admissions	583	567	327
Patient Days	19,764	19,710	16,416
Occupancy	100.0%	100.0%	100.0%

Source: CON application #10340, page 1-14

The applicant asserts that at Gulf Coast, Living Well is not just a program--it’s the community’s philosophy, a way of life and a promise to help residents live a healthier and happier life now and in the future. Gulf Coast declares that the Living Well Program focuses on whole-person wellness and residents are empowered to maximize their health by regularly engaging in physical, social, intellectual, emotional and vocational activities. Gulf Coast notes that it provides care to members of the retirement community for aging in place but not address in the application provisions for members of its community once the on-campus facility no longer has sheltered nursing home beds--the applicant shows that it had 29,210 total sheltered patient days in the past three years. Schedule 7 shows that the applicant only projects 1,195 patient days in year one and 1,198 patient days in year two attributable to residents who are admitted to the skilled nursing unit under the terms of their continuing care contracts. It is unclear how the applicant will experience a potential significant decline in continuing care contract residents from CY 2014 to FY 2017. See the table below.

Sheltered Nursing Home Utilization CY 2012 through October 2014 Gulf Coast Village			
	CY 2012	CY 2013	Jan-Oct 2014
Total	10,078	10,855	8,227

Source: CON application #10340, page 9-4

The reviewer calculates the occupancy rates of the applicant’s 31 sheltered beds based on the total patient days provided above. The reviewer finds that the applicant’s 31 sheltered beds had occupancy rates of 89.06 percent, 95.93 percent and 86.76 percent for CY 2012, CY

2013 and January-October 2014, respectively. Gulf Coast makes no indication of provisions to ensure access to nursing home beds for residents of the CCRC in its application. It is unclear from the data provided by the applicant how approval of the proposed conversion, which includes all 31 of the applicant's sheltered beds, would improve availability and accessibility to skilled nursing care for residents of the CCRC.

The applicant notes that the subdistrict's facility occupancy is slightly higher than the whole of District 8 and slightly lower than the state and Medicaid utilization is similar to District 8's average, both being lower than the state average. However, the applicant believes that managed care will continue to drive Medicaid utilization down in nursing homes as diversions are preferred. The applicant states that recent information indicates an eight percent decline in Medicaid when looking overall at selected counties. The reviewer cannot confirm this information as the applicant did not provide which counties were included in calculating the eight percent decline.

The reviewer notes that Subdistrict 8-5 had a 57.42 percent Medicaid occupancy from July 1, 2013 to June 30, 2014 and a 57.12 percent Medicaid occupancy from July 1, 2012 to June 30, 2013--an increase of 2.61 percent (9,135 patient days) in fiscal year 2013. District 8 had a 62.79 percent Medicaid occupancy from July 1, 2013 to June 30, 2014 and a 62.26 percent Medicaid occupancy from July 1, 2012 to June 30, 2013--an increase of 1.73 percent (20,875 patient days) in fiscal year 2013. The state had a 62.05 percent Medicaid occupancy from July 1, 2013 to June 30, 2014 and a 61.58 percent Medicaid occupancy from July 1, 2012 to June 30, 2013—an increase of 1.02 percent (160,406 patient days).

Gulf Coast states that it constructed a forecast model that holds constant the resident days per 1,000 persons aged 65+ that occurred in a baseline period of July 1, 2013 to June 30, 2014. The applicant indicates that for the model, an occupancy rate of 100 percent was used, based on the applicant's most recent experience. Gulf Coast asserts that the model shows that holding the resident rate constant and multiplying the 2019 elderly population, dividing by 1,000, yields an increase in resident days to 739,092. The applicant indicates that however, the days associated with the conversion of sheltered to community in the 31 days produces 11,315 resident days, reducing the forecasted days to 727,777 that would be available for all other community nursing homes.

Next, the applicant calculated the market share for each facility and using each of these market shares, the remaining 727,777 resident days were allocated. See the table below.

Forecasted Resident Days by SNF in 2019 and Difference in Resident Days from the Baseline Period July 1, 2013 to June 30, 2014

Nursing Home	Market Share	Year 2014 Days	Year 2019 Days	Net Increase
Calusa Harbor	3.2%	23,421	20,123	3,298
Citrus Gardens of Fort Myers	5.5%	39,955	34,329	5,626
Consulate Health Care of North Fort Myers	6.0%	43,377	37,267	6,108
Coral Trace Health Care	6.3%	45,760	39,317	6,443
Evans Health Care	6.7%	48,923	42,034	6,889
Gulf Coast Village	3.2%	22,940	19,710	3,230
HealthPark Care Center, Inc.	5.7%	41,805	35,919	5,886
Heartland Health Care Center- Ft. Myers	5.9%	42,622	36,621	6,001
Heritage Park and Rehab Healthcare	6.7%	48,989	42,091	6,898
Lehigh Acres Health and Rehab	5.7%	41,363	35,539	5,824
Life Care Center of Estero	7.7%	56,250	48,330	7,920
ManorCare Health Services	6.0%	43,550	37,418	6,132
Page Rehab and Healthcare Center	8.4%	61,260	52,634	8,626
Rehab and Healthcare Center of Cape Coral	6.4%	46,359	39,831	6,528
Shell Point Nursing Pavilion	5.9%	42,707	36,694	6,013
Signature Healthcare at College Park	4.1%	30,122	25,881	4,241
Winkler Court	6.6%	48,373	41,562	6,811
Total	100.0%	727,777	625,302	102,475

Source: CON application #10340, page 1-16

Gulf Coast finds that the results do not produce any adverse impact on the area’s nursing homes, nor do they negatively impact the existing 54 community beds at Gulf Coast. The applicant asserts that the likelihood that the 31 additional beds would be at 100 percent may overstate the utilization. However, Gulf Coast insists that it is highly utilized and the forecast for the 85 beds as a result of the proposed project is still shown to be high, as reflected in the table below.

**Projected Utilization at Gulf Coast Village
First Two Years of Operation for the Bed Conversion**

Year	31 Beds			Total Facility (85 beds)		
	Patient Days	Occupancy Rate	Average Daily Census	Patient Days	Occupancy Rate	Average Daily Census
Year One	10,921	96.3%	30	29,862	96.0%	82
Year Two	10,921	96.5%	30	29,945	96.5%	82

Source: CON application #10340, page 1-17

- 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 feels that Gulf Coast Village’s Mission and Hospitality Mission statements express the reason the facility is sought after by those in need of restorative and rehabilitative care. Gulf Coast indicates that its mission statement is,

“Utilizing strategic partnerships and building on its reputation for service and hospitality, Gulf Care, Inc. will provide creative living and service options to exceed the needs and desires of seniors.”

The applicant reports that Gulf Coast’s hospitality mission is, *“Exceptional care, world class hospitality.”* Gulf Coast notes that it is also a Volunteers of America community, a national, nonprofit, faith-based organization dedicated to helping those in need rebuild their lives and reach their full potential.

Gulf Coast declares that the purpose of the Quality Assurance (QA) Program at Gulf Coast Village’s Health Center is to ensure that consistent, high-quality care is provided to all residents. The applicant provides a description of its QA program on pages 4-3 to 4-4 and includes forms used by the Quality Improvement and Risk Management Committee in Exhibit 4-1 of CON application #10340.

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

- Resident’s Rights
- Activities

Gulf Coast is not a Gold Seal Program nor is it on the Nursing Home Watch List. The most recent Agency inspection indicates that Gulf Coast received an overall three-star rating out of a possible five stars. The Agency’s Nursing Home Guide was last updated November 2014. Gulf Coast had zero substantiated complaints during November 19, 2011 to November 19, 2014.

- 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 on the likelihood that funding will be available. The stronger the short-term position, the more likely cash on hand or cash flows could be used to fund the project. The stronger the long-term position, the more likely that debt financing could

be achieved if necessary to fund the project. We also calculate working capital (current assets less current liabilities) a measure of excess liquidity that could be used to fund capital projects.

Historically we have compared all applicant financial ratios regardless of type to bench marks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a particular CON project it is a reasonable proxy for health care related entities. The below is an analysis of the audited financial statements of the applicant, and where the two short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

Gulf Care, Inc.		
	Dec-13	Dec-12
Current Assets	\$6,310,678	\$5,453,684
Total Assets	\$35,467,093	\$38,981,548
Current Liabilities	\$3,048,251	\$3,211,105
Total Liabilities	\$43,023,169	\$44,275,180
Net Assets	(\$7,556,076)	(\$5,293,632)
Total Revenues	\$22,830,338	\$22,536,992
Excess of Revenues Over Expenses	(\$2,284,450)	\$675,923
Cash Flow from Operations	\$6,680,264	\$6,123,700
Short-Term Analysis		
Current Ratio (CA/CL)	2.1	1.7
Cash Flow to Current Liabilities (CFO/CL)	219.15%	190.70%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	-529.0%	-775.7%
Total Margin (ER/TR)	-10.01%	3.00%
Measure of Available Funding		
Working Capital	\$3,262,427	\$2,242,579

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:

There are very little capital requirements for this project. The applicant is converting 31 existing sheltered nursing beds. Therefore, minimal costs are projected for this CON. The only cost associated with this CON is project development cost of \$55,705 and building fees of \$2,000. Total capital projects total \$5,073,377. The applicant has \$3.2 million in working capital and \$6.6 million in cash flow from operations.

Conclusion:

Funding for this project should be available as needed.

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

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 skilled nursing facilities as reported on Medicaid cost reports (2012 and 2013 cost report years). For our comparison group, we selected skilled nursing facilities 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	12,657,097	423	1,669	420	283
Total Expenses	11,805,064	394	1,582	409	289
Operating Income	852,033	28	186	17	-173
Operating Margin	6.73%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	29,947	96.53%	97.64%	90.75%	55.01%
Medicaid	9,583	32.00%	39.10%	30.43%	20.69%
Medicare	16,171	54.00%	62.12%	38.55%	10.01%

The applicant nursing home is part of a continuing care retirement community (CCRC). A CCRC is made up of residential units, an assisted living facility and a nursing home and is regulated as a type of insurance arrangement. The idea is that CCRC residents buy into the community and transition through life from residential, to assisted living and finally to skilled nursing. Skilled nursing is also available for rehabilitation to residents.

CCRCs are regulated by the Florida Office of Insurance Regulation (OIR). OIR requires CCRCs to maintain a minimum liquid reserve and file financial statements on a regular basis. The existence of a Certificate of Authority issued by OIR and maintenance of a minimum liquid reserve indicates stability of the CCRC. The applicant CCRC has both.

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. In addition, the total cost appears to include at least the minimum staffing required. Therefore, the overall profitability appears in achievable.

Conclusion:

This project appears to be financially feasible as part of the larger CCRC model.

- 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 Office of Plans and Construction notes that the codes and standards regulating the design and construction of SNFs are the same for beds licensed as sheltered beds and community beds.

It is the position of the Office of Plans and Construction that a review of the architectural submissions for this project is unnecessary since the existing nursing beds have already been reviewed and approved by the Agency for use as skilled nursing beds in accordance with Florida Statutes 400.232 and Florida Administrative Code 59A-4.133.

The reviewer notes that any modifications or alterations of the physical plants due to a conversion would need to be reviewed by the Office of Plans and 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 & Medicaid Occupancy in Lee County, District 8 and Florida

Medicaid Patient Days					
Area	2009	2010	2011	2012	2013
Lee County	346,832	345,354	338,752	347,315	355,943
District 8	1,178,982	1,184,832	1,198,660	1,212,391	1,207,330
Florida	15,411,373	15,530,575	15,612,015	15,733,318	15,700,197
Medicaid Occupancy					
Area	2009	2010	2011	2012	2013
Lee County	57.88%	58.36%	57.09%	57.48%	57.36%
District 8	56.49%	56.92%	57.18%	57.39%	56.43%
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, Gulf Coast includes information on the available plans and services in Region 8 (Charlotte, Collier, Desoto, Glades, Hendry, Lee and Sarasota Counties).

Gulf Coast believes that the expectation is that SMMC plans will continue a downward trend in nursing home placements, offering options to recipients to maintain them in less restrictive settings. The applicant indicates that in contrast, Medicare Advantage Plans and the numbers of enrollees in them has grown. Gulf Coast reports that recent 2014 data for enrollees in Lee County show that of the Medicare enrollees of 61,158 there are 15,525 persons enrolled in Advantage plans, yielding a penetration rate of 25.4 percent.

The applicant notes that it is currently certified for both Medicare and Medicaid and will continue to be certified with the proposed project. Gulf Coast provides its historical utilization for the most recent two calendar years and the current year to date. See below.

Gulf Coast, Historical Utilization by Payer

Community	CY 2012	CY 2013	Jan-Oct 2014	CY 2012	CY 2013	Jan-Oct 2014
Medicaid	10,451	9,287	8,222	52.9%	47.1%	50.1%
Medicare	9,283	10,136	8,138	47.0%	51.4%	49.6%
Insurance	30	287	56	0.2%	1.5%	0.3%
Total	19,764	19,710	16,416	100.0%	100.0%	100.0%
Sheltered	CY 2012	CY 2013	Jan-Oct 2014	CY 2012	CY 2013	Jan-Oct 2014
Medicaid	1,725	1,021	0	17.1%	9.4%	0.0%
Medicare	5,711	5,783	4,874	56.8%	53.3%	59.2%
Private	2,631	4,051	3,353	26.1%	37.3%	40.8%
Total	10,078	10,855	8,227	100.0%	100.0%	100.0%

Source: CON application #10340, page 9-4

Gulf Coast applicant provides the following payer forecast, indicating that it is consistent with the current payer mix on a going forward basis, indicating that service to Medicaid recipients is assured.

Utilization for Gulf Coast by Payer

Payer	Year One Resident Days	Year Two Resident Days	Percent of Days
31 Community Beds			
Medicare	5,897	5,898	54.0%
Medicaid Managed Care	3,495	3,495	32.0%
Private Pay	1,092	1,092	10.0%
All Other	437	437	4.0%
Total	10,921	10,921	100.0%
Percent Occupancy	96.3%	96.5%	
	Year One Resident Days	Year Two Resident Days	Percent of Days
Total Facility of 85 Beds			
Medicare	16,126	16,171	54.0%
Medicaid Managed Care	9,556	9,583	32.0%
Private Pay	2,986	2,995	10.0%
All Other	1,195	1,198	4.0%
Total	29,863	29,946	100.0%
Percent Occupancy	96.0%	96.5%	

Source: CON application #10340, page 9-5

Gulf Coast insists that the beds to be added by the proposed project converts existing licensed beds already in use and therefore, no patients will be displaced as a result of the proposed project.

The applicant’s Schedule 7 indicates that Medicaid and self-pay represent 32.0 percent and 10.0 percent, respectively, of year one and year two annual total patient days.

F. SUMMARY

Gulf Care, Inc. d/b/a Gulf Coast Village (CON #10340) proposes to add 31 community nursing home beds through the conversion of 31 sheltered nursing home beds in Subdistrict 8-5, Lee County, Florida.

Gulf Coast is a CCRC located in Lee County, Florida. The Care Center at Gulf Coast Village has 85 beds. Fifty-four beds are community nursing home beds and 31 are sheltered beds.

The proposed project is a conversion of existing licensed beds and will involve no construction or renovation. The applicant states that the only project costs are those costs associated with building 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 40 beds was published for Subdistrict 8-5 for the July 2017 Planning Horizon.

As of November 19, 2014, Subdistrict 8-5 had 2,018 licensed and zero approved community nursing home beds. During the 12-month period ending June 30, 2014, Subdistrict 8-5 experienced 84.80 percent utilization at 17 existing facilities.

Gulf Coast notes that there are four CCRCs in Lee County with 194 sheltered beds (including the applicant's 31 beds). The applicant reports that its 54 community beds had an occupancy rate of 100 percent for the 12-month period ending June 30, 2014. Gulf Coast states that during this same time period, seven of the 17 community SNFs in Lee County were occupied at 90 percent or above.

The applicant presents utilization on its current facility, both community and sheltered beds—noting that both are highly utilized. Projections show that residents who are admitted to the skilled nursing unit under the terms of their continuing care contracts significantly decline with the proposed project. It is unclear from the data provided by the applicant how approval of the proposed conversion, which includes all 31 of the applicant's sheltered beds, would improve availability and accessibility to skilled nursing care for residents of the CCRC.

The reviewer notes that the applicant's Schedule 7 shows an ALOS of 58.40 for year one and year two of operations. Schedule 6A shows that no new FTEs will be added for year one (ending July 30, 2016) or for year two (ending July 30, 2017).

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.

Gulf Coast had zero substantiated complaints during November 19, 2011 to November 19, 2014.

Financial Feasibility/Availability of Funds:

Funding for this project should be available as needed. Based on the information provided in Schedule 6, the applicant's projected staffing meets the requirement. This project appears to be financially feasible as part of the larger CCRC model.

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

Medicaid/Charity Care:

Gulf Coast 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 32.0 percent and 10.0 percent, respectively, of year one and year two annual total patient days.

Architectural:

The Office of Plans and Construction notes that the codes and standards regulating the design and construction of SNFs are the same for beds licensed as sheltered beds and community beds. Therefore, a review of the architectural submissions for this project was deemed unnecessary as the existing nursing beds have already been reviewed and approved by the Agency for use as skilled nursing beds in accordance with Florida Statutes 400.232 and Florida Administrative Code 59A-4.133.

G. RECOMMENDATION

Deny CON #10340.

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