

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

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Crestwood Nursing Center, Inc./CON #10358
16 Norcross Street, Suite 100
Roswell, Georgia 30075

Authorized Representative: Richard Feldman
(770) 993-4000

2. Service District/Subdistrict

District 3/Subdistrict 3-3 (Putnam County)

B. PUBLIC HEARING

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

Letters of Support

The Agency received five area letters of support, of a single form letter variety, submitted by the applicant. The form letter narrative indicates that the proposed project will enhance the quality of care and the quality of life for Putnam County residents and also proposes to add a ventilator unit. One of these five letters was from Kaushalendra Singh, MD, PA (Internal Medicine/Pulmonary Disease) and another was from Moustafa Eldick, MD (Community Medical Center).

C. PROJECT SUMMARY

Crestwood Nursing Center, Inc. (CON application #10358), the licensee of Crestwood Nursing Center, hereafter referred to as Crestwood Nursing Center, Crestwood or the applicant, a Florida for-profit corporation owned by Robert W. Hagan (the principal) who also owns the

management company Cardinal Resources, LLC (which operates Mr. Hagan's 11 nursing homes) proposes to add 29 community nursing home beds to Crestwood Nursing Center in District 3/Subdistrict 3-3, Putnam County, Florida. The anticipated issuance of license is December 29, 2016 and the anticipated initiation of service is January 1, 2017.

The nursing homes owned by Robert W. Hagan and operated by Cardinal Resources, LLC, other than Crestwood, are not named or otherwise listed in the application. The reviewer notes that records provided by the Agency's long-term care licensure unit indicate that the applicant's parent company is Sterling Healthcare, Inc. with the following affiliated nursing homes:

- Edgewood Nursing Center
- Lakewood Nursing Center
- Sandalwood Nursing Center
- Woods of Manatee Springs, The

The project involves 9,925 gross square feet (GSF) of renovation. The construction cost is \$1,191,000. Total project cost is \$1,479,943. Project cost includes building, equipment, project development and financing 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, Steve Love analyzed the application with consultation from the financial analyst, Derron Hillman 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 41, Number 65 of the Florida Administrative Register dated April 3, 2015, a fixed need pool of 34 beds was published for Subdistrict 3-3 for the January 2018 Planning Horizon. Subdistrict 3-3 is comprised of Putnam County.

After publication of this fixed need pool, zero existing Subdistrict 3-3 facilities filed exemption requests or filed expedited CON reviews to increase or add community nursing home beds.

As of May 20, 2015, Subdistrict 3-3 had 337 licensed and 12 approved community nursing home beds. During the 12-month period ending December 31, 2014, Subdistrict 3-3 experienced 92.53 percent utilization at three existing facilities. Below is a table illustrating nursing home patient days and occupancy within Subdistrict 3-3.

Putnam County Nursing Home Patient Days and Occupancy January 1, 2014-December 31, 2014

Facility	Comm. Nursing Home Bed Inventory	Bed Days	Patient Days	Total Occupancy	Medicaid Occupancy
Crestwood Nursing Center	65	23,725	20,716	87.32%	59.60%
Lakewood Nursing Center	92	33,580	29,908	89.06%	76.95%
Palatka Health Care Center	180	65,700	63,190	96.18%	65.69%
Total	337	123,005	113,814	92.53%	67.54%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, April 2015 Batching Cycle

The reviewer notes the current and projected population of Subdistrict 3-3 for the planning horizon. The projected population growth, both numerically and by percent are illustrated below.

**Current and Projected Population Growth Rate
Putnam County, District 3, and Florida
January 2015 and January 2018**

County/ Area	January 1, 2015 Population			January 1, 2018 Population		
	0-64	65+	Total	0-64	65+	Total
Putnam	58,006	14,713	72,719	57,532	15,659	73,191
District 3	1,265,354	409,689	1,675,043	1,307,646	460,579	1,768,225
Florida	16,044,019	3,635,347	19,679,366	16,510,025	4,013,237	20,523,262
County/ Area	JAN 1, 2015 - JAN 1, 2018 Increase			JAN 1, 2015 - JAN 1, 2018 Growth Rate		
	0-64	65+	Total	0-64	65+	Total
Putnam	-474	946	472	-0.82%	6.43%	0.65%
District 3	42,292	50,890	93,182	3.34%	12.42%	5.56%
Florida	466,006	377,890	843,896	2.90%	10.39%	4.29%

Source: Florida Agency for Health Care Administration Population Estimates, February 2015

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

Beds per 1,000 Residents Age 65 and Older

County/Area	Community Beds	January 2015 Pop. Aged 65+	January 2015 Beds per 1,000	January 2018 Pop. Aged 65+	January 2018 Beds per 1,000
Putnam	337	14,713	23	15,659	22
District 3	7,558	409,689	18	460,579	16
Florida	80,049	3,635,347	22	4,013,237	20

Source: Florida Agency for Health Care Administration Population Estimates, February 2015 and Florida Nursing Home Bed Need Projections by District and Subdistrict, April 2015 Batching Cycle

Crestwood contends the following as quantitative and qualitative factors provide a competitive advantage for approval of the proposed project over other applicants.

- The applicant is an existing provider and can implement the (proposed) project in a cost-effective matter
- The proposed project improves bed access and bed availability
- The proposed service area elderly population growth supports the proposed project

- The applicant is committed to quality care to
 - Safely reduce hospital readmissions
 - Increase staff stability
 - Increase customer satisfaction
 - Safely reduce the off-label use of antipsychotics

The reviewer notes that in the current batching cycle, Crestwood is the sole community nursing home project for District 3, Subdistrict 3-3 (Putnam County). Therefore, Crestwood is not competing with any other applicants in the referenced district/subdistrict.

The applicant provides two Putnam County maps (Figure 2, page 15 and Figure 4, page 16, CON application #10358). Crestwood also defines the service area as Putnam County and notes the existing skilled nursing facilities (SNFs) in the service area. The applicant also states that most individuals in need of nursing home beds do not travel great distances from their place of residence, and in the maps provided, Crestwood depicts its physical location in comparison to Putnam Community Medical Center. The reviewer notes that according to the Floridahealthfinder.gov website, the applicant is 2.01 driving miles from 99-bed Putnam Community Medical Center, a Class 1 general hospital.

- 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.

Crestwood maintains being a provider of both Medicare and Medicaid. Crestwood states that it strives to assist residents in meeting their highest level of functional ability, while enjoying many activities offered to enhance their quality of life. The applicant mentions specialized care for those suffering from end-stage renal disease (ESRD), requiring renal dialysis and hospice care for the terminally ill. Crestwood indicates that the Rehabilitation Department is staffed with therapists who are skilled in providing physical, occupational and speech therapy, as needed, to restore residents to their optimal level of functioning. A restorative nursing program, personalized care planning, a wound care program, trach, respiratory care, IV therapy and pain management services are briefly stated. The applicant further indicates that additional services include, but are not limited to: psychiatric and psychological, audiology, dermatology, dental, registered dietician and individual meal planning services.

Crestwood emphasizes that it is “exploring the possibility” of offering a sub-acute program for ventilator/tracheotomy patients as a specialty program and the possibility of providing services for weanable ventilator patients to transition back to their homes. The reviewer notes that the applicant does show half an FTE will be added for a respiratory therapist on Schedule 6 for the proposed project but that no projected added expense is associated with the abovementioned specialty program is noted on Schedule 8. The reviewer also notes that this program is not conditioned in the application.

Crestwood lists the following other ancillary services and amenities that the applicant contends provide support, comfort and security:

- Dining services
- Television and telephone
- Wireless internet access
- Electronic beds
- Security system
- Structured activities
- Beauty/barber shop
- Housekeeping and laundry services
- Multilingual staff
- Daily transportation

Crestwood asserts that an admission plan is developed upon admission based upon information provided by the referring source and pre-admission interviews. According to the applicant, once admitted, the plan of care is enhanced to meet the resident’s immediate needs and that the care plan is developed by the interdisciplinary team, including but not limited to the following personnel as appropriate: Medical Director, Director of Nursing, Resident Assessment Coordinator, nurses assigned to the resident (including the charge nurse, registered nurse and nursing assistants), Social Services Director, Activities Director, Dietary Manager, therapists and Administrator. The application’s Exhibit D-Care Planning includes the Resident MDS Assessment and Care Planning Policy, Interdisciplinary Care Plans Policy/Procedure and related materials.

The applicant notes that a physician must approve in writing a recommendation that an individual be admitted to the SNF and each resident must remain under the care of a physician.

Crestwood asserts that when at all possible, the hospital’s attending physician provides care at Crestwood, otherwise, Crestwood’s Medical Director consults with the hospital’s attending to ensure continuity of care.

Crestwood maintains that prior to discharge, a discharge summary and post discharge plan is developed by the interdisciplinary care planning team to assist the resident and family adjust to the new living situation. According to the applicant, the resident and family/guardian is encouraged to participate in this process, a physician’s order must be given for discharges and Social Services reviews the discharge plan with the resident and family. The application’s Exhibit L-Discharge Planning includes the Interdisciplinary Plan of Care Discharge Care Plan and the Comprehensive Plan of Care form.

Crestwood provides a table below to account for the total 94 community beds (the licensed beds and the proposed 29-bed addition combined), patient days, average daily census (ADC) and occupancy estimates for year one (ending December 31, 2017) and year two (ending December 31, 2018).

**Crestwood Nursing Center, Inc. (CON application #10358)
Projected Utilization/First Two Years of Operation**

	Year One	Year Two
Beds	94	94
Patient Days	28,105	31,025
ADC	77.0	85.0
Occupancy	81.9%	90.4%

Source: CON application #10358, page 23, Figure 9

Schedule 6A illustrates that total facility FTEs for year one (ending December 31, 2017) and year two (ending December 31, 2018) total 107.5 for each year. Schedule 6A indicates that the applicant proposes to add 21.7 FTEs for each of the first two years of operation. The proposed project’s year one and year two FTEs are shown in the table below.

Crestwood Nursing Center, Inc., (CON application #10358) Projected Year One and Year Two Staffing		
	Year One FTEs	Year Two FTEs
Administration		
Admissions Director	1.0	1.0
Nursing		
RNs	1.0	1.0
LPNs	5.2	5.2
Nurses' Aides	6.0	6.0
Other: Unit Sec.	1.0	1.0
Ancillary		
Physical Therapist	1.0	1.0
Speech Therapist	0.5	0.5
Occupational Therapist	1.0	1.0
Other: Respiratory Therapist	0.5	0.5
Dietary		
Cooks	0.5	0.5
Dietary Aides	1.0	1.0
Social Services		
Other: Discharge Planner	1.0	1.0
Housekeeping		
Housekeepers	2.0	2.0
Total	21.7	21.7

Source: CON application #10358, 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 not having had any violations, 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 not having had any violations, 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 not having had any violations, 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 comply with this provision.

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 3-3 is composed of Putnam County and has three licensed community nursing homes with a total of 337 community nursing home beds. The subdistrict averaged 92.53 percent total occupancy for the 12-month period ending December 31, 2014.

Crestwood contends that through the proposed project, access to nursing beds will be enhanced and service area residents will be able to stay in the immediate area to receive comprehensive nursing home care.

Crestwood points out being the smallest facility in the county (Putnam) and that at times, the facility is limited in addressing the needs of residents and cannot always accommodate admissions when requested. The applicant maintains that the proposed project will enable Crestwood to improve response time to accommodate admissions when requested, but cannot provide due to the lack of a vacant bed.

Using Agency inpatient database records from July 2013 through June 2014, Crestwood maintains that greater than 50 percent of service area inpatients discharged to nursing home opted to remain in the service area for inpatient care at the local community hospital. Further, the applicant contends that an additional 25 percent of service area inpatients discharged to nursing homes opted to remain close by for inpatient care. See the table below.

**Discharges to Nursing Homes
for Patients Originating from the Service Area
July 2013 – June 2014**

Facility	Discharges to SNF	Percent of Total
Putnam Community Medical Center	649	53.0%
Flagler Hospital	174	14.2%
UF Health Jacksonville	141	11.5%
North Florida Regional Medical Center	69	5.6%
All Others	191	15.6%
TOTAL	1,224	*

Source: CON application #10358, page 18, Figure 7

NOTE: * The applicant does not offer a total percentage. The reviewer notes that the arithmetic calculation is 99.9 percent. The reviewer confirms that the facility discharge to SNF total and the percentage of total for each facility is arithmetically correct and that that 99.9 percent is probably due to rounding.

Using Agency population estimates from 2014 to 2019 (CON application #10358, page 18, Figure 8), Crestwood projects a Putnam County total population (all ages) of 73,282 residents by 2019, with 16,108 of these residents (22.0 percent) being age 65+ by 2019. The applicant's figure indicates a percent change for this five-year period (2014 to 2019) for the 65+ cohort to be 10.6 percent in Putnam County. Crestwood asserts that it must be prepared to provide skilled nursing services to its growing population and further maintains that persons age 65+ represent the majority of nursing home residents.

The applicant reiterates the Agency's published fixed need pool of 34 community nursing home beds for District 3, Subdistrict 3-3 (Putnam County) for the January 2018 Planning Horizon. Crestwood asserts that given the need for additional beds, the proposed project will have minimal impact on existing providers in the service area.

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.

Crestwood states having a history of providing quality of care and continually improves the performance of key functions of patient care that promote:

- Elimination of unnecessary risks and hazards to assure safety at all levels of care
- Appropriate utilization of resources
- Provision of the same standard of care for like populations across the SNF
- Improvement in operational efficiencies
- Promotion of "best practices"
- Improvement in customer service

Crestwood contends that services provided are efficient, effective and appropriate to each resident's individual needs.

The applicant states operating an ongoing, facility-wide Quality Assessment and Performance Improvement (QAPI) Program designed to monitor and evaluate the quality of resident care, pursue methods to improve care quality and resolve identified problems. The application's Exhibit E-QAPI Program includes the Crestwood Nursing Center-Annual Critical Pathway/Quarter A Calendar of Audits (January through December), the Quarterly QAPI/Risk Management 2015 Agenda and the

Monthly Quarter/Risk Management 2015 Agenda. According to Crestwood, the purpose of the QAPI Program is to assure the highest quality of appropriateness of care:

- To provide a means to identify and resolve present and potential negative outcomes related to resident care and safety
- To reinforce and build upon effective systems of services and positive care measures
- To provide a structure and process to correct identified quality deficiencies
- To establish and implement plans to correct deficiencies and to monitor the effects of these action plans on resident outcomes
- To help departments, consultants and ancillary services that provide direct or indirect care to residents to communicate effectively and to delineate lines of authority, responsibility and accountability
- To provide a means to centralize and coordinate comprehensive Quality Assessment and Assurance (QAA) activities in order to meet the needs of the residents and the facility
- To establish a system and process to maintain documentation relative to the QAA Program, as a basis for demonstrating that there is an effective ongoing program

The applicant discusses the QAPI Committee, activities that it monitors and the QAPI Plan (CON application #10358, page 27) and states that each department or service, identify and adopt the indicators that pertain to its service, as approved by the QAPI Committee. According to Crestwood, examples of actions taken in response to issues defined during Quality Assurance include, but are not limited to:

- Education and training
- Enforcement of existing policies and procedures
- Reinforcement or expansion of identified positive approaches and outcomes
- Implementation of new and revised policies and procedures
- Staffing changes
- Changes in equipment and/or physical plant
- Counseling
- Changes to or rewards of staff clinic privileges or status

Crestwood additionally states being committed to The Quality Initiative and the four quality care goals (see Item E.1.a. of this report) launched in 2012 by the American Health Care Association (AHCA) and the National Center for Assisted Living (NCAL). The applicant discusses these goals

(CON application #10358, page 28 and Exhibit C-Quality Initiative Goals). Crestwood asserts being recently recognized by the National Committee for Quality Assurance (NCQA) for their reduction in psychotropic medications for nursing home residents.

Crestwood comments that its commitment to quality is also demonstrated through its participation in electronic health records (EHR) and the benefits realized by such participation (CON application #10358, pages 28 – 29). Crestwood includes in the application Exhibit G-Report to Congress: Plan to Implement a Medicare Skilled Nursing Facility Value-Based Purchasing Program. Crestwood contends that its quality and cost savings elements are particularly important in light of this report to Congress.

Crestwood states being accredited by The Joint Commission and is licensed by the Agency.

Crestwood Nursing Center is not a Gold Seal Program nor is it on the Nursing Home Watch List. The most recent Agency inspection indicates Crestwood Nursing Center received an overall three-star rating out of a possible five stars. The Agency’s Nursing Home Guide was last updated May 2015. Crestwood Nursing Center had five substantiated complaints during May 20, 2012 to May 20, 2015. A single complaint can encompass multiple complaint categories. The complaint categories are listed below:

Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Infection Control	2
Physical Environment	2
Quality of Care/Treatment	2

Source: Florida Agency for Health Care Administration Complaint Records

The nursing homes owned by Robert W. Hagan and operated by Cardinal Resources, LLC, other than Crestwood, are not named or otherwise listed in the application. The reviewer notes that records provided by the Agency’s long-term care licensure unit indicate that the applicant’s parent company is Sterling Healthcare, Inc. with the following affiliated nursing homes:

- Edgewood Nursing Center
- Lakewood Nursing Center
- Sandalwood Nursing Center
- Woods of Manatee Springs, The

Agency complaint records indicate that the affiliated nursing homes associated with the parent company, for the three-year period ending May 20, 2015 had 16 substantiated complaints in 10 complaint categories. The substantiated complaint categories are listed below:

Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Quality of Care/Treatment	7
Administration/Personnel	3
Admission, Transfer & Discharge Rights	2
Infection Control	2
Nursing Services	2
Physical Environment	2
Physician Services	2
Resident/Patient/Client Assessment	2
Resident/Patient/Client Rights	2
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 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.

Crestwood Nursing Center – CON application #10358		
	2014	2013
Current Assets	\$874,720	\$804,884
Total Assets	\$1,201,101	\$1,168,933
Current Liabilities	\$833,470	\$811,052
Total Liabilities	\$833,470	\$811,052
Net Assets	\$367,631	\$357,881
Total Revenues	\$5,584,569	\$5,632,222
Excess of Revenues Over Expenses	\$459,750	\$482,282
Cash Flow from Operations	\$447,414	\$81,804
Short-Term Analysis		
Current Ratio (CA/CL)	1.0	1.0
Cash Flow to Current Liabilities (CFO/CL)	53.68%	10.09%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	0.0%	0.0%
Total Margin (ER/TR)	8.23%	8.56%
Measure of Available Funding		
Working Capital	\$41,250	(\$6,168)

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 indicates on Schedule 2 capital projects totaling \$1,854,943 which includes this project and routine capital expenditures. The applicant indicates on Schedule 3 of its application that funding for the project will be provided by non-related company financing. Bank of North Georgia provided a letter of interest in financing this project. A letter of interest does not constitute a firm commitment to lend. In the absence of a firm commitment to lend, we would rely on an analysis of the applicant’s audit to assess the financial stability and therefore likelihood of the applicant to obtain debt financing. Cash was \$6,425, cash flow from operations was \$447,414 and working capital was \$41,250 as of 12/31/14, per the audited financial statements.

Given that the funding is supported by a letter of interest, we have no basis to conclude that funding will be available for this project.

Conclusion:

Funding for this project is in question.

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, 2013 and 2014 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 1st Quarter 2015, Health Care Cost Review).

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

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	8,924,850	288	397	302	184
Total Expenses	6,240,590	201	385	294	164
Operating Income	2,684,260	87	26	8	-49
Operating Margin	30.08%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	31,025	90.43%	114.77%	90.11%	67.17%
Medicaid/MDCD HMO	21,170	68.24%	79.96%	70.69%	60.04%
Medicare	8,030	25.88%	30.30%	16.14%	0.00%

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 and CPD fall within the group range and are considered reasonable. In addition, the total cost appears to include at least the minimum staffing required. The applicant had a math error when calculating operating income. We used the correct figure. Profit is well above the group range. Therefore, the overall profitability appears significantly overstated.

Conclusion:

Regardless of the potential overstatement of operating income, 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. However, it appears exiting from first floor is not in compliance with Florida Building Code (FBC) and Life Safety Code (NFPA 101). Exiting from corridors cannot pass through an intervening room. Distance between exit corridor doors is closer than the code required separation.

The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable.

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 Crestwood Nursing Center, the subdistrict, district and state is provided in the table below by calendar year.

Medicaid Patient Days and Medicaid Occupancy at Crestwood Nursing Center, Putnam County, District 3 and Florida

Medicaid Patient Days					
Facility/Area	2010	2011	2012	2013	2014
Crestwood	12,981	12,005	12,678	12,058	12,347
Putnam County	76,322	72,158	74,301	73,924	76,869
District 3	1,468,022	1,499,110	1,523,920	1,539,243	1,548,052
Florida	15,530,575	15,612,015	15,733,318	15,700,197	15,932,613
Medicaid Occupancy					
Facility/Area	2010	2011	2012	2013	2014
Crestwood	66.92%	60.82%	59.77%	57.18	59.60%
Putnam County	69.14%	64.72%	66.51%	65.05%	67.54%
District 3	60.25%	61.28%	62.13%	62.34%	61.95%
Florida	61.33%	61.56%	61.85%	61.66%	62.17%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, 2010-2014

Crestwood states having a history of providing health services to Medicaid residents and contends that it will continue to do so. Crestwood states that few patients in nursing homes are medically indigent and that charity patients consist primarily of undocumented immigrants and those patients who have not yet applied or are pending Medicaid approval.

The nursing homes owned by the principal and operated by Cardinal Resources, LLC, other than Crestwood, are not named or otherwise listed in the application and therefore, the Agency cannot make a determination on affiliate nursing home Medicaid/Medicaid HMO days, total days or Medicaid/Medicaid HMO occupancy rates.

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

Cardinal Resources, LLC Operated Facilities, Florida Medicaid Occupancy January 1, 2014 to December 31, 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, April 2015 Batching Cycle

The applicant's Schedule 7 indicates that Medicaid HMO and self-pay represent 71.0 percent and 6.0 percent, respectively, of year one and 58.0 percent and 4.0 percent of year two annual total patient days, respectively, for the proposed project only.

The applicant's Schedule 7 indicates that Medicaid/Medicaid HMO and self-pay represent 70.0 percent and 4.0 percent, respectively, of year one and 68.0 percent and 4.0 percent of year two annual total patient days, respectively, for the total facility of 94 beds (if the proposed project is approved).

F. SUMMARY

Crestwood Nursing Center, Inc. (CON application #10358), the licensee of Crestwood Nursing Center, a Florida for-profit corporation owned by Robert W. Hagan who also owns the management company Cardinal Resources, LLC (which operates Mr. Hagan's 11 nursing homes), proposes to add 29 community nursing home beds to Crestwood Nursing Center in District 3/Subdistrict 3-3, Putnam County, Florida. The anticipated issuance of license is December 29, 2016 and the anticipated initiation of service is January 1, 2017.

The nursing homes owned by Robert W. Hagan and operated by Cardinal Resources, LLC, other than Crestwood, are not named or otherwise listed in the application and therefore, the Agency cannot make a determination on affiliate nursing home history records.

The project involves 9,925 GSF of renovation. The construction cost is \$1,191,000. Total project cost is \$1,479,943. Project cost includes building, equipment, project development and financing costs.

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

Need:

In Volume 41, Number 65 of the Florida Administrative Register dated April 3, 2015, a fixed need pool of 34 beds was published for Subdistrict 3-3 for the January 2018 Planning Horizon. Subdistrict 3-3 is comprised of Putnam County.

As of May 20, 2015, Subdistrict 3-3 had 337 licensed and zero approved community nursing home beds. During the 12-month period ending December 31, 2014, Subdistrict 3-3 experienced 92.53 percent utilization at three existing facilities.

Crestwood justifies proposed project approval based on what the applicant considers the following quantitative and qualitative factors:

- The applicant is an existing provider and can implement the (proposed) project in a cost-effective matter
- The proposed project improves bed access and bed availability
- The proposed service area elderly population growth supports the (proposed) project and
- The applicant is committed to quality care
 - Safely reduce hospital readmissions
 - Increase staff stability
 - Increase customer satisfaction
 - Safely reduce the off-label use of antipsychotics

The Agency confirms that the proposed project is 2.01 driving miles from Putnam Community Medical Center and notes that Crestwood contends that from July 2013 to June 2014, Putnam Community Medical Center had 649 discharges to nursing homes for Putnam County residents. This is stated to be 53.0 percent of all Putnam County residents discharged from hospitals to nursing homes in the same period.

Crestview emphasizes that most individuals in need of nursing home beds do not travel great distances from their place of residence. The applicant also notes a growing elderly (age 65 and older) population in the area, states that it must be prepared to provide skilled nursing services to its growing population and further maintains that persons age 65 and older represent the majority of nursing home residents.

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.

Crestwood Nursing Center had five substantiated complaint during May 20, 2012 to May 20, 2015.

Agency complaint records indicate that the affiliated nursing homes associated with the parent company, for the three-year period ending May 20, 2015 had 16 substantiated complaints in 10 complaint categories.

Financial Feasibility/Availability of Funds:

Funding for this project is in question.

Based on the information provided in Schedule 6, the applicant's projected staffing meets the requirement. Regardless of the potential overstatement of operating income, 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:

Crestwood does not propose to condition project approval to a percentage of Medicaid/Medicaid HMO days.

The applicant's Schedule 7 indicates that Medicaid HMO and self-pay represent 71.0 percent and 6.0 percent, respectively, of year one and 58.0 percent and 4.0 percent of year two annual total patient days, respectively, for the proposed project only.

The applicant's Schedule 7 indicates that Medicaid/Medicaid HMO and self-pay represent 70.0 percent and 4.0 percent, respectively, of year one and 68.0 percent and 4.0 percent of year two annual total patient days, respectively, for the total facility of 94 beds (if the proposed project is approved).

Architectural:

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

G. RECOMMENDATION

Approve CON #10358 to add 29 community nursing home beds to Crestwood Nursing Center in Putnam County, District 3, Subdistrict 3. The total project cost is \$1,479,943. The project involves 9,925 GSF of renovation and a construction cost of \$1,191,000.

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