

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

## **A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Tidewell Hospice, Inc./CON #10382**

5955 Rand Boulevard  
Sarasota, Florida 34238

Authorized Representative: Sylvia Scott  
(941) 552-7564

2. Service District/Subdistrict

Hospice Service Area 6C (Manatee County)

## **B. PUBLIC HEARING**

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

### **Letters of Support**

The applicant submitted 23 letters of support (many individually composed but some of a form letter variety) from area residents/providers. Some of these include support letters from the following:

- Richard Fletcher, CEO, Lakewood Ranch Medical Center
  - with 82 signatures from Lakewood Ranch Medical Center health care workers
- Kevin DiLallo, CEO, Manatee Memorial Hospital, Manatee Healthcare System
  - with 52 signatures from Manatee Memorial Hospital health care workers
- Eleven physicians, five assisted living facility (ALF) executives/practitioners and two advanced registered nurse practitioners
- Robert Bartz, President, Manatee Chamber of Commerce
- William L. Tokajer, Chief of Police, City of Holmes Beach, Florida

The remaining support letters were primarily other health care practitioners in the community.

**C. PROJECT SUMMARY**

**Tidewell Hospice, Inc. (CON application #10382)**, also referenced as Tidewell Hospice, Tidewell or the applicant, an independent, not-for-profit, community-based organization, proposes to establish a 12-bed freestanding inpatient hospice facility in Hospice Service Area 6C (Manatee County) at the corner of Lakewood Ranch Boulevard and Rangeland Parkway, Lakewood Ranch, Florida 34202. According to the applicant, the proposed project will better serve patients and families in the East Manatee County area of Lakewood Ranch. The applicant is presently licensed to operate hospice programs in Service Areas 6C, 8A and 8D. Tidewell's eight inpatient hospice houses are dispersed among Service Area 6C (Manatee County), Service Area 8A (including Desoto and Charlotte Counties) and Service Area 8D (Sarasota County), with the proposed project being located in 6C (Manatee County).

Tidewell expects the proposed project's issuance of license in January 2017 and initiation of service in April 2017.

The total project cost is \$6,373,922. Construction costs are \$3,521,909 and the project will involve 14,800 gross square feet (GSF) of new construction. Costs covered are for land, building, equipment, project development and start-up.

The applicant offers no conditions on 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, and 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 provided in the application, and independent information gathered by the reviewer.

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

Section 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 in its entirety with consultation from financial analyst Everett "Butch" Broussard of the Bureau of Central Services, who evaluated the financial data and Said Baniahmad of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

**E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA**

The following indicates the level of conformity of the proposed project with the criteria found in Sections 408.035 and 408.037, Florida Statutes; 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? Chapter 59C-1.008, Florida Administrative Code and Chapter 59C-1.0355, Florida Administrative Code.**

The Agency does not publish need for inpatient hospice beds. Hospice programs are required by federal and state law to provide hospice patients with inpatient care when needed (42 Code of Federal Regulations 418.108) and no more than 20 percent of a hospice's total patient days may be inpatient days per Section 400.609(4), Florida Statutes. Inpatient care may be provided through contractual arrangements in hospitals and nursing homes and is generally provided on a short-term basis within the total hospice stay.

Tidewell Hospice, Inc., is the sole licensed hospice provider in Hospice Service Area 6C (Manatee County) and already operates two freestanding inpatient hospice houses there--a 14-bed facility in the City of Bradenton

and a six-bed facility in the City of Palmetto. The applicant contends that the proposed project is located in eastern Manatee County, Lakewood Ranch area (CON application #10382, page 3, Figure 1). The reviewer notes that based on the applicant’s figure, this area appears to be immediately to the east of I-75, while the applicant’s existing freestanding inpatient hospice facilities are located to the west of I-75.

**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:**

- **Population demographics and dynamics;**
- **Availability, utilization and quality of like services in the district, subdistrict or both;**
- **Medical treatment trends; and**
- **Market conditions.**

***Population demographics and dynamics***

Using Agency population estimates, Tidewell contends that the 65+ population in Manatee County will increase by 26.4 percent, over the next five years and by 27.7 percent, over the next 10 years. Tidewell also contends that the 75+ population in the same area will increase by 11.5 percent, over the next five years and by 12.8 percent over the next 10 years. See the two tables below.

<b>Tidewell Hospice Service Areas</b>	<b>2015 Population</b>	<b>% ≥ 65</b>	<b>% ≥ 75</b>
Charlotte County (8A)	165,829	35.2%	16.6%
Desoto County (8A)	34,480	18.7%	8.0%
Manatee County (6C)	343,034	24.2%	11%
Sarasota County (8D)	392,390	32.3%	15.9%

Source: CON application #10382, page 6, Table 2

<b>Manatee County (6C)</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
% ≥ 65	24.2%	26.4%	27.7%
% > 75	11.0%	11.5%	12.8%

Source: CON application #10382, page 6, Table 3

The reviewer notes that the applicant does not offer population cohort totals for 2015 and 2025 to reflect how the percentage estimates were calculated.

The reviewer notes that Hospice Service Area 6C’s age 65+ population is expected to increase from 82,929 in January 2015 to 98,669 in January 2020 to 111,948 in January 2025, population increases for this age cohort of 18.98 percent (by January 2020) and 13.46 percent (by

January 2025). The reviewer also notes that for the same service area and for the same years, the age 75+ population is expected to increase from 37,865 (January 2015) to 43,225 (January 2020) to 51,643 (January 2025), population increases for this age cohort of 14.16 percent (by January 2020) and 19.47 percent (by January 2025).<sup>1</sup> Therefore it appears that for 2020 and 2025, the applicant has overestimated the 65+ age population growth for Manatee County but for the same years has underestimated the 75+ age population for the same area.

***Availability, utilization and quality of life services***

Tidewell Hospice is the only hospice care provider eligible to operate a freestanding inpatient hospice facility in Hospice Service Area 6C. The applicant does not provide utilization reports for the existing inpatient hospice beds in its City of Bradenton and City of Palmetto freestanding inpatient hospice facilities.

***Medical treatment trends and Market conditions***

The applicant does not provide a response directly to medical treatment trends and market conditions.

**2. Agency Rule Criteria and Preferences**

- a. Rule 59C-1.0355 (7) Florida Administrative Code states that the Agency will not normally approve a proposal for construction of a freestanding inpatient hospice facility unless the applicant demonstrates that the freestanding facility will be more cost-efficient than contractual arrangements with existing hospitals or nursing homes in the service area. The application shall include the following:**

- (1) A description of any advantages that the hospice program will achieve by constructing and operating its own inpatient beds.**

Tidewell Hospice, Inc. offers what it considers to be several significant advantages that will be achieved through the proposed project, as follows:

- Convenient proximity and improved ability to care for hospice patients in Eastern Manatee County

<sup>1</sup> Source: Agency for Health Care Administration ‘Population Estimates 2010 to 2030’, issued February 2015

**CON Action Number: 10382**

- Elimination of fixed and variable expenses related to Tidewell’s contract agreement with Lakewood Ranch Medical Center resulting in an annualized cost savings of \$108,016.
- By providing hospice services in its own freestanding facility, an estimated per patient day savings of \$32.13, when compared to the provision of services in a contracted hospital arrangement (as shown below)

**Cost Comparison: Contract Cost vs. Freestanding Facility**

<b>Contract Cost for Hospice Inpatient Care in Hospitals vs. Cost in the Lakewood Ranch Hospice House with an Inpatient Designation Year Two of Project</b>		
	<b>Hospital Contract* (cost per patient day)</b>	<b>Lakewood Ranch Hospice House (cost per patient day)</b>
Hospice Inpatient Revenue/day	\$711.13	\$580.96
Expenses (average) day	\$711.13	\$548.83
Staffing & Administrative	\$60.00	
Overhead Fiscal Year (FY) total Expenses	\$771.13	
Cost Savings (loss) per patient day	(\$60.00)	\$32.13

\* Hospice pays the hospitals the total amount it receives from Medicare, leaving hospice with no reimbursement for the care provided by the hospice staff to patients. See Notes and Assumptions in Schedule 7A and 8A. This is a blended rate over two Medicare FYs.

Source: CON application #10382, page 16, Table 4

- Immediate access to care and services such as hospice-certified physicians, nursing, medical social work, counseling, volunteer, chaplain services and grief specialists--these services are not immediately accessible with contracting facilities
- Ability to meet the increased need for inpatient services created by increased referrals due to more emphasis of the medical community on palliative care and informed consumers
- A supportive and therapeutic environment, which provides hospice-focused care
- An optimal environment, focusing on the quality of life and palliative end-of-life care in comparison to acute care provided by contracted facilities--the Hospice House is homelike, comfortable and serene
- Interdisciplinary Hospice staff members who are experienced in palliative care and are consistently available--in contracted facilities, patients are assigned beds that are typically scattered throughout the organization, which does not assure that care by staff who are comfortable with palliative and hospice care

- Treatment may begin more promptly and with greater continuity when administered by hospice staff who are familiar with the patient’s needs
- Families are often more comfortable with the care and environment provided in a hospice house than in contracting facilities
- Caregivers will take advantage of inpatient respite care that is offered in a homelike facility--many refuse this needed service because it is offered in a nursing home as families may have made promises to the patient that they would never send him/her to a nursing home or find the concept of a nursing home unacceptable

Additionally, the applicant contends that cost per adjusted patient day at hospitals significantly exceeds what hospice pays and that it is “..much better for the hospital to have acute beds filled by acute patients versus hospice patients”. Tidewell states that it used 2013 Agency Hospital Financial Data to compose the following table.

**Hospital Cost per Adjusted Patient Day**

		<b>Hospice Payment Made to Hospitals</b>	
<b>Hospital</b>	<b>Gross Revenue per Adjusted Acute Care Patient Day</b>	<b>10/1/2013 - 9/30/2014</b>	<b>9/30/2014 - Present</b>
Lakewood Ranch Medical Center	\$2,387	\$674.11	
Manatee Memorial Hospital	\$2,019		
Blake Medical Center	\$2,364		

Source: CON application #10382, page 5, Table 1

Tidewell asserts that the most important advantage of the proposed project is that it is not for Tidewell Hospice but rather for its patients in terms of the availability of a quality, hospice-focused continuum of care. The applicant contends that it will be able to ensure greater uniformity of inpatient care, in the homelike, non-institutional atmosphere. Further, Tidewell believes that the patients and their families will benefit from the 24-hour, seven days per week, on-site availability of hospice-trained staff and volunteers.

**(2) Existing contractual arrangements for inpatient care at hospitals and nursing homes.**

Tidewell Hospice states having existing contractual relationships with every hospital and all nursing homes in the four county service area for the provision of the hospice inpatient level care.

Tidewell also maintains that inpatient respite care is provided in some nursing facilities for appropriate patients. The reviewer notes that there are 11 acute care hospitals and 51 skilled nursing facilities (SNFs) in the four counties the applicant serves according to FloridaHealthFinder.gov on July 21, 2015. The reviewer states that Tidewell does not provide a list of these hospitals and nursing facilities, nor does it offer a sample contract, in its CON application #10382.

**(3) Anticipated sources of funds for the construction.**

The applicant anticipates funding for the construction and land acquisition to come from existing capital funds. The applicant's Schedule 1 shows a total project cost of \$6,373,922.

**b. Rule 59-1.0355(8) Florida Administrative Code: Semi-Annual Utilization Reports. Each hospice program shall report utilization information to the Agency or its designee on or before July 20<sup>th</sup> of each year and January 20<sup>th</sup> of the following year.**

The applicant does not directly respond to this rule. However, Tidewell Hospice, Inc. regularly submits semi-annual utilization reports as required. The Agency's semi-annual utilization reports do not require a hospice to report inpatient hospice days.

**c. Rule 59-1.030(2) Florida Administrative Code: Health Care Access Criteria.**

**(1) The need that the population served or to be served has for the health or hospice services proposed to be offered or changed, and the extent to which all residents of the district, and in particular low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups and the elderly, are likely to have access to those services.**

The applicant states that hospice patients have a need for timely on-demand access to inpatient beds. Tidewell asserts serving all persons who meet eligibility criteria and desire its services, without regard to payer, ethnic or racial status, gender, handicap or age. The applicant maintains that services are never refused or discontinued due to a patient's inability to pay. Tidewell further indicates having specialized training programs for staff and volunteers, with materials, staff and volunteers that are culturally responsive to the needs of patients and families in diverse cultural



and ethnic populations. The applicant also references a “Language Line” to ensure that patients understand hospice and the forms they must sign.

- (2) **The extent to which that need will be met adequately under a proposed reduction, elimination or relocation of a service, under a proposed substantial change in admission policies or practices, or by alternative arrangements, and the effect of the proposed change on the ability of members of medically underserved groups which have traditionally experienced difficulties in obtaining equal access to health services to obtain needed health care.**

Tidewell Hospice, Inc. contends that the proposed project will increase access to a hospice-focused continuum of care for medically underserved persons who are sometimes unable to access inpatient hospice services in a hospice-operated facility.

- (3) **The contribution of the proposed service in meeting the health needs of members of such medically underserved groups, particularly those needs identified as deserving of priority.**

The applicant cites the Medicare Hospice Benefit (based on a length of stay of 180 days) and contrasts this with Tidewell Hospice, Inc.’s average patient stay of 57 days, with many surviving less than 12 days. According to the applicant, federal regulations, difficulties with pinpointing the six-month guideline, and the discovery of new life prolonging treatments and medications--patients are staying in hospitals longer, often receiving futile care and treatments and coming to hospice sicker with fewer and fewer days of life remaining. The applicant contends that this requires hospice staff to provide much more intensive, high acuity hospice care and services on a fast-paced schedule. The applicant maintains that the proposed project will encourage patients, who might not choose hospice care at all, to choose it earlier, guaranteeing the patient and family more benefits from hospice care.

**(4) In determining the extent to which a proposed service will be accessible, the following will be considered:**

**(a) The extent to which medically underserved individuals currently use the applicant's services, as a proportion of the medically underserved population in the applicant's proposed service area (s), and the extent to which medically underserved individuals are expected to use the proposed services, if approved;**

The applicant states that while many hospice patients are covered by Medicare and Medicaid, others are not. Tidewell indicates that the high costs of care for a terminal illness place people in under-insured situations, meaning that they may not have coverage to pay even a small amount for care.

**(b) The performance of the applicant in meeting any applicable Federal regulations requiring uncompensated care, community service, or access by minorities and handicapped persons to programs receiving Federal financial assistance, including the existence of any civil rights access complaints against the applicant;**

Tidewell Hospice states there are no civil rights access complaints against them and that Tidewell meets applicable federal regulations regarding uncompensated care, community service and access by all persons.

**(c) The extent to which Medicare, Medicaid, and medically indigent patients are served by the applicant;**

Tidewell Hospice, Inc. states the majority of its patients are Medicaid or Medicare eligible and care is provided regardless of ability to pay.

**(d) The extent to which the applicant offers a range of means by which a person will have access to its services.**

The applicant states that patients will be able to access the proposed project through the same avenues by which they access hospice care: hospitals, physicians, nursing facilities, home care agencies, assisted living facilities, group homes, family members, friends and self-referral among others. The applicant also contends that fund raising efforts create additional access and means by which persons can access hospice services.

**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)(a) and (b), Florida Statutes.**

**Availability**

Tidewell Hospice states it has provided quality end-of-life care to patients (and support services to families, friends and the communities) in four counties (Hospice Service Areas 6C, 8A and 8D) since 1980, regardless of patient age, race, sex, religion, or ability to pay, including a network of seven hospice houses.

Tidewell Hospice states that memorials, gifts, and donations from individuals, churches, businesses and community organizations allow services to be provided for individuals and families who do not have insurance coverage or the resources to provide for the care. According to the applicant, Medicare and Medicaid benefits cover physician services, nursing care, medical appliances and supplies, drugs, home health aide, therapy, medical social services, counseling and trained hospice volunteers. The applicant further states that short-term inpatient care and inpatient respite care are also covered, with some costs covered by private insurance.

**Quality of Care**

The applicant states Tidewell Hospice, accredited by the Community Health Accreditation Program (CHAP), provides quality care in contracted facilities and 24-hour total management hospice care in freestanding hospice facilities. CON application #10382 includes a current CHAP accreditation certificate for Tidewell Hospice, Inc.

**Accessibility**

Tidewell Hospice states that the proposed project will increase access to patients needing inpatient care and respite services for caregivers in need of a break from the stress of caregiving. The applicant states confidence that the proposed project will provide greater access for higher acuity patients directly into the (hospice) house. Further, Tidewell believes that the proposed project will provide physicians with confidence to discharge patients sooner into the proposed facility, with fewer patients dying in hospitals.

**Extent of Utilization of Existing Health Care Facilities and Health Services in the Applicant's Service Area**

Tidewell Hospice states and the reviewer confirms that Tidewell is the sole licensed hospice provider eligible to operate a freestanding inpatient hospice facility in its three service areas (this includes Hospice Service Area 6C-Manatee County). The applicant indicates that the provider-specific need for the proposed project is based primarily on the needs of its patients and the current limited access for patients in the local community who desire inpatient care in a freestanding hospice facility.

**Reasons a Freestanding Inpatient Hospice Facility Creates Better Access and Availability for Hospice Patients at the End of Life**

Tidewell Hospice states that hospice patients appropriate for the inpatient level of care require continuous nursing and observation that cannot effectively be managed in other settings. The applicant includes the following examples of symptoms:

- Pain or symptom crisis not managed by changes in treatment in the current setting or that requires frequent medication adjustments/monitoring
- Intractable nausea/vomiting
- Advanced open wounds requiring changes in treatment and close monitoring
- Unmanageable respiratory distress
- Delirium with behavior issues
- Sudden decline necessitating intensive nursing intervention
- Imminent death--only if skilled nursing needs are present

According to Tidewell, hospice beds in contracted facilities are not always available when needed but even when they are, hospice patients are not generally located on the same unit. Tidewell contends that physicians are often unwilling to discharge hospice-appropriate patients to their home due to acuity or care needs but would rather discharge the patient to the hospice house, if the inpatient level of care was available.

- b. **Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? ss. 408.035(1)(c) and (j), Florida Statutes.**

Tidewell Hospice states being Medicare and Medicaid certified and also states having:

- Achieved CHAP accreditation in 2008, including an accommodation for its Quality Assessment Performance Improvement Program which was “found to exceed federal regulations” and has held this status from CHAP since 2011
- Membership in the National Hospice and Palliative Care Organization (NHPCO) and complies with NHPCO standards
- Participated in the NHPCO Family Evaluation of Hospice Care (FEHC), an ongoing survey of survivor perceptions of care and service

Tidewell offers its NHPCO FEHC five quality indicator results from October 1, 2010 through September 30, 2014 (CON application #10382, page 11).

### **History of Providing Quality Care**

The applicant states it has provided quality and compassionate care in Sarasota, Manatee, Charlotte and DeSoto Counties since 1980 and is in compliance with state and federal laws and National Hospice Organization Standards. Tidewell Hospice operates seven hospice facilities that it states are strategically placed to ensure patients can stay closer to home and family.

### **Demonstration of the Ability to Provide Quality Care**

The applicant states that in addition to the provision of general hospice programs and services, quality care is demonstrated by its:

- Hospice Houses--Tidewell Hospice’s seven freestanding hospice facilities that provide care through its service areas
- Staffing--Unlike hospitals or nursing homes, staff is based entirely on end-of-life care needs, and includes a nurse to patient ratio of at a 1:6, in addition to a physician, LPNs, CNAs, social workers, chaplains and volunteers
- Nursing Services Guidelines--The applicant follows NHPCO guidelines for effective use of nursing services, considered essential for quality hospice nursing services, do not replace certification, licensure, and accreditation requirements but are in addition to these other quality measures

## **CON Action Number: 10382**

- Complementary Services--In addition to standard therapy services, Tidewell Hospice offers art, music, pet, horticulture, therapeutic touch, aroma, and caring touch therapies, in order to enhance and provide quality end-of-life care to all patients
- Children's Programs--Basic hospice precepts are adapted to meet the medical care standards for children, with programs designed for families and siblings of terminally ill children
- Veterans Programs--Tidewell Hospice states being a four-star member of the "We Honor Veterans" program, designed to provide support to veterans and their families through hospice staff training, allowing staff to offer programs specifically for those with a military service background
- Transitions--A stated volunteer-based, free program funded by Tidewell Hospice, which provides a care coordinator for patients and families adjusting to the realities of caregiving by assisting with food, errands, support, and respite care--this program is available to anyone who has been diagnosed with an advanced illness, has a prognosis of one year or less but who is not ready for hospice
- Grief Support--Grief specialists are on staff to provide integrated support through the hospice experience, with up to one year or more of phone support available to families after the death of a loved one, with specialists provided for survivors of terminally ill children

### **Quality Assessment and Performance Improvement**

Tidewell Hospice has a comprehensive Quality Assessment Performance Improvement (QAPI) Plan to provide ongoing monitoring of its performance and to improve care and services. The applicant indicates that the goals and objectives of the QAPI plan are to:

- Promote the provision of the highest quality patient care through systematic monitoring and evaluation of the quality and appropriateness of hospice program services
- Monitor allocation of hospice resources to identify and resolve problems in the utilization of those resources and to identify ways and means of more effectively allocating resources
- Identify, assess, and resolve known or potential problems that may adversely affect patient/family care
- Identify opportunities to improve care
- Assess the effectiveness of the provision of patient/family care by professional support staff
- Evaluate and monitor the effectiveness of actions taken to resolve identified problems

- Monitor the provision of care at all levels and continuity of care between levels of patient status, assessing appropriateness and timeliness of interventions
- Systematically monitor and implement corrective actions as they relate to the safety of patients, staff, volunteers, and visitors
- Identify needs in the areas of supervision and education of staff, including volunteers
- Recommend revisions of policies and procedures when reviews have identified problems

Agency records indicate that the applicant had one substantiated complaint during the three-year period ending May 20, 2015 in the category of nursing services.

Tidewell Hospice, Inc. demonstrates the ability to provide quality care.

- 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 benchmarks 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 Tidewell Hospice, Inc. and Related Entities and where the two short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

<b>CON 10382 Tidewell Hospice, Inc. and Related Entities</b>		
	<b>Jun-14</b>	<b>Jun-13</b>
Current Assets	\$105,851,962	\$85,237,400
Total Assets	\$148,831,068	\$129,582,928
Current Liabilities	\$8,196,799	\$6,027,859
Total Liabilities	\$8,196,799	\$6,027,859
Net Assets	\$140,634,269	\$123,555,069
Total Revenues	\$86,911,691	\$86,146,040
Excess of Revenues Over Expenses	\$5,262,709	\$4,061,581
Cash Flow from Operations	\$9,782,595	\$8,326,372
<b>Short-Term Analysis</b>		
Current Ratio (CA/CL)	12.9	14.1
Cash Flow to Current Liabilities (CFO/CL)	119.35%	138.13%
<b>Long-Term Analysis</b>		
Long-Term Debt to Net Assets (TL-CL/NA)	0.0%	0.0%
Total Margin (ER/TR)	6.06%	4.71%
<b>Measure of Available Funding</b>		
Working Capital	\$97,655,163	\$79,209,541

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

**Capital Requirements and Funding:**

On Schedule 2, the applicant indicates capital projects totaling \$8,498,138, which includes \$6,373,922 for this project.

Staff notes that total capital project costs reported for this CON application do not match that reported by the applicant in CON application #10380 of \$3,424,216, for a difference of \$5,073,922.

The total project cost for CON 10380 listed in this application indicate total costs of \$6,373,922, while land only costs for 10380 reported on Schedule 2 in CON application #10380 indicate \$1,300,000.

The \$5,073,922 difference appears to be the costs of the facility for CON application #10380, which was not reported in that application.



The applicant indicates on Schedule 3 of its application that funding for the project will be provided by cash on hand. With over \$97 million in working capital and \$19.4 million in cash and cash equivalents, the applicant has sufficient resources on hand to fund this and all capital projects listed.

**Staffing:**

Schedule 6 indicates, by September 30, 2018 (year one of operation), a total of 23.2 FTEs (inpatient only), with no year two estimates. See the table below.

**Tidewell Hospice, Inc. – CON application #10382  
Proposed 12-Bed Freestanding Inpatient Hospice Facility in  
Hospice Service Area 6C, Year One**

Staff Position	FTEs for Year One Ending 9/30/2018
<b>Administration</b>	
Director of Nursing	1.0
<b>Physicians</b>	
Medical Director	0.5
<b>Nursing</b>	
RNs	8.4
LPNs	2.1
Nurses’ Aides	8.4
<b>Dietary</b>	
Dietary Aides	1.8
<b>Social Services</b>	
Social Service Director	1.0
<b>Total</b>	<b>23.2</b>

Source: CON application #10382, Schedule 6

Notes to Schedule 6 indicate that staffing levels are based upon the applicant’s operating experience and are consistent with the applicant’s anticipated service caseloads. Notes also briefly discuss wage and salary costs and fringe benefits.

**Conclusion:**

Funding for this project and the entire capital budget should be available as needed.

- d. Will 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. Profitability for hospice is driven by two factors, volume of patients and length of stay/condition of the patient. A new hospice program in a service area with published need is more likely than not to be financial feasible since patient volume and mix is

presumed to be available in sufficient amounts to sustain a new program. The focus of our review will be on the reasonableness of projections, specifically the revenue.

The vast majority of hospice days are paid by Medicare (Medicaid is the next largest payer with similar reimbursement rates). As such, revenue is predictable by day and service type. Schedule 7 includes revenue by service type. We have divided the applicant’s projected revenues by the estimated Medicare reimbursement rates for each level of service in year two to estimate the total patient days that would be generated by that level of revenue. The results were then compared to the applicant’s estimated number of patient days. Calculated patient days that approximate the applicant’s projected patient days are considered reasonable and support the applicant’s assumptions of feasibility. Calculated patient days that vary widely from the applicant’s projected patient days call into question the applicant’s profitability assumptions and feasibility. The results of the calculations are summarized below.

**HOSPICE REVENUE (Year 2) TABLE 1**

**CON 10382**

**Tidewell Hospice, Inc.**

**County: Manatee**

**Year Two: Jun-19**

<b>CON 10382</b>	<b>Tidewell Hospice, Inc.</b>				
<b>Manatee</b>	<b>Wage Component</b>	<b>Wage Index</b>	<b>Adjusted Wage Amount</b>	<b>Unadjusted Component</b>	<b>Payment Rate</b>
<b>Base Rate Calculation</b>					
Routine Home Care	\$109.48	0.9516	\$104.18	\$49.86	\$154.04
Continuous Home Care	\$638.94	0.9516	\$608.02	\$290.97	\$898.99
Inpatient Respite	\$89.21	0.9516	\$84.89	\$75.60	\$160.49
General Inpatient	\$453.68	0.9516	\$431.72	\$255.09	\$686.81
<b>Year Two Comparison</b>	<b>Inflation Factor Year Two</b>	<b>Inflation Adjusted Payment Rate</b>	<b>Schedule 7 Revenue Year 2</b>	<b>Continuous Service Hours Provided</b>	<b>Calculated Patient Days</b>
Routine Home Care	1.110	\$171.04			0
Continuous Home Care	1.110	\$998.17		24	0
Inpatient Respite	1.110	\$178.20			0
General Inpatient	1.110	\$762.59	\$2,463,070		3,230
<b>Total</b>			<b>\$2,463,070</b>		<b>3,230</b>
			Days from Schedule 7		3,940
			<b>Difference</b>		<b>710</b>
			<b>Percentage Difference</b>		<b>18.02%</b>

The applicant appears to anticipate offering routine home care, inpatient respite care, and general inpatient care; however, the applicant did not allocate revenues among these categories on Schedule 7, and instead combined all revenues into a category titled “Daily Hospice Services.” Staff notes that this presentation prevents recalculating total patient days based on reimbursement rates. In addition, the single category may also contain revenue sources outside those analyzed by staff and which would normally be omitted from staff’s recalculation of revenue.

Given that staff has no way to properly allocate the year two revenues among the four Medicare reimbursement types, staff simply assumed all revenue to be general inpatient. Under this approach, the applicant’s projected patient days are 18.02 percent or 710 days more than the calculated patient days.

While a portion of this variance is likely due to the effect of having to include all revenues in the highest reimbursement category of general inpatient; however, the applicant’s notes to Schedule 7 indicate a difference in reimbursement rates (adjusted for inflation) used by the applicant compared to staff:

<b>Service</b>	<b>Applicant</b>	<b>Staff</b>
Routine Home Care	\$161.12	\$171.04
Continuous Home Care	N/A	\$998.17
Inpatient Respite	\$167.97	\$178.20
General Inpatient	\$718.24	\$762.59

We reviewed the applicant’s stated methodology and it is consistent with the methodology used by staff with a slight difference in inflation factor.

Because staff cannot determine how to allocate projected revenues, it is unable to determine if projected revenues or total patient days are over or understated.

The applicant expects operating profits from this project to increase from an operating loss of \$239,433 for year one to an operating profit of \$162,220 for year two.

**Conclusion:**

While staff cannot determine the reasonableness of the total patient days projected, given the size of the project and funding resources available, this project appears to be financially feasible.

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

**Analysis:**

The type of competition that would result in increased efficiencies, service, and quality is limited in health care in general and in hospice specifically. 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 hospice, price-based competition is almost non-existent. With 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 thus potentially delaying any immediate impact on competition. This service area only has one existing provider so approval of this application will, by definition, introduce competition to the market for the first time. However, given the existing barriers to price-based competition it is not clear that a new entrant will have a material impact on quality and cost-effectiveness.

**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.**

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

Based on the analysis of actual cost data of a similar project, the cost estimate for the proposed project provided in Schedule 9, Table A appears to be high. It should be noted the area of the resident rooms are much larger than the code requirement.

The project completion forecast provided in Schedule 10 appears 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.

**g. Does the applicant have a history of providing 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.**

The applicant states Tidewell Hospice is a Medicaid and Medicare provider and accepts all patients regardless of ability to pay. Tidewell asserts allocating 3.0 percent of total patient revenue to care for indigent patients. Tidewell maintains that rates paid for hospice services by Medicare, Medicaid and most other payers are set in advance. Below are the applicant’s stated FY 2015 Medicare reimbursement rates for Sarasota and Manatee Counties, Charlotte County and DeSoto County.

<b>FY 2015 Medicare Reimbursement Rate</b>			
<b>Level of Care</b>	<b>Sarasota and Manatee Counties</b>	<b>Charlotte County</b>	<b>DeSoto County</b>
Routine	\$154.04	\$146.37	\$146.37
Continuous Care	\$898.99	\$854.20	\$854.20
Inpatient Respite	\$160.49	\$154.24	\$154.24
General Inpatient	\$686.81	\$655.01	\$655.01

Source: CON application #10382, page 17, Table 5

The applicant states that the vast majority of patients are reimbursed by Medicare. The applicant maintains that Tidewell’s average payer mix by percent of patient days for the overall program for the years 2000 through 2013 are as follows, from CON application #10382, page 18, Table 6:

- Medicare--92.87 percent
- Private insurance--3.24 percent
- Medicaid--2.89 percent
- Patient pay--0.65 percent
- Charity--0.35 percent

The reviewer notes that these percentages total 100.0 percent.

Tidewell asserts that all their patients' needs are met and fully covered, relative to the life-limiting illness, including medications, oxygen, hospital beds or other home medical equipment, supplies and other needed items.

Tidewell indicates that it relies on donations, fundraising events and gifts from the community to ensure access to all who desire hospice care. Tidewell states that it ultimately makes its decisions based on quality of life rather than financial considerations.

The applicant's Schedule 7A shows the following projections for year one and two of the proposed project.

<b>Projected Payer Mix for Year One Ending 6/30/2018 and Year Two Ending 6/30/2019 of the Project</b>		
<b>Payer</b>	<b>Year One Ending 6/30/2018</b>	<b>Year Two Ending 6/30/2019</b>
Medicare	78.41%	78.93%
Medicaid	6.67%	6.60%
Commercial Insurance	9.21%	9.14%
Other Revenue	3.17%	3.05%
Self-Pay	2.54%	2.28%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CON application #10382, Schedule 7A

The reviewer notes that both year one and year two totals are arithmetically correct.

However, Tidewell Hospice, Inc.'s Schedule 10 indicates an anticipated initiation of service date of April 2017, indicating a year one ending of April 2018.

The applicant proposes no Medicaid or charity care conditions.

**F. SUMMARY**

**Tidewell Hospice, Inc. (CON application #10382)** proposes to establish a 12-bed freestanding inpatient hospice facility in Hospice Service Area 6C (Manatee County) at the corner of Lakewood Ranch Boulevard and Rangeland Parkway, Lakewood Ranch, Florida 34202. According to the applicant, the proposed project will better serve patients and families in the East Manatee County area of Lakewood Ranch. Tidewell expects the proposed project's issuance of license in January 2017 and initiation of service in April 2017.

The total project cost is \$6,373,922. Construction costs are \$3,521,909 and the project will involve 14,800 GSF of new construction. Costs covered are for land, building, equipment, project development, and start-up.

The applicant offers no conditions on the proposed project.

**Need/Access:**

The Agency does not publish need for inpatient hospice beds. Tidewell Hospice, Inc. is the sole licensed hospice provider in Hospice Service Area 6C. Tidewell Hospice contends that need for the proposed project is based on the following factors:

- Convenient proximity and improved ability to care for hospice patients in eastern Manatee County
- Elimination of fixed and variable expenses related to Tidewell's contract agreement Lakewood Ranch Medical Center resulting in an annualized cost savings of \$108,016
- By providing hospice services in its own freestanding facility, an estimated per patient day savings of \$32.13, when compared to the provision of services in a contracted hospital arrangement
- Immediate access to care and services such as such as hospice-certified physicians, nursing, medical social work, counseling, volunteer, chaplain services, and grief specialists--these services are not immediately accessible in contracting facilities
- Ability to meet the increased need for inpatient services created by increased referrals due to more emphasis of the medical community on palliative care and an informed consumer
- A supportive and therapeutic environment, which provides hospice-focused care
- An optimal environment, focusing on the quality of life and palliative end-of-life care in comparison to acute care provided by contracted facilities--the Hospice House is homelike, comfortable and serene
- Interdisciplinary Hospice staff members who are experienced in palliative care and are consistently available. In contracted facilities, patients are assigned beds that are typically scattered throughout the organization. This does not assure that care is provided by staff who are comfortable with palliative and hospice care. Treatment may begin more promptly and with greater continuity when administered by hospice staff who are familiar with the patient's needs
- Families are often more comfortable with the care and environment provided in a hospice house than in contracting facilities

**CON Action Number: 10382**

- Caregivers will take advantage of inpatient respite care that is offered in a homelike facility. Many refuse this needed service because it is offered in a nursing home. Families may have made promises to the patient that they would never send him/her to a nursing home or find the concept of a nursing home unacceptable
- Costs per adjusted patient days at hospitals significantly exceed what hospice pays and that it is better for hospitals to have acute care beds filled by acute care patients rather than hospice patients
- The most important advantage is for patients in terms of the availability of a quality, hospice-focused continuum of care

**Quality of Care:**

- The applicant provides hospice care in Sarasota, Manatee, Charlotte and DeSoto Counties since 1980, and is in compliance with State of Florida and federal laws
- Agency records indicate that the applicant had one substantiated complaint during the three-year period ending May 20, 2015 in the category of nursing services
- The applicant demonstrates the ability to provide quality care

**Financial Feasibility/Availability of Funds:**

- The applicant has an overall strong short-term position and an overall strong long-term position
- Funding for the project should be available as needed
- The project appears to be financially feasible
- The project is not likely to result in price-based competition

**Medicaid/Indigent/Charity Care:**

- Tidewell Hospice provides care to all who qualify for their services, and are not refused service based on payer type or ability to pay
- The applicant's Schedule 7A indicates that Medicaid will account for 6.67 percent of the project's total annual patient days in year one and 6.60 percent in year two of the proposed project
- Tidewell Hospice indicates that from years 2000 through 2013, an average of 0.35 percent of its patient days to charity care patients
- No Medicaid or charity care conditions are proposed



**Architectural:**

The cost estimate provided in Schedule 9, Table A appears to be high. The project completion forecast appears 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 #10382 to establish a 12-bed freestanding inpatient hospice facility in Manatee County, District 6, Hospice Service Area 6C. The total project cost is \$6,373,922. The project involves 14,800 GSF of new construction and a construction cost of \$3,521,909.

**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**