

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

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

SRGL Naples, LLC/CON #10406
500 Stevens Avenue, Suite 100
Solana Beach, California 92075

Authorized Representative: Bill Drake
(858) 792-9300

2. Service District/Subdistrict

District 8/Subdistrict 8-2 (Collier County)

B. PUBLIC HEARING

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

Letters of Support

The Agency received various letters of support submitted by the applicant. The letters were composed by local health care providers and professionals, local business owners, physician Paul J. Hobic M.D. and current residents of Carlisle Naples assisted living facility (ALF). North Collier Fire Control and Rescue District Fire Chief, Orly C. Stolts, also expressed his support for the proposed project.

C. PROJECT SUMMARY

SRGL Naples, LLC (CON application #10406), operated by Senior Resource Group (SRG), hereafter referred to as the applicant or as Carlisle Naples, proposes to establish a new 38-bed community nursing home in District 8 Subdistrict 2, Collier County, Florida.

SRG Naples operates one ALF in Florida:

- Carlisle Naples

The project involves 39,422 gross square feet (GSF) of new construction. The construction cost is \$7,538,058. Total project cost is \$13,733,324. Project cost includes land, building, equipment and project development costs.

The applicant proposes to condition the project as shown below:

- The acquisition of five-acre parcel to the east of the current structures to assure access and availability to nursing home care for all residents of the area
- Medicaid managed care expected to be 28 percent of the total resident days of care
- Inclusion of resident and employee satisfaction surveys to be incorporated into the nursing home as part of Quality Assurance and Performance Improvement (QAPI) process
- All private rooms to house the 38 community nursing home beds
- Assignment of a portion of the five-acre parcel to accommodate a fire station as part of the North Collier Fire Control and Rescue District

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, Dwight Aldridge analyzed the application with consultation from the financial analyst, Eric West of the Bureau of Central Services, who evaluated the financial data and Gregory Register 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 192 of the Florida Administrative Register dated October 2, 2015, a fixed need pool of 38 beds was published for Subdistrict 8-2 for the July 2018 Planning Horizon. Subdistrict 8-2 is comprised of Collier County.

After publication of this fixed need pool, zero existing Subdistrict 8-2 facilities filed exemption requests or filed expedited CON reviews to increase or add community nursing home beds.

As of November 18, 2015, Subdistrict 8-2 had 755 licensed and 30 approved community nursing home beds. During the 12-month period ending June 30, 2015, Subdistrict 8-2 experienced 88.90 percent utilization at 10 existing facilities. Below is a table illustrating nursing home patient days and occupancy within Subdistrict 8-2.

Collier County Nursing Home Patient Days and Occupancy July 1, 2014-June 30, 2015

Facility	Comm. Nursing Home Bed Inventory	Bed Days	Patient Days	Total Occupancy	Medicaid Occupancy
Aristocrat, The	60	21,900	18073	82.53%	45.70%
Bentley Care Center	7	2,555	2555	100.00%	0.00%
Chateau at Moorings Park, The	60	21,900	20624	94.17%	0.00%
Harborchase of Naples	40	14,600	11206	76.75%	28.07%
Heritage Healthcare & Rehabilitation Center	97	35,405	32838	92.75%	75.57%
Imperial Health Care Center	113	41,245	35,761	86.70%	44.71%
Lakeside Pavilion	120	43,800	40,776	93.10%	75.65%
ManorCare at Lely Palms	117	42,705	39,621	92.78%	42.38%
ManorCare Nursing and Rehabilitation Center	120	43,800	36,018	82.23%	59.30%
Premier Place at the Glenview	35	7,665	7,516	98.06%	0.00%
Total	755	275,575	244,988	88.90%	49.47%

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

The reviewer notes the current and projected population of Subdistrict 8-2 for the planning horizon. The projected population growth, both numerically and by percent are illustrated below.

Current and Projected Population Growth Rate Collier, District 8, and Florida January 2015 and January 2018

County	January 1, 2015 Population			January 1, 2018 Population		
	0-64	65+	Total	0-64	65+	Total
Collier	249,929	93,488	343,417	260,692	103,253	363,945
District 8	1,202,434	453,695	1,656,129	1,250,034	510,200	1,760,234
Florida	16,044,019	3,635,347	19,639,366	16,510,025	4,013,237	20,523,262
County	2015-2018 Increase			2015-2018 Growth Rate		
	0-64	65+	Total	0-64	65+	Total
Collier	10,763	9,765	20,528	4.3%	10.4%	5.9%
District 8	47,600	56,505	104,105	3.9%	12.5%	6.3%
Florida	466,006	37,7890	883,896	2.9%	10.0%	4.5%

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

The community nursing home beds per 1,000 residents for the 65+ population in the subdistrict are shown below.

Beds per 1,000 Residents Age 65 and Older

County	Community Beds	2015 Pop. Aged 65+	2015 Beds per 1,000	2018 Pop. Aged 65+	2018 Beds per 1,000
Collier	755	93,488	8	103,253	7
District 8	7,211	453,695	16	510,200	14
Florida	80,130	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, October 2015 Batching Cycle

The applicant contends that the proposed project accomplishes several objectives benefitting both current residents and those in the surrounding area. The applicant states the proposed project will be located in ZIP Code 34109 and notes this ZIP Code reflects a current

population of 29,968 residents with 30.9 percent (9,260) aged 65+. Carlisle Naples states that with a compounded annual growth rate of 3.1 percent for the 65+ population—skilled nursing care becomes a priority. The applicant indicates with the 38-bed SNF added to the existing ALF, the bed rate per 1,000 elderly raises and improves access and availability to nursing home care. Carlisle Naples reports that ZIP Code 34109 presently has two community nursing homes with 100 community beds, therefore the proposed project would increase access and availability to services.

The Carlisle Naples indicates that with 29 percent of the population aged 65+, the county's businesses support a large service sector that caters to retirement living. The applicant attests that Carlisle Naples offers housing as well as assisted living allowing residents to age in place. The applicant notes it serves an older population, with the average resident age being 87 years and notes as people age and the surrounding residential neighborhoods expand, a community nursing home becomes important to support the growth within the elderly cohort.

The applicant states that Carlisle Naples lies within ZIP Code 34109 in Collier County. The applicant notes that Collier County has 908 total nursing home beds, with 755 community nursing home beds. Carlisle Naples reports that of the 20 ZIP Codes within the subdistrict, only eight contain nursing homes. The applicant provides a chart on page 1-11 of CON application #10406 illustrating the distribution of nursing home beds by ZIP Code. Carlisle Naples provides population data on pages 1-11 through 1-15 to illustrate the need for the proposed project.

Carlisle Naples notes that Major Diagnostic Categories (MDC's) and Diagnosis Related Groups (DRGs) provide the basis for services. The applicant reports that the top 25 DRGs show a rate of 27 per 1,000 persons aged 65+ in the target ZIP Code (34109) compared to the Collier County rate of five per 1,000 elderly persons. The applicant provides data related to MDCs and DRGs for Collier County and the ZIP Code 34109 on pages 2-6 through 2-8 in CON application #10406.

The applicant indicates the proposed project increases access to services to the public and allows residents to remain on campus aligning with residents' aging-in-place request. SRGL maintains that the opportunity to remain on campus adds additional support and comfort when residents are no longer independent and require round-the-clock nursing care. The proposed project allows residents to remain close to family and friends familiar to them.

The applicant states the 38-bed community nursing home offers the following benefits:

- The 38 nursing home beds remain in Collier County
- Enhances the quality of care available in nursing homes proximate to residents
- In cooperation with the North Collier Fire Control and Rescue District, the applicant will donate part of the parcel for another fire station
- The Carlisle Naples, a rental community, offers a continuum of care services including independent and assisted living without the burden of a “buy-in fee”--allowing more residents access to the campus and its range of residences and supportive services
- Expansion will also include an ALF dedicated to memory care housing 56 beds
- The applicant offers an on-site health care clinic (Myclinic) rendering care to residents as well as employees (Paul Hobaica, M.D. and a physician assistant and nurses) providing emergency response and coordination with residents’ physicians to reduce hospital re-admission and manage chronic health conditions

The reviewer notes the applicant’s plan to expand the ALF to house 56 memory care beds is not a condition of approval for the proposed project.

- 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.

This 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.

Carlisle Naples states the proposed project adds 38 community beds to a campus which includes a 93-bed ALF as well as 257 independent living units. Carlisle Naples asserts it trains employees to engage with residents and offer assistance with resident-centered protocols providing guidance for all personnel. The applicant indicates its approach to medical and nursing care adopts a variety of hospitality practices from the industry as well as culture change initiatives arising from the efforts of the Pioneer Network and related advocacy forums.

The applicant maintains that SRG's wellness philosophy provides a key element for the various rehabilitation and restorative nursing services. Carlisle Naples notes that all resident care plans reflect the objective of returning the resident to his or her highest

functional capability. The applicant states other aspects of this objective are listed below:

- Live free of pain
- Focus on well-being
- Adapt to functional limitations
- Identify problems early, respond quickly, monitor progress
- Address the whole person—physically, emotionally, spiritually and intellectually
- Identify additional services or providers and engage them with family and the nursing center personnel to meet each resident's wishes

Carlisle Naples asserts that patient services will include:

- 24-hour nursing care
- Nutritional counseling and special diets
- Assistance with dressing, bathing, grooming, meals and mobility
- Medication dispensing and monitoring
- Physical, occupational and speech therapy on-site
- Massage therapy
- Medicare certified
- IV therapy
- Laboratory services
- X-ray service
- Wound management
- Physician referrals
- Individualized plan of care
- Social services
- Therapeutic recreational activities
- Volunteer program
- Security monitor system
- Private lavatory/shower
- Beauty/barber services
- Facility transportation services
- Optometry
- Podiatry
- Audiology
- Palliative care
- Hospice care
- Clinical lab test
- Ostomy care
- Enteral care
- Foley catheter care
- Diabetic care and management

The applicant addresses dementia care and states that it deals with Alzheimer's disease routinely in an ALF setting, however the progressive decline associated with Alzheimer's requires at the later stages 24-hour nursing care. To assure the highest level of care for individuals in progressive decline, the applicant indicates that the nursing center's staff receives training to best meet care needs, particularly when speech is no longer possible.

Carlisle Naples discusses care planning, stating that every resident receives a required assessment based on physician's admitting orders and part of the minimum data set (MDS) requirement. The applicant states that the admission team includes representatives from nursing, social services, activities and therapies. The applicant notes that performance standards exist to specify development and the timeline of each plan and engaging residents' family members to participate in care planning. The reviewer notes the applicant does not specifically discuss discharge planning but does include a detailed description of its care planning team on pages 2-4 through 2-5 of CON application #10406.

Carlisle Naples forecasted average length of stay (ALOS) for the first and second year of operation is and 30.99 days from revenue estimates on Schedule 7. The reviewer notes that the applicant projects admission numbers that are not whole numbers, the reviewer is unclear how admissions could be represented in this manner.

The applicant's Schedule 6 illustrates that FTEs for year one (ending June 30, 2019) total 32.3 and total 38.3 for year two (ending June 30, 2020). The proposed project's year one and year two FTEs are shown in the table below.

SRGL Naples, LLC (CON application #10406) Projected Year One and Year Two Staffing		
	Year One FTEs	Year Two FTEs
Administration		
Administrator	1.0	1.0
Assistant Administrator	1.0	1.0
Clerical	1.0	1.0
Director of Nursing	1.0	1.0
Medical Records	1.0	1.0
MDS Coordinator	1.0	1.0
Medical Director	0.3	0.3
Nursing		
RNs	3.0	3.0
LPNs	3.0	5.0
Nurses' Aides	12.0	15.0
Dietary		
Cooks	1.0	1.0
Dietary Aides	1.0	2.0
Social Services		
Social Service Director	1.0	1.0
Activity Director	1.0	1.0
Housekeeping		
Housekeepers	2.0	2.0
Laundry		
Laundry Aides	1.0	1.0
Plant Maintenance		
Maintenance Supervisor	1.0	1.0
Total	32.3	38.3

Source: CON application #10406, Schedule 6

The reviewer notes that the applicant does not show any FTE's for physical, speech and occupational therapy in its Schedule 6 however, the applicant indicates these services are contracted and reflected in the applicant's Schedule 8.

c. Quality of Care. In assessing the applicant's ability to provide quality of care pursuant to s. 408.035 (1) €, Florida Statutes, the agency shall evaluate the following facts and circumstances:

- 1. Whether the applicant has had a Chapter 400, Florida Statutes, nursing facility license denied, revoked or suspended within the 36 months prior to the current application.**

The applicant states it is a newly created entity and therefore has not had a nursing facility license denied, revoked or suspended within the 36 months prior to the current application.

- 2. Whether the applicant has had a nursing facility placed into receivership at any time during the period of ownership, management or leasing of a nursing facility in the 36 months prior to the current application?**

The applicant states it is a newly created entity therefore has not had a nursing home placed into receivership.

- 3. The extent to which the conditions identified within subparagraphs 1 and 2 threatened or resulted in direct significant harm to the health, safety or welfare of the nursing facility residents.**

The applicant indicates that this provision is not applicable.

- 4. The extent to which the conditions identified within subparagraph 3 were corrected within the time frames allowed by the appropriate state agency in each respective state and in a manner satisfactory to the Agency.**

The applicant indicates that this provision is not applicable.

- 5. Rule 59C-1.036 (4) (f) Harmful Conditions. The Agency shall question the ability of the applicant to provide quality of care within any nursing facility when the conditions identified in the subparagraph (e) 1 and (e) 2 result in the direct, significant harm to the health, safety or welfare of a nursing facility resident, and were not corrected within the time frames allowed by the appropriate state agency in each respective state and in a manner satisfactory with the Agency.**

The applicant indicates that this provision is not applicable, since there have been no violations.

- d. Rule 59C-1.036 (5) Utilization Reports. Within 45 days after the end of each calendar quarter, facilities with nursing facility beds licensed under Chapter 400, Florida Statutes shall report to the Agency, or its designee, the total number of patient days, which occurred in each month of the quarter, and the number of such days that were Medicaid patient days.**

The applicant states that it will provide the required data to the applicable local health council and to the Agency.

3. Statutory Review Criteria

- a. Is need for the project evidenced by the availability, quality of care, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? ss. 408.035 (1)(b) and € , Florida Statutes.**

There are 38 licensed community nursing homes with a total of 7,225 community nursing home beds in District 8. Subdistrict 8-2 is composed of Collier County and has 10 licensed community nursing homes with a total of 755 community nursing home beds and one approved community nursing home with 30 community nursing home beds. The subdistrict averaged 88.90 percent total occupancy for the 12-month period ending June 30, 2015.

Carlisle Naples states that the proposed project enhances care to all persons, including minorities, as provisions exist to enroll persons with various forms of coverage, including Medicaid recipients through managed care plans and other insurers—promoting access and widening the numbers of persons who can be served. The applicant affirms that by increasing the number of beds at Carlisle Naples, resident choice and timely admissions will be improved as well as access and availability to the public. Carlisle Naples asserts that its wellness programs and services enhance the overall health status of residents, including those residing in the existing ALF.

Based on current experience at Carlisle Naples, the applicant anticipates an admission rate of eight persons per month from the existing community and expects the majority of admission will derive from the general public. The applicant notes that the proposed facility will have all private rooms and handicapped accessible facilities. Carlisle Naples has conditioned approval on the development of another fire station on the property to expand availability of additional fire protection to the general public.

The applicant maintains its commitment to providing quality care to residents and references SRG's many awards and accolades from a variety of organizations. Carlisle Naples states that creating neighborhoods with the building and the resort style amenities reflects further commitment to resident-centered care and provides accessible quality care to the public.

Carlisle Naples presents baseline information and the forecasted nursing home days expected in Collier County in the proposed second year of operation, ending June 30, 2020. The forecast below reflects the expected second year resident days for the proposed project. The

applicant notes that resident days increases by 37,779 in the year 2020, producing 282,767 expected resident days per 1,000 persons aged 65+. In the second table the applicant shows the projected admissions per payer type as well as each ALOS associated with the source of reimbursement.

Forecasted Utilization for Carlisle Naples Assuming an 80 Percent Occupancy Rate, Second Year of Operation

Baseline	Factor
Subdistrict population 65+	101,655
Nursing Home Resident Days	244,988
Average Daily Census	671
Days per 1,000 persons 65+	2,410
Licensed Community Beds	755
Beds Per 1,000 persons 65	7
Forecast: Year 2 June 2020	Factor
Subdistrict population 65+	117,331
Days per 1,000 persons 65+	2,410
Expected Days per 1,000 65+	282,767
Baseline Nursing Home Days	244,988
Difference in Expected and Baseline Days	37,779
Carlisle Nursing Home Days	11,126
Days remaining for other nursing homes	26,653

Source: CON application # 10406, page 1-19

Forecasted Nursing Home Admission by Payer and Average Length of Stay, First Two Years of Operation

Payer	Year One	Year Two	Year One: Average Length of Stay	Year Two2: Average Length of Stay
	(7/18-6/19) Resident Admits	(7/19-6/20) Resident Admits		
Medicare	94	150	27	27
Medicare Managed Care	30	48	22	22
Medicaid Managed Care	5	9	365	365
Commercial Insurance	14	22	25	25
Private Pay	69	111	18	18
Other	12	19	18	18
Total	224	359	31	31

Source: CON application #10406, page 1-20

- 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.**

Carlisle Naples states that it does not have a history of providing quality of care in a nursing home setting because it is a newly formed entity. However, the applicant notes that its parent company SRG is committed to providing quality care. The applicant attests that Carlisle Naples proudly bears Commission on Accreditation of Rehabilitation Facilities

(CARF) accreditation, a symbol of dedication in all aspects of providing care for the seniors in assisted living and plans to extend the accreditation to the proposed project.

SRG indicates it will implement and utilize the nursing home standardized Quality Assurance and Performance Improvement plan (QAPI). The applicant states by following a rigorous protocol for implementation, personnel have the necessary tools to address the variety of situations that occur while rendering 24-hour medical and nursing care.

Carlisle Naples emphasizes its commitment to residents to provide quality care. The applicant states that the Quality Assurance Committee meets monthly to document and report the results of monitoring activities. The applicant states that the committee will meet regularly and focus on the following topics related to care:

- Problem identification
- Measurement against benchmarks
- Corrective actions
- Follow-up
- Residents' rights
- Customer satisfaction

Carlisle Naples provides an overview of the QAPI process and includes procedural forms on pages 4-3 through 4-6 of CON application #10406.

- 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.

SRGL Naples, LLC		
	Current Year	Previous Year
Current Assets	\$1,052,957	\$1,457,647
Total Assets	\$4,127,161	\$3,193,293
Current Liabilities	\$1,010,061	\$1,298,552
Total Liabilities	\$5,101,901	\$4,404,780
Net Assets	(\$974,740)	(\$1,211,487)
Total Revenues	\$18,094,970	\$17,306,934
Excess of Revenues Over Expenses	\$155,747	(\$147,720)
Cash Flow from Operations	\$1,125,201	\$890,733
Short-Term Analysis		
Current Ratio (CA/CL)	1.0	1.1
Cash Flow to Current Liabilities (CFO/CL)	111.40%	68.59%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	-419.8%	-256.4%
Total Margin (ER/TR)	0.86%	-0.85%
Measure of Available Funding		
Working Capital	\$42,896	\$159,095

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%

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 SRGL Naples, LLC, the applicant. Schedule 3 indicates that funding will come from a non-related company, Ventas.

Capital Requirements and Funding:

The applicant indicates on Schedule 2 capital projects totaling \$20,783,324 which includes this project (\$13,733,324), routine capital expenditures (\$250,000), and an expansion of ALF memory care unit (\$6,800,000). The applicant indicates on Schedule 3 of its application

that funding for the project will be provided by non-related company financing (Ventas Healthcare Realty, LLC). The applicant provided a letter from Ventas committing to fund this project. Ventas provided its third quarter 2015 supplemental information and its 2014 annual report. However, no audited financial statements were provided for analysis to determine availability to provide funding. In addition, the applicant did not provide funding information for the ALF memory care unit

Conclusion:

Funding for this project and all capital expenditures are 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 SNFs as reported on Medicaid cost reports (2012 and 2013 cost report years). For our comparison group, we selected SNFs with similar Medicaid utilizations to the utilization projected by the applicant on a per patient day basis (PPD). Comparison group data was adjusted for inflation to match the second year projection (inflation factor was based on the New CMS Market Basket Price Index as published in the 3rd Quarter 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	4,754,704	427	2,068	596	313
Total Expenses	4,730,557	425	1,979	564	371
Operating Income	24,147	2	176	24	-173
Operating Margin	0.51%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	11,126	80.00%	97.64%	91.27%	33.72%
Medicaid	3,115	28.00%	29.81%	20.22%	0.00%
Medicare	5,118	46.00%	98.02%	36.70%	6.50%

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 range of actual results in our group for small nursing homes is wide due to the small volume of nursing homes in the group and associated scale of cost and revenue. In addition, the total cost appears to include at least the minimum staffing required. Therefore, the overall profitability appears achievable.

Conclusion:

This project appears to be financially feasible based on the projections provided by the applicant.

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

Analysis:

The type of competition that would result in increased efficiencies, service, and quality is limited in health care. Cost-effectiveness through competition is typically achieved via a combination of competitive pricing that forces more efficient cost to remain profitable and offering higher quality and additional services to attract patients from competitors. Since Medicare and Medicaid are the primary payers in the nursing home industry, price-based competition is limited. With a large portion of the revenue stream essentially fixed on a per patient basis, the available margin to increase quality and offer additional services is

limited. In addition, competitive forces truly do not begin to take shape until existing business' market share is threatened. The publication of need in this area suggests that there is an unmet and untapped customer base for a new entrant to absorb. Since nursing home services are limited to available beds and the need formula suggest excess capacity in the market to fill those beds, the impact on market share would be limited. The combination of the existing health care system's barrier to price-based competition via fixed price payers and the existence of unmet need in the district limits any significant gains in cost-effectiveness and quality that would be generated from competition.

Conclusion:

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

- f. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035 (1) (h), Florida Statutes; Ch. 59A-4, Florida Administrative Code.**

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant owner. Approval from the Agency for Health Care Administration's Office of Plans and Construction is required before the commencement of any construction.

- g. Does the applicant have a history of and propose the provision of health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035 (1) (i), Florida Statutes.**

A five-year history of Medicaid patient days and occupancy for the subdistrict, district and state is provided in the table below.

Medicaid Patient Days and Medicaid Occupancy in Charlotte County, District 8 and Florida

Medicaid Patient Days					
Facility/Area	2010	2011	2012	2013	2014
Collier	120,971	118,460	115,896	117,048	121,205
District 8	1,184,832	1,198,660	1,212,391	1,207,330	1,266,701
Florida	15,530,575	15,612,015	15,733,318	15,700,197	15,870,092
Medicaid Occupancy					
Facility/Area	2010	2011	2012	2013	2014
Collier	49.88%	48.71%	47.34%	48.14%	49.47%
District 8	56.92%	57.18%	57.39%	56.43%	57.54%
Florida	61.33%	61.56%	61.85%	61.66%	61.88%

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

As a new entity, the applicant has no Medicaid experience on which to report but notes that the Carlisle Naples’ broad mission to seniors creates an environment that provides dignity and self-direction to its residents, providing both long-term and short-term care. The applicant indicates that emphasis will be placed on rehabilitation and restorative care, with the objective of helping residents reach the highest functional capabilities. The applicant provides a list of long-term care Medicaid Managed Care Plans available to nursing home recipients on page 9-2 of CON application #10406. The applicant indicates that by seeking contracts with a variety of insurers, including managed care plans and those for Medicaid recipients, the Carlisle Naples promotes access and widening the numbers of residents who can be served by the proposed facility.

Carlisle Naples states it understands that Medicare and Medicaid Conditions of Participation must be met to remain an active provider within the programs. The applicant asserts its commitment to residents and states it does not have policies that discriminate.

The applicant provides the forecasted patient days by payer source and ALOS. See table below.

**Forecasted Resident Days by Payer Source
First Two Years of Operation**

Payer	Year One (7/18-6/19) Resident Days	Year Two (7/19-6/20) Resident Days	Percent of Days
Medicare	2,529	4,058	36.5%
Medicare Managed Care	661	1,060	9.5%
Medicaid Managed Care	1,942	3,115	28.0%
Commercial Insurance	347	556	5.0%
Private Pay	1,248	2,003	18.0%
Other	208	334	3.0%
Total	6,935	11,126	100.0%

Source: CON application # 10406

**Forecasted Averaged Daily Census,
First Two Years Operation**

	ADC Year One	ADC Year Two
Medicare	7	11
Medicare Managed Care	2	3
Medicaid Managed Care	5	9
Commercial Insurance	1	2
Private Pay	3	5
Other	1	1
Total	19	30
Occupancy Percent	50.0%	80.0%

Source: CON application # 10406, page 3-16

The Carlisle Naples’ forecast by payer expects Medicare and Medicare Managed care to account for a greater portion of resident days than other payers. With 38 community beds and the continuum care on the campus, residents are likely to return to their homes or to the ALF. The applicant assumes an 80 percent occupancy rate in the second year, lower than the current reported county occupancy rate of 88.9 percent. Carlisle Naples’ states that the lower occupancy rate, which departs from the average, reflects that continued managed care initiatives and alternative placement reduce nursing home admission and shorten lengths of stay.

The applicant’s Schedule 7 indicates that Medicaid and self-pay represent 28 percent and 18 percent, respectively, of both year one and year two annual total patient days. The applicant conditions approval of the proposed project on a Medicaid condition of 28 percent of total resident days of care.

F. SUMMARY

SRGL Naples, LLC (CON application #10406), operated by SRGL, proposes to establish a new 38-bed community nursing home in District 8 Subdistrict 2, Collier County, Florida. SRGL Naples, LLC operates one ALF in Florida.

The project involves 39,422 GSF of new construction. The construction cost is \$7,538,058. Total project cost is \$13,733,324. Project cost includes land, building, equipment and project development costs.

The applicant proposed five conditions to CON approval on the applicant's Schedule C.

Need:

In Volume 41, Number 192 of the Florida Administrative Register dated October 2, 2015, a fixed need pool of 38 beds was published for Subdistrict 8-2 for the July 2018 Planning Horizon. Subdistrict 8-2 is comprised of Collier County.

As of November 18, 2015, Subdistrict 8-2 had 755 licensed and 30 approved community nursing home beds. During the 12-month period ending June 30, 2015, Subdistrict 8-2 experienced 88.90 percent utilization at ten existing facilities.

The applicant indicates the proposed project increases access to services to the public and allows residents to remain on campus aligning with residents' aging-in-place request. SRGL maintains that the opportunity to remain on campus adds additional support and comfort when residents are no longer independent and require round-the-clock nursing care. The proposed project allows residents to remain close to family and friends familiar to them.

The applicant states the 38-bed community nursing home offers the following benefits:

- The 38 nursing home beds remain in Collier County
- Enhances the quality of care available in nursing homes proximate to residents
- In cooperation with the North Collier Fire Control and Rescue District, the applicant will donate part of the parcel for another fire station
- The Carlisle Naples, a rental community, offers a continuum of care services including independent and assisted living without the burden of a "buy-in fee"--allowing more residents access to the campus and its range of residences and supportive services
- Expansion will also include an ALF dedicated to memory care housing 56 beds

- The applicant offers an on-site health care clinic (Myclinic) rendering care to residents as well as employees with Paul Hobaica, M.D. and a physician assistant and nurses—providing emergency response and coordination with residents’ physicians to reduce hospital re-admission and manage chronic health conditions

Quality of Care:

Carlisle Naples states that it does not have a history of providing quality of care in a nursing home setting because it is a newly formed entity.

The applicant attests that Carlisle Naples proudly bears Commission on Accreditation of Rehabilitation Facilities (CARF) accreditation, a symbol of dedication in all aspects of providing care for the seniors in assisted living and plans to extend the accreditation to the proposed project.

SRG indicates it will implement and utilize the nursing home standardized Quality Assurance and Performance Improvement plan (QAPI). The applicant states by following a rigorous protocol for implementation, personnel have the necessary tools to address the variety of situations that occur while rendering 24-hour medical and nursing care.

The applicant described its ability to provide quality care.

Financial Feasibility/Availability of Funds:

Funding for this project and all capital expenditures are in question. Based on the information provided in Schedule 6, the applicant’s projected staffing meets the statutory requirement. This project appears to be financially feasible based on the projections provided by the applicant.

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

Medicaid/Charity Care:

The applicant proposes to condition the project approval on Medicaid managed care expected to be 28 percent of total resident days of care.

The applicant’s Schedule 7 indicates that Medicaid and self-pay represent 28 percent and 18 percent, respectively, of year one and year two annual total patient days.

Architectural:

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. 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 #10406 to establish a new 38-bed community nursing home in District 8, Subdistrict 2, Collier, County. The total project cost is \$13,733,324. The project involves 39,422 GSF of new construction and a construction cost of \$7,538,058.

CONDITIONS:

- The acquisition of five-acre parcel to the east of the current structures to assure access and availability to nursing home care for all residents of the area
- Medicaid managed care expected to be 28 percent of the total resident days of care
- Inclusion of resident and employee satisfaction surveys to be incorporated into the nursing home as part of Quality Assurance and Performance Improvement (QAPI) process
- All private rooms to house the 38 community nursing home beds
- Assignment of a portion of the five-acre parcel to accommodate a fire station as part of the North Collier Fire Control and Rescue District

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 Administration Service Manager
Certificate of Need