

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Okeechobee Healthcare Facility, LLC/CON #10556**

1646 Highway 441 North  
Okeechobee, Florida 34972

Authorized Representative: Faye A. Haverlock  
(863) 357-2442

2. Service District/Subdistrict

District 9/Subdistrict 9-3 (Okeechobee County)

**B. PUBLIC HEARING**

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

**Letters of Support**

The Agency did not receive any letters of support regarding the proposed project. The applicant did not include any letters of support within CON application #10556.

**C. PROJECT SUMMARY**

**Okeechobee Healthcare Facility, LLC (CON application #10556)** hereafter referred to as OHF or the applicant, a for-profit skilled nursing facility (SNF) proposes to add five community nursing home beds to the existing 180-bed facility in Subdistrict 9-3 (Okeechobee County). The existing facility currently has one exemption to add 20 community

nursing home beds. The proposed addition plus the exemption will result in a 205-bed SNF should the proposal be approved.

The applicant anticipates issuance of license in December 2019 and initiation of services in January 2020.

The project involves 1,470 gross square feet (GSF) of renovation with a construction cost of \$37,500. Total project cost is \$108,963. Project cost includes building, equipment and project development costs.

The applicant did not submit any conditions for the proposed project.

Total GSF and Project Costs of CON Application #10556					
Applicant	CON #	Project	GSF	Costs \$	Cost Per Bed
Okeechobee Healthcare Facility	10556	5-Bed Addition to approved	1,470	\$108,963	\$21,793

Source: CON application 10556, Schedule 1 and 9

*Issuance of a CON is required prior to licensure of certain health care facilities and services. The review of a CON application and ultimate approval or denial of a proposed project is based upon the applicable statutory criteria in the Health Facility and Services Development Act (408.031-408.045, Florida Statutes) and applicable rule criteria within Chapters 59C-1 and 59C-2, Florida Administrative Code. An approved CON does not guarantee licensure of the proposed project. Meeting the applicable licensure requirements and licensure of the proposed project is the sole responsibility of the applicant.*

#### **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, Marisol Fitch analyzed the application, with consultation from the financial analyst, Everett “Butch” Broussard, of the Bureau of Central Services, who evaluated the financial data and Scott Waltz 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 44, Number 190 of the Florida Administrative Register dated September 28, 2018, need for five community nursing home beds was published in the fixed need pool for Subdistrict 9-3 for the July 2021 Planning Horizon.

As of the omission deadline for the October 2018 Other Beds & Programs Batching Cycle, December 26, 2018, there was one exemption approved to add beds to Okeechobee County—Exemption #180036 to add 20 community nursing home beds to Okeechobee Health Care Facility (approved December 19, 2018).

There is one licensed community nursing home bed provider in Okeechobee County. The utilization for this facility from July 2017 – June 2018 is provided below:

<b>Okeechobee Health Care Facility, Subdistrict 9-3, Utilization July 1, 2017 - June 30, 2018</b>			
<b>Licensed Community Beds</b>	<b>Bed Days</b>	<b>Patient Days</b>	<b>Utilization</b>
180	65,700	63,498	96.65%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2018 Batching Cycle

The reviewer notes the current and projected population of Okeechobee County, the district in total and Florida for the planning horizon. The projected population growth, both numerically and by percent, is provided in the table below.

<b>Okeechobee County Population Change Comparisons</b>						
<b>County/Area</b>	<b>July 1, 2018 Population</b>			<b>July 1, 2021 Population</b>		
	<b>0-64</b>	<b>65+</b>	<b>Total</b>	<b>0-64</b>	<b>65+</b>	<b>Total</b>
<b>Okeechobee</b>	33,523	7,600	41,123	33,794	7,999	41,793
<b>District 9</b>	1,596,194	501,774	2,097,968	1,637,998	542,121	2,180,119
<b>Florida</b>	16,583,433	4,080,266	20,663,699	17,028,574	4,457,999	21,486,573
<b>County/Area</b>	<b>2018 - 2021 Increase</b>			<b>2018 - 2021 Growth Rate</b>		
	<b>0-64</b>	<b>65+</b>	<b>Total</b>	<b>0-64</b>	<b>65+</b>	<b>Total</b>
<b>Okeechobee</b>	271	399	670	0.81%	5.25%	1.63%
<b>District 9</b>	41,804	40,347	82,151	2.62%	8.04%	3.92%
<b>Florida</b>	445,141	377,733	822,874	2.68%	9.26%	3.98%

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

The community nursing home bed ratio per 1,000 residents for the age 65+ cohort in the subdistrict is shown below.

<b>Okeechobee Bed to Population Ratio</b>					
<b>County/Area</b>	<b>Community Beds</b>	<b>2018 Pop. Aged 65+</b>	<b>2018 Bed: Pop. Ratio per 1,000</b>	<b>2021 Pop. Aged 65+</b>	<b>2021 Bed: Pop. Ratio per 1,000</b>
<b>Okeechobee</b>	180	7,600	23.68	7,999	22.50
<b>District 9</b>	8,542	501,774	17.02	542,121	15.76
<b>Florida</b>	80,580	4,080,266	19.74	4,457,999	18.07

Source: Florida Agency for Health Care Administration Population Estimates, February 2015 and Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2018 Batching Cycle

**Okeechobee Healthcare Facility, LLC (CON application #10556)** states that the proposed project is being submitted in response to the Agency's fixed need pool publication dated September 28, 2018.

OHF indicates that in rural communities, such as Okeechobee County, fewer health care resources exist—there is only one SNF, one hospital, one assisted living facility (ALF) and one home health agency in Okeechobee County. The applicant maintains that limited health

resources place higher demand on the existing facilities, such as OHF. OHF notes that Okeechobee County outpaces all other District 9 nursing home subdistricts in the use rate of nursing home patient days per 1,000 elderly.

The applicant states that it serves all of Okeechobee County and that there are no other SNFs within a 30-mile radius of the existing facility. OHF indicates that it is adjacent to the sole hospital in the county, Raulerson Hospital, which forms a healthcare hub for the county.

OHF maintains that the proposed five-bed addition offers the following benefits:

- Beds are placed into service by January 1, 2020, in advance of the July 2021 planning horizon
- Construction costs are minimal, as the current 20-bed addition under development can easily accommodate five additional beds
- The project is economically feasible, as administrative and overhead costs are spread over a greater number of beds
- Location places beds into service where demand for skilled nursing care is high and options are limited
- Location improves access to a growing elderly population

## **2. Agency Rule Preferences**

**Please indicate how each applicable preference for the type of service proposed is met. Chapter 59C-1.036, Florida Administrative Code.**

Chapter 59C-1.036 of the Florida Administrative Code does not contain preferences relative to community nursing home beds nor does the Agency publish specific preferences for these facilities. However, the rule does contain standards the Agency utilizes in assessing an applicant's ability to provide quality care to the residents.

- a. **Geographically Underserved Areas.** In a competitive certificate of need review within the nursing home subdistrict as defined in 59C-2.200, Florida Administrative Code, the Agency shall award a certificate of need if the applicant meets all applicable criteria for a geographically underserved area as specified in subsection 408.032(18), Florida Statutes, and if the applicant meets the applicable statutory certificate of need review criteria specified in section 408.035, Florida Statutes, including bed need according to the relevant bed need formula contained in this rule. If the applicant is awarded a certificate of need based on the provisions of this paragraph, the applicant shall agree that the nursing facility will be located in a county without a nursing facility, or in the center of an area within the subdistrict of a radius of at least 20 miles which meets the definition of a geographically underserved area. The center of the geographically underserved area shall be the proposed nursing home location in the application.

The applicant did not submit CON application #10556 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.

**Okeechobee Healthcare Facility, LLC (CON application #10556)** indicates that in order to determine the level of need for specific services to be offered, it analyzed hospital discharges to nursing homes for Okeechobee County residents age 65+. The applicant examined all Major Diagnostic Categories (MDCs) to determine the types of conditions and disorders that would be admitted to a SNF. Based on their analysis, the applicant identified 20 MDCs discharged from hospital settings to SNFs for Okeechobee County residents age 65+. See the table below.

<b>Hospital Discharges to SNF by MDC For Okeechobee Residents Age 65+, CY 2017</b>		
<b>MDC</b>	<b>Cases</b>	<b>Percent</b>
08-Diseases and Disorders of the Musculoskeletal System and Conn Tissue	119	22.6%
05-Diseases and Disorders of the Circulatory System	88	16.7%
04-Diseases and Disorders of the Respiratory System	67	12.7%
18-Infectious and Parasitic Diseases, Systemic or Unspecified Sites	65	12.4%
01-Diseases and Disorders of the Nervous System	50	9.5%
06-Diseases and Disorders of the Digestive System	37	7.0%
11-Diseases and Disorders of the Kidney and Urinary Tract	31	5.9%
10-Endocrine, Nutritional and Metabolic Diseases and Disorders	12	2.3%
19 Mental Diseases and Disorders	10	1.9%
23-Factors Influencing Hlth Stat and Other Contracts with Hlth Services	10	1.9%
09-Diseases and Disorders of the Skin, Subcutaneous Tissue and Breast	8	1.5%
16-Diseases and Disorders of Blood, Blood Forming Organs, Immunolog Disord	8	1.5%
07-Diseases and Disorders of the Hepatobiliary System and Pancreas	6	1.1%
03-Diseases and Disorders of the Ear, Nose, Mouth and Throat	5	1.0%
21-Injuries, Poisonings and Toxic Effects of Drugs	4	0.8%
17-Myeloproliferative Diseases and Disorders, Poorly Differentiated Neoplasm	2	0.4%
12-Diseases and Disorders of the Male Reproductive System	1	0.2%
13-Diseases and Disorders of the Female Reproductive System	1	0.2%
20 Alcohol/Drug Use and Alcohol/Drug Induced Organic Mental Disorders	1	0.2%
00-PreMDC	1	0.2%
<b>Grand Total</b>	<b>526</b>	<b>100.0%</b>

Source: CON application #10556, page 2-3, table 2-1

The applicant indicates that its location (adjacent to Okeechobee County's only hospital) has increased the demand for short-term rehabilitation. OHF maintains that the proposed five-bed addition along with the approved 20-bed addition through exemption will allow it to accept a greater number of residents rehabilitating from an acute injury/illness while still meeting the long-term needs of Okeechobee County. The applicant notes that the 25-bed proposed addition includes five private rooms to accommodate elders with an infectious disease.

OHF states that the existing facility is certified for both Medicare and Medicaid. The applicant notes services that are provided at the existing facility include but are not limited to the following:

- Physical, occupational and speech therapies
- Orthopedic rehabilitation
- Neurological rehabilitation
- Pulmonary rehabilitation
- Medical management

- Palliative care
- Hospice care
- Wound care

The applicant indicates that a recommendation from a physician is required to gain admission to the existing facility. OHF maintains that upon admission, each resident is provided an orientation of the facility as well as an initial assessment. Upon admission, the applicant states that each resident receives an Admission Packet detailing the agreement between the facility and the resident. OHF asserts that each resident receives a comprehensive assessment utilizing the CMS assessment tool incorporating the “Minimum Data Set” elements as well as those elements specific to Florida. The applicant states that the resident must participate in the assessment and completion of a Pre-Admission Screen and Resident Review (PASRR). OHF indicates that the PASRR identifies serious mental illness and intellectual disabilities that may preclude a specific type of SNF placement. The applicant states that residents are reassessed as their condition changes and if there is no demonstrable change, staff completes a portion of the assessment quarterly with the full assessment completed annually.

Regarding a care plan, OHF indicates that when admitted, the facility develops a baseline care plan within 48 hours of admission. The applicant notes that resident-centered comprehensive care plans require completion within seven days and that an interdisciplinary team prepares the care plan, with participation of the attending physician, registered nurse, nurse aide, as well as food and nutrition staff. OHF points out that the resident should participate in the care plan development process and that if it is not practical to include the resident, the medical record documents why the resident did not participate.

OHF contends that an individualized care plan must include measurable objectives and timetables that meet the resident’s medical, nursing, mental and psychosocial needs. According to the applicant, a care plan builds on the resident’s strengths and discharge goals, while incorporating identified problems and risk factors. OHF indicates that a member from social services notifies the resident’s family or representative of care plan meetings.

Regarding discharge, a resident-specific discharge plan begins when the resident is admitted to the facility, per the applicant, and this plan incorporates the resident’s goals for care, treatment preferences and needs associated with reducing preventable



readmissions. OHF maintains that the plan includes an assessment of caregiver needs along with whether the resident has access to a caregiver or support capable of providing the type of care needed. The applicant points out that the post-discharge plan of care indicates where the resident will reside, the arrangements already made for follow-up care, and medical/non-medical services needed. OHF notes that staff follow-up with agencies to which a resident was referred to ensure the resident is receiving necessary services after discharge.

OHF notes that the proposed five-bed addition will account for 1,021 and 1,554 resident days respectively, for the first two years of operation. The applicant provides the following table detailing its projected utilization, average length of stay (ALOS) and average daily census (ADC) for the first two years of operation. See the table below.

<b>Projected Admissions, Patient Days, ALOS and ADC First Two Years of Operation for the Five-Bed Addition and 205-Bed Facility</b>				
	<b>Five-Bed Addition</b>		<b>205 Beds</b>	
	<b>Year One</b>	<b>Year Two</b>	<b>Year One</b>	<b>Year Two</b>
Admissions	53	81	517	456
Resident Days	1,021	1,554	69,080	69,444
ALOS	19	19	134	152
ADC	3	4	189	190

Source: CON application #10556, page 2-8, table 2-2

The applicant's Schedule 6A indicates that the applicant proposes five additional FTEs in the first year of operation (ending December 31, 2020) and second year of operation (ending December 31, 2021) for the proposed five-bed addition. See the table below.

<b>Okeechobee Healthcare Facility, LLC (CON application #10556) Projected Year One and Year Two Staffing</b>		
	<b>Year One FTEs</b>	<b>Year Two FTEs</b>
<b>Nursing</b>		
RNs	1.0	1.0
LPNs	1.0	1.0
Nurses' Aides	3.0	3.0
<b>Total</b>	<b>5.0</b>	<b>5.0</b>

Source: CON application #10556, Schedule 6A

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

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

The applicant states that it has not had a SNF license denied, revoked or suspended. OHF notes that it currently operates as a Governor's Gold Seal facility.

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?**

OHF attests that it has not had a SNF 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 states that because there have been no violations, this provision does not apply.

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.**

OHF maintains that because there have been no violations, this provision does not apply.

- 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 indicates that it will continue to report required data to the Health Council of Southeast Florida and to the Agency. OHF attests that this data includes the above-cited utilization reports as well as required licensure and financial requirements attendant to operating a licensed SNF.

**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 applicants service area? ss. 408.035 (1)(b) and (e), Florida Statutes.**

As of August 17, 2018, and as noted in the *Florida Nursing Home Bed Need Projections by District and Subdistrict* publication, there were 74 licensed community nursing homes with a total of 8,542 licensed community nursing home beds in District 9. Subdistrict 9-3 is composed of Okeechobee County and has one licensed community nursing home with a total of 180 licensed community nursing home beds and 20 approved community beds as of August 17, 2018. The subdistrict averaged 96.65 percent total occupancy for the 12-month period ending June 30, 2018.

**Okeechobee Healthcare Facility, LLC (CON application #10556)** presents the following rationales to support need for the project with respect to the availability, accessibility, and extent of utilization of existing health care facilities and health services within the service area.

The applicant states that availability is defined as how much of a resource exists. With respect to availability, OHF describes the availability of one SNF and 180 community nursing home beds within Okeechobee County—with an occupancy rate for the 12 months ending June 30, 2018 of 96.65 percent. The applicant indicates that it often has a waiting list due to constant high occupancy—leaving residents of Okeechobee County no other choice but to seek care outside of the service area.

OHF maintains that it benefits from a local owner-operator and founder, Mrs. Faye Haverlock. The applicant notes that in 2017 it was awarded the Governor's Gold Seal in recognition of demonstrated excellence in long-term care over a sustained period by the State of Florida's Panel of Excellence in Long-Term Care. OHF indicates that it has both a five-star rating from the Agency and CMS based on recent licensing surveys for quality measures.

In evaluation of accessibility within the service area, the applicant defines accessibility as how readily the population to be served can get to a proposed facility. OHF contextualizes the following components with respect to accessibility: geographic impediments, distance, time to travel and eligibility criteria for qualifying for the service and financial considerations. The applicant identifies utilization as an overlapping accessibility component, since a full bed is not accessible if a person must be placed.

With regards to geographic access, OHF is the sole resource for SNF care within Okeechobee County and is located adjacent to the sole hospital for the county, Raulerson Hospital. The applicant maintains that it is located central to the medical community of the service area and is accessible by several major roads and highways connecting it to the surrounding area.

In consideration of financial access, the applicant states that financial access addresses whether or not there are any economic barriers to obtaining care. OHF asserts that it will participate in both Medicare and Medicaid programs and seek contracts with managed care providers and commercial insurance companies. The applicant states that every effort will be made to eliminate financial barriers that could impede access to SNF care and to work closely with hospital discharge planners and those who may make direct admissions.

OHF maintains that there is need specifically for short-term rehabilitative care and the proposed project will help to relieve access issues for subdistrict residents requiring short-term rehabilitation following an acute injury/illness. The applicant indicates that residents in Okeechobee County requiring short-term rehabilitation primarily benefit from programs such as orthopedic rehabilitation, cardiac rehabilitation and respiratory care—all of which are offered at OHF. OHF notes that it utilizes telemedicine to “bring” services to the resident through technology for specialists in short supply—particularly geriatric specialists in psychiatry and psychology.

In evaluation of the extent of utilization within the service area, the applicant determines that occupied SNF beds are neither available nor accessible to elderly residents requiring SNF care. OHF maintains that its high occupancy and the current situation of being the only provider of SNF care in the county, drive need for the proposed project which was submitted pursuant to published need. The applicant contends that without the proposed addition, residents will travel over 30 miles to the next nearest facility.

OHF provided additional explanations of the proposed project's conformity to Health Access Criteria on pages 3-8 through 3-11 of CON application #10556.

- 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.**

**Okeechobee Healthcare Facility, LLC (CON application #10556)** reiterates that besides being both an Agency and CMS five-star rated facility, OHF also has been distinguished by being designated as a Gold Seal facility through December 31, 2019. The applicant also notes that it achieved the American Health Care Association and National Center for Assisted Living's 2017 Silver Achievement in Quality award which is based on an SNF developing and demonstrating effective approaches to improve performance and health care outcomes.

The applicant indicates that it utilizes several methods to monitor and improve quality—including examining satisfaction surveys, seeking a 90 percent satisfaction rate in all areas of facility operation and services.

The applicant presents information on its Quality Assurance and Performance Improvement (QAPI) program which addresses clinical care, quality of life, resident choice and care transitions. OHF provides information on governance, leadership, data systems, monitoring, performance improvement projects and systematic analysis on pages 4-2 through 4-4 of CON application #10556.

OHF notes that it has a Resident Council that works to protect and improve the quality of life for residents and provide families with a voice in decisions affecting their loved ones. The applicant notes that residents' rights encompass a resident's role within the SNF as it pertains to choice, safety and quality of life.

The applicant states that it offers a variety of activities for its residents for all levels of cognition and physical abilities. OHF indicates that the Activities Director plans the range of activities based on the individual care plans and resident requests. The applicant notes that family members are encouraged to participate in activities and events.

Within the three-year period between December 26, 2015 to December 26, 2018, Okeechobee Health Care Facility had no substantiated complaints.

- 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.

<b>Okeechobee Healthcare Facility, LLC</b>		
	<b>Dec-17</b>	<b>Dec-16</b>
Current Assets	\$3,838,736	\$4,178,311
Total Assets	\$8,455,368	\$9,416,185
Current Liabilities	\$1,055,775	\$1,054,617
Total Liabilities	\$1,055,775	\$1,054,617
Net Assets	<b>\$7,399,593</b>	<b>\$8,361,568</b>
Total Revenues	\$19,478,745	\$19,871,026
Excess of Revenues Over Expenses	<b>(\$423,468)</b>	<b>(\$59,529)</b>
Cash Flow from Operations	<b>(\$1,058,793)</b>	\$210,278
<b>Short-Term Analysis</b>		
Current Ratio (CA/CL)	<b>3.6</b>	<b>4.0</b>
Cash Flow to Current Liabilities (CFO/CL)	<b>-100.29%</b>	<b>19.94%</b>
<b>Long-Term Analysis</b>		
Long-Term Debt to Net Assets (TL-CL/NA)	<b>0.0%</b>	<b>0.0%</b>
Total Margin (ER/TR)	<b>-2.17%</b>	<b>-0.30%</b>
<b>Measure of Available Funding</b>		
Working Capital	<b>\$2,782,961</b>	<b>\$3,123,694</b>

<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:**

Schedule 2 indicates capital projects totaling \$4,233,963. These projects consist of this CON (\$108,963) and 20 new beds through exemption E180036.

The applicant indicated on Schedule 3 that the project will be funded through cash on hand. The remainder of the capital projects will be funded through non-related company financing. In support of its intention to finance the additional 20 beds, the applicant provided a letter of interest from KeyBank for funding of up to \$4,000,000 for the project.

A letter of interest is not a commitment to lend and if the applicant were not approved for the loan, it would have to seek financing elsewhere to fund the project.

**Conclusion:**

Funding for this project is assured. However, funding for the entire capital budget is not guaranteed and is dependent on obtaining the KeyBank loan or other debt funding.

- 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 (2016 and 2017 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 2018, 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	23,573,700	339	452	313	210
Total Expenses	19,750,800	284	432	306	197
Operating Income	3,822,900	55	89	4	-107
Operating Margin	16.22%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	69,444	92.81%	99.78%	90.42%	49.35%
Medicaid	51,161	73.67%	79.88%	68.71%	60.38%
Medicare	14,301	20.59%	26.05%	13.98%	1.60%

The projected NRPD, CPD and profit fall within the group range and are considered reasonable. The overall profitability appears achievable.

**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 meets this requirement in both years.

**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:**

Strictly from a financial perspective, 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.

**Conclusion:**

This project is not likely to have a material impact on priced-based 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. The project will add five new beds by using room that were designed and built under previous code requirements but only licensed for single occupancy. Subsequent code changes prohibiting a side-by-side resident room design inadvertently created a hardship for facilities that designed and built such rooms with the intent of adding beds in the future. A proposed code modification would provide relief from this requirement. Until the new provision is effective, the Office of Plans and Construction is accepting alternate methods of compliance where the required clear floor area, clearances, and all other requires are met. 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.**

The five-year Medicaid occupancy for Okeechobee, District 9 and the State of Florida for the five-year period ending June 30, 2018 (FY July 1 through June 30) is provided in the following table:

<b>Medicaid Patient Days and Occupancy in Okeechobee County, District 9 and Florida</b>					
<b>Medicaid Patient Days</b>					
<b>Region</b>	<b>FY 13/14</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>
Okeechobee	46,101	48,545	49,046	48,245	48,226
District 9	1,625,875	1,615,799	1,617,825	1,646,831	1,637,868
Florida	15,837,261	15,875,092	16,097,612	16,077,665	15,962,594
<b>Medicaid Occupancy</b>					
<b>Region</b>	<b>FY 13/14</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>
Okeechobee	71.91%	75.91%	75.81%	75.62%	75.95%
District 9	60.80%	60.19%	61.19%	61.88%	61.51%
Florida	62.05%	61.88%	62.73%	63.34%	63.23%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2014 - 2018 Batching Cycle

**Okeechobee Healthcare Facility, LLC (CON application #10556)**

maintains that it has a history of serving all residents of Okeechobee County, including low income residents and Medicaid recipients. OHF notes that, when compared to District 9 and Florida, it consistently serves a larger percentage of Medicaid eligible residents.

The applicant notes that while the proposed bed addition is needed to meet the demand for short-term rehabilitation, with Medicare as the principle payer, the total 205-bed facility will continue to significantly serve Medicaid recipients. See the table below.

<b>Forecasted Patient Days for Okeechobee Health Care Facility First Two Years after of Completion of the Project 205 Beds</b>						
<b>Payer</b>	<b>Admissions</b>		<b>Resident Days</b>		<b>Resident Day %</b>	
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 1</b>	<b>Year 2</b>
Medicare	287	232	11,080	11,478	16.0%	17.0%
Medicare HMO	151	151	2,706	2,823	3.9%	4.1%
Medicaid Managed Care	38	32	51,301	51,161	74.3%	73.7%
Self-Pay	1	1	3,435	3,425	5.0%	4.9%
Other	40	40	558	557	0.8%	0.8%
<b>Total</b>	<b>517</b>	<b>456</b>	<b>69,080</b>	<b>69,444</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CON application #10556, page 9-2, table 9-1

OHF indicates that all beds will be both Medicare and Medicaid certified to maintain access, regardless of payer source. The applicant notes that future projections are dependent in large part upon the Medicaid Managed Care Organizations and the plans offered under the Medicaid Long-Term Care Managed Care Program.

The applicant's Schedule 7 indicates that for the five-bed addition, as proposed, Medicaid/Medicaid HMO and self-pay represent 0.0 percent in year one (ending December 31, 2020) and year two (ending December 31, 2021). In the same schedule, Medicaid/Medicaid HMO represents 74.3 percent and self-pay represents 5.0 percent in year one and 73.7 percent and 4.9 percent in year two for the entire 205-bed SNF.

CON application #10556 does not condition any Medicaid/Medicaid HMO or charity care total annual patient days or percentage, pursuant to this proposal.

**F. SUMMARY**

**Okeechobee Healthcare Facility, LLC (CON application #10556)** a for-profit SNF proposes to add five community nursing home beds to the existing 180-bed facility in Subdistrict 9-3. The existing facility currently has one exemption to add 20 community nursing home beds. The proposed addition plus the exemption will result in a 205-bed SNF should the proposal be approved.

The applicant anticipates issuance of license in December 2019 and initiation of services in January 2020.

The project involves 1,470 GSF of renovation with a construction cost of \$37,500. Total project cost is \$108,963. Project cost includes building, equipment and project development costs.

The applicant did not submit any conditions for the proposed project.

**Need**

In Volume 44, Number 190 of the Florida Administrative Register dated September 28, 2018, need for five community nursing home beds was published in the fixed need pool for Subdistrict 9-3 for the July 2021 Planning Horizon.

Subdistrict 9-3 had an occupancy of 96.65 percent for the 12-month period ending on June 30, 2018. There were 180 licensed community nursing home beds within the subdistrict for this period. As of the omission deadline for the October 2018 "Other Beds and Programs" batching cycle, December 26, 2018, there was one exemption approved to add beds to Okeechobee County—Exemption #180036 to add 20 community nursing home beds to OHF (approved December 19, 2018).

OHF indicates that in rural communities, such as Okeechobee County, fewer health care resources exist—there is only one SNF, one hospital, one assisted living facility and one home health agency in Okeechobee County. The applicant maintains that limited health resources place higher demand on the existing facilities, such as OHF. OHF notes that Okeechobee County outpaces all other District 9 nursing home subdistricts in the use rate of nursing home patient days per 1,000 elderly.

OHF maintains that the proposed five-bed addition offers the following benefits:

- Beds are placed into service by January 1, 2020, in advance of the July 2021 planning horizon
- Construction Costs are minimal, as the current 20-bed addition under development can easily accommodate five additional beds
- The project is economically feasible, as administrative and overhead costs are spread over a greater number of beds
- Location places beds into service where demand for skilled nursing care is high and options are limited
- Location improves access to a growing elderly population

The applicant indicates that the ALOS will be 19 days for both year one and year two of operation for the proposed five-bed addition. OHF notes that the ALOS for the entire 205-bed facility will be 134 days in year one and 152 days in year two of operation.

*The Agency finds that, on balance, the applicant demonstrated the applicable statutory and rule criteria to merit approval of the proposed bed addition.*

### **Quality of Care**

The applicant described its ability to provide quality care.

OHF indicated that it utilizes several methods to monitor and improve quality, including examining satisfaction survey and its QAPI program. The applicant also described its Resident Council and the rights of residents. OHF presented information on activities available to residents for all levels of cognition and physical abilities.

According to the Agency's FloridaHealthFinder.gov website, OHF is a Gold Seal Program and is not on the Nursing Home Watch List. The most recent Agency inspection, for the rating time period April 2016 to September 2018, last updated November 2018, indicates that OHF received an overall five-star rating out of a possible five stars.

Within the three-year period between December 26, 2015 to December 26, 2018, Okeechobee Health Care Facility had no substantiated complaints.

**Financial Feasibility/Availability of Funds**

Funding for this project is assured. However, funding for the entire capital budget is not guaranteed and is dependent on obtaining the KeyBank loan or other debt funding. This project appears to be financially feasible based on the projections provided by the applicant. Staffing projected for the proposed project is in compliance with 400.23(3)(a)1., Florida Statutes.

Strictly from a financial perspective, this project is not likely to have a material impact on priced-based competition to promote quality and cost-effectiveness.

**Medicaid/Charity Care**

OHF notes that, when compared to District 9 and Florida, it consistently serves a larger percentage of Medicaid eligible residents. The applicant indicates that all beds will be both Medicare and Medicaid certified to maintain access, regardless of payer source.

The applicant's Schedule 7 indicates that for the five-bed addition, as proposed, Medicaid/Medicaid HMO and self-pay represent 0.0 percent in year one (ending December 31, 2020) and year two (ending December 31, 2021). In the same schedule, Medicaid/Medicaid HMO represents 74.3 percent and self-pay represents 5.0 percent in year one and 73.7 percent and 4.9 percent in year two for the entire 205-bed SNF.

CON application #10556 does not condition any Medicaid/Medicaid HMO or charity care total annual patient days or percentage, pursuant to this proposal.

**Architectural**

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.

**G. RECOMMENDATION**

Approve CON #10556 to add five community nursing home beds in District 9, Subdistrict 3, Okeechobee County. The total project cost is \$108,963. The project involves 1,470 GSF of renovation and a construction cost of \$37,500.

**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 Services Manager**  
**Certificate of Need**