

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

VITAS Healthcare Corporation of Florida/CON #10565

201 S. Biscayne Blvd., Suite 400
Miami, Florida 33131

Authorized Representative: Beatriz Bel
Vice President of Operations
(305) 420-2820

2. Service District/Subdistrict

Hospice Service Area 11 (Miami-Dade and Monroe Counties)

B. PUBLIC HEARING

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

Letters of Support

The applicant provides letters of support from community leaders, service organizations, local health providers and facilities.

Recurring themes in some of these support letters include:

- VITAS has an excellent record of providing quality end of life services
- South Miami hospice patients and their families are forced to travel long distances in congested traffic for inpatient hospice services
- There is a need for a freestanding inpatient unit to improve choice and access for patients in south Miami-Dade County and to provide the required continuity of care

Some of the support letters are from the following:

- Carlos A. Gimenez, Mayor, Miami-Dade County
- Ana Lopez-Blazquez, Executive Vice President and Chief Strategy Officer, Baptist Health South Florida

- Hon. Elaine Bloom, President and CEO, Plaza Health Network, which consists of six Miami-Dade rehabilitation and skilled nursing facilities (SNFs)
- Nancy Auster, RN, CHPN, President, South Florida Hospice and Palliative Nurses Association
- Angela Aracena, Vice President of Adult Day Services Easterseals

C. PROJECT SUMMARY

VITAS Healthcare Corporation of Florida (CON application #10565)

also referenced as VITAS or the applicant, a Florida for-profit corporation, proposes to establish a new 16-bed freestanding inpatient hospice facility in Hospice Service Area 11 (Miami-Dade and Monroe Counties), on a site located at 9406 Southwest 87th Avenue in Miami, Florida. VITAS believes that given the concentration of patient care locations (over 4,000 patients 2018 year to date per Exhibit B2, Tab 16 of the application)¹ being served south of Flagler Street, the proposed project location will enhance the continuum of services available to terminally ill patients in the southern areas of Hospice Service Area 11. The applicant states that positioning the facility across from South Baptist Hospital will provide convenient access to receive referrals from one of south Florida's largest referring hospitals for hospice services. The reviewer notes that this statement is supported in a letter from Ana Lopez-Blazquez, Baptist Health South Florida's Executive VP and Chief Strategy Officer.

VITAS maintains that the proposed facility will be constructed by a third party owner to the applicant's specifications and will be leased for use as a freestanding inpatient hospice. The applicant includes (Tab 35, Appendix 6 of CON application #10565) a proposal dated October 16, 2018, signed by VITAS CEO Nick Westfall and Alberto J. Perez, Manager with Galloway Road Partners, LLC, for a 10-year and three month lease of 19,000 gross square feet (GSF) on property located at 9406 S.W. 87th Avenue, Miami, Florida.

VITAS describes providing hospice services in Miami-Dade County since 1978. As of November 2018, the applicant notes it has served an average daily census (ADC) of 2,014 patients there.²

¹ The 'end of year to date' is not shown in Exhibit B2, however VITAS uses November 2018 to describe its average daily census (Item 3. a., in Tab 9 of CON application #10565) and November 30, 2018 in its discussion of inpatient bed availability (Item 2. a., in Tab 8 of the application).

² VITAS in CON application #10565's Tab 9 (Item 3. a. Need discussion states an ADC of 2,014 patients. However, in response to Item E. 1 (Fixed Need Pool) in Tab 7 of the application,

The applicant estimates the issuance of license and the initiation of service in January 2020.

VITAS is licensed to operate hospice programs in Hospice Service Areas 1, 3C, 3E, 4A, 4B, 6B, 7A, 7B, 7C, 8B, 9C, 10 and 11. The applicant has a licensed inpatient hospice facility in Hospice Service Area 9C (Palm Beach County—eight beds) and one CON approved freestanding inpatient hospice facility in Hospice Service Area 7A (CON #10419 - 14 beds).

Total project cost is \$4,734,196. Costs include building, equipment, project development and start-up. The project involves 19,000 GSF of new construction with \$3,568,408 of new construction costs.

The applicant does not propose any conditions to the proposed project.

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 (F.S.)) and applicable rule criteria within Chapters 59C-1 and 59C-2, Florida Administrative Code (F.A.C.). 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, 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.

VITAS states it has an ADC of “approximately 2,012 patients” and in the application’s Tab 16, Exhibit B4 indicates an ADC of 2,012.58 patients.

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, James McLemore, analyzed the application in its entirety with consultation from financial analyst Kimberly Noble 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 review criteria and application content requirements found in Sections 408.035 and 408.037, and applicable rules of the State of Florida, Chapters 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.

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.

As previously stated, the applicant has a licensed inpatient hospice facility in Hospice Service Area 9C (Palm Beach County—eight beds) and one CON approved freestanding inpatient hospice facility in Hospice Service Area 7A (CON #10419 - 14 beds).

The existing freestanding inpatient hospice facility in Hospice Service Area 11 is licensed to Catholic Hospice, Inc. – 13 beds in Miami-Dade County/Hialeah. The reviewer notes that there is one approved inpatient hospice facility in Miami-Dade County pursuant to CON #10470 issued to Comprehensive Medical Home Health Care, Inc. d/b/a Opus Care of South Florida on September 20, 2017 (13-beds).

- 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

As of January 2018, Hospice Service Area 11's age 65+ population was 441,037 persons and is expected to grow to 500,474 age 65+ residents by January 2023. This is an increase of 59,437 age 65+ residents (an increase of approximately 13.48 percent), as shown below:

**Hospice Service Area 11 /Miami-Dade and Monroe Counties
Population from January 1, 2018 – January 1, 2023**

Area/ Age Group	January 2018	January 2023	Population Increase/ (Decrease)	Percent Change
<i>Miami-Dade</i>				
Under 65	2,293,202	2,387,792	94,590	4.12%
65+	424,667	481,986	57,319	13.50%
<i>Monroe</i>				
Under 65	56,514	53,990	(2,524)	(4.47%)
65+	16,370	18,488	2,118	12.94%
Hospice Service Area 11				
Under 65	2,349,716	2,441,782	92,066	3.92%
65+	441,037	500,474	59,437	13.48%

Source: Florida Agency for Health Care Administration *Population Estimates 2010 to 2030*, published February, 2015

As shown above, the Hospice Service Area 11's age 65+ population is expected to increase at a much faster rate (13.48 percent) when compared to the under age 65 population (3.92 percent), for the January 2018 to the January 2023 time frame.

Using Florida Office of Economic Demographic Research, the applicant indicates service area population age 65+ growth between 2000 and 2010 of 14.1 percent and 10.8 percent overall population growth between 2000 and 2010. VITAS forecasts overall population growth of 4.7 percent between 2017 and 2020. The applicant contends that this growth and the aging of the existing population will continue steady demand for hospice services and utilization of inpatient services. VITAS provides a graph of patient census trends for the five years ending 2018 (CON application #10565, Tab 16, Exhibit B4) and inpatient care for the 13 months ended October 2018 (CON application #10565, Tab 16, Exhibit B3).

According to VITAS, its nationwide experience indicates that where inpatient units are available, approximately three percent days of care are provided to patients at the inpatient level of care. VITAS contends that given its ADC of approximately 2,012 patients, and average days of 46.14 for an inpatient stay, the inpatient capacity required to meet the need is approximately 446 beds. The applicant indicates that its existing inpatient arrangements at three facilities (with a total of 42 beds) in the northern and eastern portions of the service area maintain an occupancy rate of approximately 81 percent.

Availability, utilization and quality of like services

The applicant states, and the Agency confirms, that there is one freestanding inpatient hospice facility in Hospice Service Area 11. VITAS indicates that it maintains contractual arrangements for patients requiring inpatient care but that these arrangements are sub-optimal in terms of patient care and hospice program staff productivity.

VITAS provided discussion that securing inpatient capacity at facilities such as SNFs and hospitals has proven problematic. The applicant indicates that while it has provided 1,699 general inpatient days at Baptist Hospital, “our contract makes this a less than desirable option although we will do this if it is the right thing for the patient”. The applicant states that inpatient arrangements with Jackson North Medical Center (12 beds) and Jackson South (12 beds) were terminated by Jackson Health System in March 2018 and December 2014, respectively. VITAS notes that it had a 12-bed unit at Metropolitan Hospital terminated in 2009. The applicant maintains that it has not been able to accommodate a contractual arrangement for an inpatient unit in a host facility due to the rate being unfavorable. VITAS contends that the end result is that south Miami-Dade County has a great need for inpatient beds to serve patients with acute symptom management needs.

According to the applicant, establishing a freestanding inpatient hospice house in the southern portion of Miami-Dade County will improve patient care and accessibility.

VITAS discusses having engaged the community in providing sustained capacity in the service area. The reviewer notes that many of the applicant's support letter writers reflect the community's interest in improved choice and access for patients in the south Miami-Dade area. The applicant maintains that the proposed project would place a freestanding inpatient hospice facility in the southern portion of Hospice Service Area 11.

Medical treatment trends

VITAS contends that hospice patients are often being referred and admitted at a very late stage in their disease and that one result of this latent referral practice is that, more patients are being referred and admitted directly from acute care settings and are already "actively dying". The applicant points out that these conditions can result in an increased need for inpatient levels of care stressing already limited resource capacities in Hospice Service Area 11.

Market conditions

The applicant states incorrectly that there is no freestanding inpatient hospice in the Hospice Service Area 11 and reiterates that its facility-based units are dispersed across the service area.³ VITAS anticipates patients to be served in the proposed project will be admitted primarily from its home care census in the immediate area when inpatient care is indicated by the plan of care. VITAS states it "believes that the community's choice would be for service to be available in a more intimate setting providing a more home-like environment than that which is achievable in the existing facility which has a more institutional feeling environment". The reviewer notes the applicant indicates that it uses hospitals and SNFs for inpatient hospice services in Hospice Service Area 11.

³ The reviewer notes that the applicant correctly states Hospice Service Area 11 has an existing inpatient hospice unit in its response to Item E.1. (Fixed Need Pool).

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.

VITAS contends that advantages will be realized through project approval, as described below:

- The project will improve access to higher level of care for symptom managed patients versus the emergency room or seeking another inpatient hospice outside of their community.
- The close proximity of the proposed facility to Baptist Hospital and other south Dade hospitals will enhance a smooth transition of patients into the VITAS inpatient unit thereby augmenting the patient and family experience.
- Patients receiving hospice services will have an additional option for home-like inpatient services in a more convenient and accessible location.
- The cost for inpatient unit space within facilities has escalated to a level such that the “rental” space has become more expensive than the cost of operating a freestanding unit.
- By providing a VITAS inpatient unit in south Miami-Dade County, the hospice utilization would inevitably be increased for this area. VITAS notes that its Broward and Palm Beach programs have higher utilization than its District 11 program.
- The reduction of space cost will allow the redirection of funding into continued enhancement of high-quality patient and family services.

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

VITAS states that it currently maintains contractual arrangements for beds for patients requiring the inpatient level of care. The applicant contends that contract bed arrangements are sub-optimal in terms of patient care and hospice program staff productivity. The applicant reports that in the current situation, patients are placed in various locations within a contracted facility

and are often cared for by separate clinical teams, often not specifically trained in end-of-life hospice protocols. VITAS comments that contract bed rates have escalated to a point at which they consume “an inordinate percentage” of Medicare and Medicaid reimbursement rates, creating financial burdens for hospice programs. The applicant asserts that dispersion of patients throughout contracted facilities decreases the efficiency of hospice caregivers attending patients requiring the inpatient level of care.

The reviewer notes the applicant does not offer a side-by-side description or other itemization per cost item of expected savings to be realized from the project but does offer a narrative description of the cost to VITAS for inpatient hospice patient care at four Miami-Dade hospitals. Per the submitted materials, it appears that the proposed freestanding facility will be more cost-efficient than contractual arrangements with existing hospitals or SNF in the service area, as required by Rule 59C-1.0355(7) Florida Administrative Code.

VITAS provides a list in CON application #10565, Tab 34, Appendix 5, of contracted bed arrangements with approximately 63 SNFs in the service area. This list indicates 22 SNFs have inpatient services and 10 have ‘single patient agreement’ listed. The applicant indicates these arrangements are not optimal because contracting hospitals and SNF staff are often not trained in end-of-life care. The applicant notes that participation by family members is also hampered by lack of space for family conferences, counseling sessions or other activities in contracted facilities. Pertinent to SNFs, VITAS indicates that the use of LPNs as charge nurses decreases the number of potential inpatient beds. VITAS notes that Medicare Hospice Conditions of Participation require the charge nurse to be an RN.

(3) Anticipated sources of funds for the construction.

VITAS indicates that the proposed project will be funded by ongoing operating cash flows of the applicant and if required, its parent organization – VITAS Healthcare Corporation.

- 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 20th of each year and January 20th of the following year.**

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

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.

There are nine licensed hospice providers in Hospice Service Area 11, as follows:

- Bristol Hospice—Miami-Dade, LLC
- Catholic Hospice, Inc.
- Compassionate Care Hospice of Miami-Dade and the Florida Keys, Inc.
- Kindred Hospice f/k/a Gentiva Hospice
- Heartland Hospice Services
- Hospice of the Florida Keys, Inc.
- Opus Care of South Florida
- Seasons Hospice and Palliative Care of Southern Florida, Inc.
- VITAS Healthcare Corporation of Florida

The total licensed bed count and the physical location of the freestanding inpatient hospice facility operated by Catholic Hospice, Inc. was stated in Item E. 1. a. of this report. There is one approved inpatient hospice facility in Miami-Dade County pursuant to CON #10470 issued to Comprehensive Medical Home Health Care, Inc. d/b/a Opus Care of South Florida on September 20, 2017 (13 beds).

VITAS asserts that the hospice inpatient capacity within the service area currently provides a total of 44 beds. However, as shown in Item E. 1. a. of this report, Agency records indicate a total of 13 licensed and 13 approved hospice beds in freestanding inpatient hospice facilities in Hospice Service Area 11. The applicant contends that due to the core mission of an acute care hospital or SNF, contracted beds are not always available for hospital inpatients. The reviewer notes that project approval would result in the freestanding inpatient hospice bed count rising from 13 to 29, in Miami-Dade County. VITAS further contends that due to the payor mix and rate structure (96 percent of VITAS hospice patients are Medicare and Medicaid recipients), "operational

savings and efficiencies will not directly translate to price competition per se', within the service area".

The applicant contends that the proposed project is intended to provide improved quality of care for its patients, resiliency of the unit, accessibility by families/staff and operational efficiencies by reducing cost of space and redirecting assets into continuous improvement.

The applicant indicates the following "important advantages" to the proposed project as compared with services in a contracted bed:

- Dedicated inpatient units operated by hospice providers embrace the hospice philosophy and approach to patient care
- Acute care hospitals and SNFs have fundamentally different missions from hospices—reflected in the skills and approaches of the professionals who staff each type of care setting
- Dedicated inpatient units, especially those that are freestanding, are designed to support family participation and presence in a "home like" comfortable setting

VITAS states having an ADC of 2,014 patients in Miami-Dade County.⁴ The applicant reiterates that the proposed project offers a lower cost of space, versus the escalating rates for facility-based space, and will provide for improved quality and extent of services provided to the hospice patient and family. According to VITAS, this improved quality of service will induce competition with respect to choice and patient satisfaction.

The applicant discusses that contracting with hospitals and SNFs for hospice inpatient services is less than optimal because those settings are not designed or operated specifically with end-of-life care in mind, tend to be institutional in character and offer inadequate space for family support. VITAS maintains that there are inefficiencies along with a higher cost of operation in contracted bed arrangements. The applicant states having contracts for inpatient hospice beds with hospitals (Baptist Hospital, Doctors Hospital and Hialeah Hospital) in its response to Item 2. a. in Tab 8 of CON application #10565. The applicant indicates it contracts with SNFs throughout the service area. A list of SNF contract providers is provided in Tab 34, Appendix 5 of CON application #10565.

⁴ As previously noted, VITAS states in CON application #10565 Tab 7, Item E. 1 an ADC of approximately 2,012 patients and indicates an ADC of 2,012.58 patients in the application's Tab 16, Exhibit B4.

- 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), Florida Statutes.**

The applicant states that VITAS Healthcare Corporation was awarded its Florida license to provide hospice services in Miami-Dade County in 1978. The reviewer confirms that the applicant's current Hospice Service Area 11 (Miami-Dade and Monroe Counties) license was effective August 1, 2017 and expires on July 31, 2019.

According to the application, VITAS served 6,999 patients in District 11 during the 12-months ending June 30, 2018. The reviewer confirms that VITAS reported 6,999 admissions during the reporting period. The applicant maintains that all VITAS hospices are Medicare and Medicaid certified and meet or exceed all state and federal requirements.

VITAS discusses its Quality Assessment and Performance Improvement (QAPI) which it describes as an ongoing, organization-wide, data-driven program involving data collection, analysis and performance improvement activities of over 50 quality metrics to ensure patients and families receive the highest quality of care possible. The applicant states that the QAPI committee directs and helps manage on-going quality assessment, quality improvement activities and evaluating/prioritizing QAPI efforts based on data analysis via the Program QAPI Dashboard. According to the applicant, the QAPI Dashboard is updated on a quarterly basis and contains quality measures above and beyond those mandated by the CMS Hospice Quality Reporting Program. The applicant concludes that "AHCA can rely on the expertise, economies of scale and experience VITAS developed in Florida over the past 40 years".

In October 2017, the Department of Elder Affairs (DOEA) updated its statewide 2016 Hospice Demographic and Outcome Measures Report. This report is available on the DOEA's website at:

http://elderaffairs.state.fl.us/doea/Evaluation/2017_Hospice_Report.

According to page one of this DOEA report, as of 2015, hospices no longer used the National Hospice and Palliative Care Organization Patient/Family Satisfaction Survey (NHPCO) due to the implementation of the Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey. The CAHPS survey asks consumers and patients to evaluate their experiences with hospice, but does not include two outcome measures that DOEA had been tracking, namely: the percentage of patients/families who indicated the patient received the right amount of medicine for their pain (Outcome Measure 2 or OM2) and the percentage of patients/families who recommended hospice services to others based on the care the patient received (OM2A). The report results are shown as percentages for OM1. OM1 measures the percentage of

patients who had severe pain (seven or higher on the 0-to-10 scale) at admission and whose pain was reduced to a level of five or less by the end of the fourth day of care in the hospice program.

Each existing Hospice Service Area 11 hospice provider (or parent/affiliate) that participated in this 2017 DOEA report is listed in the table below, with each participating provider's OM1 percentage and number of patients.

DOEA Hospice Demographic and Outcome Measures CY 2016

Hospice Name	OM1	Number of Patients
Catholic Hospice, Inc./Miami Lakes	98%	2,594
Compassionate Care Hospice of Miami-Dade and the Florida Keys, Inc./Hialeah	67%	248
Hospice of the Florida Keys, Inc./Key West	100%	240
OpusCare of South Florida/Miami	100%	858
Seasons Hospice & Palliative Care of Southern Florida / Miami	86%	1,884
VITAS Healthcare Corporation of Florida/North Miami Beach	87%	7,070
Total and averages	88%	65,200

Source: DOEA, Hospice Demographics and Outcomes Measures 2017 Report, October 2017, pages 6 thru 8, Exhibit 5

DOEA's report for CY 2016 indicates that pain measure results (OM1) may vary by hospice, as some hospices start reporting pain on the day of admission while others start on the first day of care received. In addition, when multiple pain scores were reported on the fourth day, the score selected varied. Some hospices use the first pain score reported, some use the lowest pain score reported, and others use the highest pain score reported.

Agency records indicate that VITAS had 22 substantiated complaints statewide (encompassing 13 hospice service areas) during the three-year period ending December 17, 2018. A single complaint can encompass multiple complaint categories. Please see below.

**VITAS Substantiated Complaint History by Category
Three-Year Period Ending December 17, 2018**

Complaint Category	Number Substantiated
Quality of Care/Treatment	13
Resident/Patient/Client Rights	5
Administration/Personnel	4
Nursing Services	4
Resident/Patient/Client Assessment	3
Admission, Transfer & Discharge Rights	1
Physical Environment	1
Physician Services	1
State Licensure	1

Source: Agency for Health Care Administration Complaint Records

- c. **What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation?
ss. 408.035(1)(d), Florida Statutes.**

Analysis:

The purpose of our analysis for this section is to determine if the applicant has access to the funds necessary to fund this and all capital projects. Our review includes an analysis of the short and long-term position of the applicant, parent, or other related parties who will fund the project. The analysis of the short and long-term position is intended to provide some level of objective assurance on the likelihood that funding will be available. The stronger the short-term position, the more likely cash on hand or cash flows could be used to fund the project. The stronger the long-term position, the more likely that debt financing could be achieved if necessary to fund the project. We also calculate working capital (current assets less current liabilities) a measure of excess liquidity that could be used to fund capital projects.

Historically we have compared all applicant financial ratios regardless of type to 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 for the applicant, where the short-term and long-term measures fall on the scale for the most recent year.

CON Action Number: 10565

10565 - VITAS Healthcare Corp. of Florida		
	Dec-17	Dec-16
Current Assets	\$38,130,164	\$43,768,603
Total Assets	\$544,953,654	\$508,852,144
Current Liabilities	\$27,429,944	\$25,544,486
Total Liabilities	\$27,978,152	\$25,991,676
Net Assets	\$516,975,502	\$482,860,468
Total Revenues	\$543,052,163	\$521,470,864
Excess of Revenues Over Expenses	\$57,649,650	\$83,784,672
Cash Flow from Operations	\$47,455,032	\$53,819,964
Short-Term Analysis		
Current Ratio (CA/CL)	1.4	1.7
Cash Flow to Current Liabilities (CFO/CL)	173.00%	210.69%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	0.1%	0.1%
Total Margin (ER/TR)	10.62%	16.07%
Measure of Available Funding		
Working Capital	\$10,700,220	\$18,224,117

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

Capital Requirements and Funding:

On Schedule 2, the applicant indicates capital projects totaling \$11,912,194, which includes this project of \$4,784,196, a 16-bed inpatient unit, renovations, refurbishments, and a hospice program in Area 9. The applicant indicates on Schedule 3 of the application that funding for the project will be provided by operating cash flows. With \$47,455,032 in cash flow from operations and \$10,700,220 in working capital, the applicant has sufficient resources to fund this project and all capital expenditures.

Staffing:

Schedule 6 indicates, ending December 31, 2020 (year one of operation), a total of 16.75 FTEs. See the table below.

**VITAS Healthcare Corporation of Florida – CON application #10565
Proposed 16-Bed Freestanding Inpatient Hospice Facility in
Hospice Service Area 11 (Miami-Dade County, Florida)**

Staff Position	FTEs for Year One Ending 12/31/2020
Administration	
Secretary	2.0
Team Manager (RN)	1.0
Nursing	
R.N.s	6.0
L.P.N.s	3.0
Nurses' Aides	3.0
Social Services	
Social Service Director SW	1.0
Chaplain	0.75
Total	16.75

Source: CON application #10565, Schedule 6

The applicant does not include staffing for year two of operation ending December 31, 2021. Notes to Schedule 6 and 6A indicate that staffing levels are based upon the VITAS interdisciplinary model. VITAS Schedule 6 and 6A notes indicate that staff will be augmented when needed by the existing 1,000-plus person staff of the hospice program. The applicant indicates it has over 1,293 staff members in Miami-Dade County encompassing patient care, administrative and management personnel.

VITAS does not provide FTEs for dietary/nutritional personnel for the proposed inpatient hospice. VITAS maintains dietary services are included within the nursing category of the schedule and not separately listed. The applicant states that included in the proposed budget is a provision for contracting services from a registered dietitian/nutritionist when needed to augment the services provided by staff RNs.

The reviewer notes that wages, salary costs and fringe benefits are not discussed in Schedule 6 or in the Schedule 6 notes. Additionally, there is no discussion of staff recruitment and retention mechanisms or practices.

Conclusion:

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

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

Analysis:

The immediate and long-term financial feasibility of the project is tied to expected profitability. 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.

CON #10565 - VITAS Healthcare Corporation of Florida

HOSPICE REVENUE TABLE (December 2021 - Year Two)

CON 10565	VITAS Healthcare				
Miami Dade	Wage Component	Wage Index	Adjusted Wage Amount	Unadjusted Component	Payment Rate
Base Rate Calculation					
Routine Home Care 1-60 days	\$134.84	0.9349	\$126.06	\$61.41	\$187.47
Routine Home Care 61+ days	\$105.96	0.9349	\$99.06	\$48.25	\$147.31
Continuous Home Care	\$685.30	0.9349	\$640.69	\$312.08	\$952.77
Inpatient Respite	\$95.27	0.9349	\$89.07	\$80.74	\$169.81
General Inpatient	\$485.24	0.9349	\$453.65	\$272.83	\$726.48
Year Two Comparison	Inflation Factor Year Two	Inflation Adjusted Payment Rate	Schedule 7 Revenue Year Two	Continuous Service Hours Provided	Calculated Patient Days
Routine Home Care 1-60 days	1.106	\$207.39			0
Routine Home Care 61+ days	1.106	\$162.96			0
Continuous Home Care	1.106	\$1,053.99		24	0
Inpatient Respite	1.106	\$187.85			0
General Inpatient	1.106	\$803.67	\$3,689,547		4,591
		Total	\$3,689,547		4,591
			Days from Schedule 7		5,110
			Difference		519
			Percentage Difference		10.16%

The applicant's projected patient days are 10.16 percent or 519 days more than the calculated patient days. The applicant did not report revenues by the standard classifications (routine home care 1-60 days, routine home care over 60 days, continuous home care, inpatient respite and general inpatient). Therefore, all revenue was considered as general inpatient. If any revenue is for the other categories, the percentage difference gets smaller. Operating margins from this project are expected to decrease from a loss of \$491,592 in year one to a loss of \$263,889 in year two.

Conclusion:

This project appears to be financially feasible, although patient days, and thus revenue, may be overstated.

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

This application is for an existing hospice program provider in Hospice Service Area 11 to build a new freestanding, 16-bed inpatient hospice facility in Miami-Dade County. Therefore, this project is not offering a

new choice of hospice program providers in the service area. The applicant is proposing a freestanding inpatient hospice facility for a current hospice program provider.

Strictly, from a financial perspective, the type of price-based 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.

Conclusion:

Strictly, from a financial perspective, this project will not have a material impact on price-based competition.

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. Additional review of plans for inpatient hospice by the Office of Plans and Construction is not required. The Agency does not require any further plan reviews concerning this project for hospice licensure. However, the Agency will provide a formal review of construction documents for any owner who wants to insure code compliance.

- 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.**

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). Hospice care also must be provided regardless of ability to pay and regardless of age, race, religion, sexual orientation, diagnosis, payer source or financial status.

VITAS states it has consistently admitted and provided care to patients irrespective of their ability to pay. According to the applicant, specific to Miami-Dade, it provided \$2,522,000 in charity care and \$125,000,000 in Medicaid/managed Medicaid to hospice patients YTD November 2018. The applicant indicates that its hospital-based inpatient units provided \$184,295 in charity and \$7,229,279 in combined Medicaid/managed Medicaid YTD for November 2018. Charity care represented 2.4 percent (294 days) and Medicaid 13.8 percent (1,678 days) in VITAS inpatient units during YTD November 2018.

VITAS expects total patient days of 4,626 in year one (ending December 31, 2020) and 5,110 in year two (ending December 31, 2021), per Schedule 7A. The majority of patient days (79 percent), both years, are attributed to Medicare patient days. See the table below.

**VITAS Healthcare Corporation of Florida - CON application #10565
Patient Days by Payor Source
Year One (ending 12/31/2020) & Year Two (ending 12/31/2021)**

Payer Source	Year One Patient Days	Year One Percentage	Year Two Patient Days	Year Two Percentage
Medicare	3,632	79%	4,011	79%
Medicaid HMO	560	12%	619	12%
Medicaid	78	2%	86	2%
Commercial Insurance	245	5%	271	5%
Other Revenue	110	2%	122	2%
Self-Pay	1	0%	1	0%
Total Patient Days/Percentage	4,626	100%	5,110	100%

Source: CON application #10565, Schedule 7A.

Note: The applicant's Schedule 7A does not include charity patient days.

Notes to Schedule 7A indicate that revenues related to the operations of the proposed project reflect the extension of the utilization forecast from Schedule 5. Further, Schedule 7A notes state that hospice inpatient reimbursement from projected payor sources are based upon fixed per diem rates which are adjusted annually by CMS or in accordance with underlying payor agreements. Schedule 7A notes state that VITAS experience includes the following mix of payor sources:

Medicaid	2.2%
Medicaid HMO	16.0%
Medicare	78.3%
Commercial Insurance	1.9%
Other Revenue	1.6%

Source: CON application #10565, Schedule 7A Notes

The reviewer notes that the percentage difference for Medicaid HMO, between the applicant's Schedule 7A table and the Schedule 7A notes table, is four percent. Medicaid/Medicaid HMO combined is 14 percent in Schedule 7A compared to the Schedule 7A notes indicating VITAS' experience is 18.2 percent. Commercial insurance is expected to be five percent of the project's total patient days in Schedule 7A compared to VITAS' program experience of 1.9 percent. The percentage differences in Medicaid/Medicaid HMO and commercial insurance between the schedules is not explained.

F. SUMMARY

VITAS Healthcare Corporation of Florida (CON application #10565), a Florida for-profit corporation, proposes to establish a new, 16-bed freestanding inpatient hospice facility in Hospice Service Area 11 (Miami-Dade and Monroe Counties), at 9406 S.W. 87th Avenue, Miami, Florida.

Total project cost is \$4,734,196. Costs include building, equipment, project development and start-up. The project involves 19,000 GSF of new construction with \$3,568,408 of new construction costs.

The applicant does not propose any conditions on the proposed project.

Need/Access:

- The Agency does not publish need for inpatient hospice beds. There is one 13-bed inpatient facility and one CON approved freestanding hospice facility, Comprehensive Medical Home Health Care, Inc. d/b/a Opus Care of South Florida on September 20, 2017 (13 beds)
- VITAS asserts that the population growth and the aging of the existing population in the area will continue steady demand for hospice services and utilization of inpatient services

- VITAS indicates serving an ADC of approximately 2,012 patients in Hospice Service Area 11 and estimates that based on its national experience, three percent of its hospice patients will need inpatient services at some point in their hospice services tenure—generating an inpatient capacity to easily meet an inpatient hospice facility need of approximately 16 beds
- In the current situation, during times of peak need in the area, patients requiring intensive symptom management are provided care in contracted beds or through continuous care provided in the home setting
- Inpatient capacity at facilities, such as SNFs and hospitals, has proven problematic
- The cost for inpatient unit space within hospitals has escalated to the level such that ‘rental’ space has become more expensive than operating a freestanding unit
- VITAS contends that medical trends indicate patients are often referred or admitted into hospice at later stages of their disease, often calling for more inpatient services
- VITAS believes that the community’s choice would be all private patient rooms and for services to be available in a more intimate setting than that which is achievable in the existing facilities
- Dedicated inpatient units operated by hospice providers embrace the hospice philosophy and approach to patient care
- Acute care hospitals and SNFs have fundamentally different missions from hospices—reflected in the skills and approaches of the professionals who staff each type of care setting
- Dedicated inpatient units, especially those that are freestanding, are designed to support family participation and presence in a “home like” comfortable setting

The Agency finds that the applicant, on balance, met the statutory and rule requirements to approve a new inpatient hospice facility including information regarding how the proposed project will be more cost-efficient than contractual arrangements with existing facilities in Hospice Service Area 11.

Quality of Care:

- VITAS maintains hospice programs nationally and in Florida, in Hospice Service Areas 1, 3C, 3E, 4A, 4B, 6B, 7A, 7B, 7C, 8B, 9C, 10 and 11
- The applicant provided information describing its ability to provide quality care

- Agency records indicate that VITAS had 22 substantiated complaints statewide (encompassing 13 hospice service areas) during the three-year period ending December 17, 2018

Financial Feasibility/Availability of Funds:

- Funding for the project, and the entire capital budget, should be available as needed
- The project appears to be financially feasible, although patient days and thus revenue may be overstated
- Strictly, from a financial perspective, the project will not have a material impact on price-based competition

Medicaid/Indigent/Charity Care:

- Hospice programs are required by law to provide services to all who seek them.
- VITAS states it provided \$2,522,000 in charity care and \$125,000,000 in Medicaid/Managed Medicaid to hospice patients YTD November 2018. Charity care represented 2.4 percent (294 days) and Medicaid 13.8 percent (1,678 days) of VITAS total inpatient hospice unit days in Miami-Dade YTD November 2018.
- The applicant's Schedule 7A indicates that Medicaid/Medicaid HMO will account for 14 percent of the project's total annual patient days in years one and two, respectively. Schedule 7A and notes to this schedule do not offer a charity care patient day estimate or an indigent care patient day estimate.

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 #10565 to establish a 16-bed inpatient hospice facility in Hospice Service Area 11, Miami-Dade County. The total project cost is \$4,734,196. The project involves 19,000 GSF of new construction and construction costs of \$3,568,408.

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