

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Cornerstone Hospice and Palliative Care, Inc./CON #10631

2445 Lane Park Road
Tavares, Florida 32278-9660

Authorized Representative: Charles O. Lee
President & CEO
(352) 343-1341

2. Service District/Subdistrict

Hospice Service Area (SA) 7B – Orange and Osceola Counties

B. PUBLIC HEARING

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

Letters of Support

Cornerstone Hospice and Palliative Care, Inc., provides two signed but not dated letters in support of the project. Mark A. Jones, President, Orlando Health Orlando Regional Medical Center and Erick Hawkins, Senior Vice-President, Strategic Management, Orlando Health endorse the proposal—common themes include:

- Hospice inpatient services are a key element of the continuum of care and Orlando Health has been working with Cornerstone for years to ensure the availability of this important service in our community
- In November 2015, Orlando Health’s Orlando Regional Medical Center leased a 24-bed unit to Cornerstone for them to provide a dedicated hospice unit
- Due to increasing utilization, Orlando Health needs the contracted space and will no longer continue to lease the unit
- Cornerstone is a high-quality clinical provider
- Orlando Health looks forward to continuing working with Cornerstone in the new freestanding inpatient hospice house

C. PROJECT SUMMARY

Cornerstone Hospice and Palliative Care, Inc. (CON application #10631), a Florida not-for-profit corporation, referenced as Cornerstone, CHPC, or the applicant, proposes to establish a new 20-bed freestanding inpatient hospice facility in SA 7B (Orange County, Florida) – near or in reasonable proximity to Orlando Regional Medical Center, as well as other health care facilities south and east of the hospital. Cornerstone is a hospice provider in SAs: 3E, 6B and 7B—providing hospice services in SA 7B since 2005. CHPC has four freestanding inpatient hospice facilities (all in SA 3E):

- Tavares (six beds)
- Lady Lake-The Villages (12 beds)
- Clermont (10 beds)
- Sumterville (eight beds)

Cornerstone also has notification (NF#190019) to add 12 beds at Lady Lake-The Villages.

The applicant estimates the issuance of license on December 28, 2021 and initiation of service on January 2, 2022.

According to the applicant’s Schedule 1 (Line 50), total project cost is \$11,636,245. Costs covered are for land, building, equipment, project development and start-up costs. The project involves 19,750 gross square feet (GSF) of new construction and total construction cost of \$7,121,000.¹

CHPC does not wish to accept any conditions on 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 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.

¹ The applicant’s Schedule 9 shows total project cost at \$8,372,855 compared to Schedule 1’s \$11,636,245. The construction cost is shown as \$7,121,000 on both schedules.

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 Chapter 59C-1, Florida Administrative Code. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses provided in the application and independent information gathered by the reviewer.

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

Section 59C-1.010(3)(b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the certification of the applicant.

As part of the fact-finding, the consultant, Steve Love, analyzed the application in its entirety with consultation from financial analyst Derron Hillman 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, Florida Statutes, and applicable rules of the State of Florida, Chapter 59C-1, 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 skilled nursing facilities (SNFs), and is generally provided on a short-term basis within the total hospice stay.

As previously stated in item C of this report, there are no freestanding inpatient hospice facilities in SA 7B. Cornerstone has four freestanding inpatient hospice facilities in SA 3E and has notification (NF#190019) to add 12 beds at Lady Lake-The Villages.

Cornerstone would be the first hospice provider to establish an inpatient hospice facility in SA 7B.

- 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.**

According to CHPC, the applicant-specific need for the proposed project is based primarily on the following:

- The involuntary closure of Cornerstone's leased Orlando Regional Medical Center (OMRC) inpatient hospice unit
- High utilization of the ORMC inpatient unit coupled with population growth projections
- SA 7B has no existing or approved freestanding hospice inpatient facilities
- The cost-effectiveness of providing inpatient beds through the proposed project (hospice house) versus relying on "scatter beds" in the service area
- The clinical superiority of the hospice house alternative

Population demographics and dynamics

As of January 2020, SA 7B's total age 65+ population is projected at 209,613 persons and is projected to grow to 236,680 by January 2023. This is an increase of 27,067 age 65+ residents (an increase of 12.91 percent), as shown below:

**Hospice Service Area 7B/Orange and Osceola Counties
Population from January 1, 2020 – January 1, 2023**

SA Population by age group	January 2020	January 2023	Population Increase/ (Decrease)	Percent Change
0-64	1,535,857	1,620,605	84,748	5.52%
65+	209,613	236,680	27,067	12.91%
SA 7B Total	1,745,470	1,857,285	111,815	6.41%

Source: CON application #10631 Tables 1, 4 & 5 pages 12 and 16, from Florida Agency for Health Care Administration *Population Estimates and Projections by AHCA District 2010 to 2030*, published February 2015

As shown above, SA 7B’s age 65+ population is expected to increase at a much faster rate (12.91 percent) when compared to the under age 65 population (5.52 percent), from January 2020 to January 2023.

Cornerstone uses the Agency’s *Population Estimates and Projections by AHCA District 2010 to 2030*, published February 2015, to reflect SA 7A (Brevard County), 7B (Orange and Osceola Counties), 7C (Seminole County), District 7 overall and total Florida population estimates for the age 64 and under, age 65 and over and total population (pages 12 - 16 of the application):

- Table 1: Population of District 7 by County and Age Group/January 1, 2020
- Table 2: Population of District 7 by County and Age Group/January 1, 2022
- Table 3: Population of District 7 by County and Age Group/January 1, 2023
- Table 4/Absolute Change in Population of District 7/ 2020-2023
- Table 5/Percent Change in Population of District 7/ 2020-2023

CHPC comments that persons age 65+ are much more likely to suffer from diseases such as cancer, heart disease, pulmonary failure and dementia which form the core group of conditions leading to hospice admission and potentially hospice inpatient care, whereas younger persons are more likely to die suddenly due to intentional and unintentional injuries or from other causes less likely to involve hospice care.

CHPC identifies 13 Orlando area ZIP Codes as Cornerstone’s Area of Interest (AOI) regarding the proposed project. CON application #10631, page 18 includes a map of the general area presented by CHPC, which identified hospitals, assisted living facilities (ALFs) and SNFs. CHPC utilizes *Enrivonics Analytics and Legacy Consulting Group analysis* to document the following population estimates in January 2020 and January 2023 (the beginning of project’s second year of operations),

along with corresponding absolute change and percentage change in population totals for 2020 – 2023. See the condensed table below for Cornerstone’s 13 Orlando Zip Code area of interest population projections.

**Cornerstone Hospice & Palliative Care ‘Area of Interest’
Population from January 1, 2020 – January 1, 2023**

13 Zip Code Orlando Area Population by age group	January 2020	January 2023	Population Increase/ (Decrease)	Percent Change
0-64	363,916	375,809	11,974	3.3%
65+	53,871	61,108	7,237	11.4%
Total	417,787	436,998	19,211	4.6%

Source: Condensed from CON application #10631 Tables 7-10 pages 19 and 20, from Florida Agency for Health Care Administration *Population Estimates and Projections by AHCA District 2010 to 2030*, published February 2015

CHPC states that in summary, growth and aging of the SA 7B population, including the applicant’s 13 Zip Code area of interest, can be expected to produce higher mortality and increased utilization of hospice services in the next three years.

Availability, utilization and quality of like services

CHPC is the largest provider by admissions of the SA 7B’s five hospice programs reporting 3,346 admissions for the 12-month period ending June 30, 2019. CHPC contends that the statewide average of hospice house beds per 1,000 hospice admissions is 7.54 and when excluding the four service areas with no freestanding inpatient hospice facilities, the statewide average increases to 9.26. Further, applying this average to the number of admissions reported in SA 7B (8,645 for the 12-month period ending June 20, 2019) SA 7B should have about 65 hospice inpatient beds at present.

CHPC states its project seeks to remedy the hospice inpatient bed “need” in SA 7B and falls well within the 65-bed “need”, will only increase in future years as hospice admissions in 7B increase. Cornerstone comments that ultimately, it is the internal need for a full range of appropriate services that drives this application.

Medical treatment trends

CHPC cites the Agency’s *Florida Need Projections for Hospice Programs* publications to indicate that in Florida overall (page 23 of the application):

- As of October 2019, there were 60 licensed and approved freestanding hospice houses, with a total of 1,055 beds
- As of October 2009, there were 44 licensed facilities and a total of 793 beds

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- Between October 2009 and October 2019, the number of hospice houses grew by 36.36 percent and the number of beds grew by 33.04 percent

CHPC again notes that lacking its own hospice house in SA 7B, Cornerstone has historically had to rely primarily on providing hospice inpatient services in leased units, at Westminster Winter Park and at ORMC, in addition to providing occasional inpatient hospice services at a facility under "scatter bed" agreements. Further, due to limitations in "scatter bed" arrangements, Cornerstone does not routinely admit patients to a "scatter bed" setting. CHPC cites the following clinical and operational disadvantages to a "scatter bed" arrangement:

- In hospitals:
 - Greater difficulty and expense associated with implementing, coordinating, and ensuring consistency with the patient's care plan
 - Reduced control over the skillset and qualifications of direct patient care staff
 - The payment is a "pass through" to the hospital at 100 percent of the Medicare Allowable and CHPC has additional losses due to requirements to maintain staffing and visit frequencies
 - The feeling on the part of the patient of being hospitalized
 - The patient is likely to die in an environment that doesn't meet the homelike standard achievable in a freestanding hospice house
 - Hospital policies and procedures hamper the ability to standardize practices
 - Parking distance from the hospice inpatient unit, frequently resulting in difficulties in finding the way to the unit without assistance
 - Lack of accommodation for loved ones (especially large groups) to be at the bedside around the clock
- In SNFs:
 - Frequent lack of bed availability
 - Difficulties in creating a homelike environment
 - Challenges ensuring RN coverage around the clock
 - Frequent changes in SNF leadership resulting in disruption to prior arrangements
 - Staff turnover leading to difficulties in maintaining educational levels in palliative care
 - Patient and family dissatisfaction due to the sense of "nursing home placement"
 - Limits CHPC's ability to effectively drive the patient's plan of care

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- Frequent re-hospitalization of patients in the SNF setting
- More expensive care delivery, since hospice pays most of the allowable to the facility but still must maintain interdisciplinary team contact with the patient and family, and cover medication, durable medical equipment and medical supplies

Cornerstone contends that there are disadvantages to leasing beds, whether in hospitals or in SNFs, although not to the same extent or severity as “scatter bed” arrangements and that chief among these disadvantages are:

- The agreements are not always long-term
- Buildout costs are borne by Cornerstone but do not become a Cornerstone asset
- Cornerstone is required to use the host facility's internal ancillary services (i.e. dietary, laundry, linens, facility maintenance, etc.), which can change the way services are delivered
- Challenges receiving external referrals from other hospital systems or physicians belonging to other hospital systems

Market conditions

The applicant references the two letters of support for this proposal (see item B of this report) and also provides a brief narrative on CHPC’s experience with other inpatient hospice unit closures (pages 28 and 29 of the application). Two charts that reflect Cornerstone’s rise in SA 7B admissions and market share in SA 7B, by month from January 2016 to October 2019. Further, the applicant provides its ORMC unit’s average daily census (ADC) and utilization/occupancy chart during Q3-2016 to Q2-2019 (page 31, Table 13). Cornerstone states its internal data and *Legacy Consulting Group analysis* support the patient days and occupancy estimates shown in the table below.

Projected Patient Days for Cornerstone’s Hospice House in SA 7B

Year	Days	Beds	Bed Days	Occupancy	Patient Days
2022 (Year 1)	365	20	7,300	74%	5,385
2023 (Year 2)	365	20	7,300	75%	5,475

Source: CON application #10631, page 33, Table 14 (condensed)

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.

CHPC lists nine recognition/“special touches” programs that are stated to be common in Cornerstone’s hospice houses that are difficult or impossible to replicate in other inpatient settings (pages 37 and 38 of the application). The advantages that Cornerstone states the project will achieve include:

- Improved cost efficiency and increased net income
- Cost savings strengthen, enhance and extend Cornerstone's ability to provide care to medically needy and community programs
- The palliative care focus of freestanding hospice inpatient care improves the patient and family experience and satisfaction

Cornerstone states that the proposed freestanding inpatient hospice facility will realize an annualized year two savings of \$917,000 compared to the hospital leased unit, and \$1,419,000 compared to hospital “scatter bed” arrangements. CHPC projects 4,928 general inpatient (GIP) days in CY 2023 (year two) and states it uses CMS Hospital Payment Rates for FY 2020 inflated at two percent per year to CY 2023. See the tables below.

**Inpatient Bed Cost Comparison
Hospital Leased Unit (ORMC) vs.
Proposed Freestanding Hospice Inpatient Care Center
SA 7B – Orange County**

	Hospice House Inpatient Day 2nd Year	Hospital Leased Unit Inpatient Day 2nd Year
Hospice Inpatient Revenue per Pat Day	\$1,006	\$1,006
Average Inpatient Expense per Pat Day	\$839	\$1,025
Difference	\$167	-\$19
Hospice Net Savings per Patient Day, Year 2: \$186 X 4,928 pat days = \$917,000		

Source: CON application #10631, page 39

**Inpatient Bed Cost Comparison
Hospital “Scatter Bed” vs.
Proposed Freestanding Hospice Inpatient Care Center
SA 7B**

	Hospice House Inpatient Day 2nd Year	Hospital “Scatter Bed” Inpatient Day 2nd Year
Hospice Inpatient Revenue per Pat Day	\$1,006	\$1,006
Average Inpatient Expense per Pat Day	\$839	\$1,127
Difference	\$177*	-\$121
Hospice Net Savings per Patient Day, Year 2: \$288 X 4,928 pat days = \$1,419,000		

Source: CON application #10631, page 41.

Note: * This difference is \$167 (1,006 – 839 = 167) but CHPC’s \$288 savings is correct.

Cornerstone states that it does not include SNFs in its cost comparison because the reality is that inpatient care is almost never provided in SNFs.

CHPC states that cost savings realized through the proposed project will be applied to Cornerstone’s unfunded care for medically needy patients, patients without caregivers who need additional assistance, other services to special populations and the following programs:

- Bereavement
- Clinical Pastoral Education
- We Honor Veterans/Salutes
- Pet Peace of Mind

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

The applicant states that, in SA 7B, Cornerstone currently has the following two inpatient leased units:

- Orlando Health’s ORMC (24 leased beds)
- Orlando Health’s Health Central (10 leased beds in the SNF-based unit)

Cornerstone also states it has existing agreement with all the acute care hospitals in Orange and Osceola Counties and 15 SNFs for the provision of inpatient care under “scatter bed” arrangements. CHPC points out that without the proposed project, approximately 4,928 inpatient days of care each year will need to be provided in such “scatter beds” – the remaining 547 days are expected to be respite and other routine care.

CHPC discusses demands and costs due to the current arrangements/contracts listed above, in order to comply with Medicare Conditions of Participation (pages 46 through 48 of the application). CHPC again comments that cost savings realized through the project will be applied to Cornerstone's unfunded programs (see item E.2.a.(1) above). Another stated benefit in realizing reduced costs pursuant to the proposal is reduced administrative costs and reduced staff time.

(3) Anticipated sources of funds for the construction.

CHPC indicates the total project cost is \$11,636,245 and intent to fund the construction cost of the project from cash and investments on hand, from internally generated cash flow, and from a contribution from the Cornerstone Hospice Foundation. A review of the availability of funds and construction cost is included in items E.3.c. and E.3.f. of this report.

- 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.**

Cornerstone currently provides utilization reports to the Agency in a timely manner, consistent with this requirement and will continue to do so in the future. 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.**

As previously stated in item E.1.a of this report, no hospice provider is licensed or is CON approved to operate a freestanding inpatient hospice facility in SA 7B and if approved, Cornerstone would be the first hospice provider to do so.

Cornerstone states that the proposed project is essentially replacing its contracted 24 inpatient hospice beds operated in leased space at ORMC. CHPC maintains that the project will provide optimum access to patients and families from areas currently serviced by its ORMC unit, as well as Osceola County and remaining portions of Orange County. Further, Cornerstone has had to rely primarily on providing hospice inpatient

services in leased units, under “scatter bed” arrangements and whether in a hospital or a SNF, there are numerous clinical and operational disadvantages to scatter bed arrangements.

CHPC restates that there is no freestanding inpatient hospice facility in SA 7B and if approved, Cornerstone would be the first. Admissions volume for the 12-month period ending June 30, 2019, showing Cornerstone is the largest SA 7B hospice provider is cited. The applicant restates that funds retained by Cornerstone, which would otherwise be paid to hospitals or SNFs for contracted “scatter beds”, can be used to support patient care and expand services in the service area.

CHPC contends that based on the justification presented, the need for CHPC’s proposal is evidenced by the availability, accessibility and extend of utilization of existing health care facilities and health services in SA 7B. The reviewer notes that CHPC provides an itemized cost savings estimate pursuant to project approval (see item E.2.a. (1) of this report).

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.

CHPC states the following “key points” regarding quality of care and an ability to demonstrate the ability to provide quality care (page 52 of the application):

- Cornerstone’s more than 35-year history of providing quality care
- Cornerstone meets all State of Florida licensure and Joint Commission accreditation requirements and will continue to do so in the future (Vol. 3/Tab 9 of the application, as well as Joint Commission accreditation)
- The proposed project will continue Cornerstone’s high quality inpatient care and will be located to promote continuity of care for ORMC patients and improve access for residents of the service area
- Cornerstone affiliated entities strengthen and enhance the continuum of care in its service areas. These include:
 - Cornerstone Health Services, LLC (Palliative Care)
 - Cornerstone Hospice Foundation, Inc. (Vol. 2/Tab 6 of the application)
- Cornerstone provides enhanced access to care through innovative programs, including:
 - A streamlined intake process with dedicated intake facilitators. Hospice referrals are entered into the electronic medical record (EMR) and acknowledged in an average of fewer than 30 minutes from the time of receipt, seven days a week, including holidays
 - Cornerstone has developed a free downloadable app designed to streamline the assessment and referral of a potential

- hospice patient. Users equipped with the Cornerstone App are able to determine a patient's eligibility for hospice at a glance
- Seven-day-per-week case management with teams of RNs providing scheduled visits for extended hours every day of the week
- Care Connection providing after-hours urgent triage access
- Cornerstone utilizes exemplary staff orientation, education, and support programs that yield lower staff turnover and higher morale, thereby promoting better patient care

CHPC emphasizes that Cornerstone currently meets and will continue to comply with all standards for program licensure described in Chapter 400, Part IV, Florida Statutes, and Chapter 59A-38, Florida Administrative Code. CHPC emphasizes that it is a provider of Medicare and Medicaid benefits and meets all applicable Medicare Conditions of Participation, and that all resources necessary to ensure continued compliance with these standards are in place or available to CHPC. The applicant also explains that skilled and experienced executive and administrative staff are in place to develop and license the proposed facility.

CHPC notes that since the service already exists as a Cornerstone unit in leased space, most of the appropriate personnel required for the project are already staff members. Further, all necessary policies, procedures, guidelines, systems, plans, and relationships are also in place or available and will be utilized or modified as necessary to meet all regulatory requirements. Cornerstone restates it is Joint Commission accredited and that the proposed facility will meet accreditation standards. Further, CHPC was recently awarded a prestigious accreditation from The Joint Commission for excellence in patient and family satisfaction and received an Award of Excellence from the Florida Hospice and Palliative Care Association for its seven-day case management model.

The applicant states that Cornerstone is consistently recognized as a leading resource in clinical, ethical, and spiritual issues of dying and grief. As previously stated, Cornerstone serves SAs 3E, 6B and 7B. For the three-year period ending April 8, 2020, Cornerstone had a total of one substantiated complaint in the Quality of Care/Treatment category.

- 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.**

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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 (highlighted in gray) for the most recent year.

10631 - Cornerstone Hospice & Palliative Care, Inc.

	Sep-19	Sep-18
Current Assets	\$39,947,505	\$34,421,693
Total Assets	\$78,556,378	\$68,819,997
Current Liabilities	\$13,069,564	\$10,414,915
Total Liabilities	\$13,069,564	\$10,414,915
Net Assets	\$65,486,814	\$58,405,082
Total Revenues	\$92,552,803	\$87,427,488
Excess of Revenues Over Expenses	\$3,479,674	\$2,453,629
Cash Flow from Operations	\$6,415,089	\$7,536,637
Short-Term Analysis		
Current Ratio (CA/CL)	3.1	3.3
Cash Flow to Current Liabilities (CFO/CL)	49.08%	72.36%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	0.0%	0.0%
Total Margin (ER/TR)	3.76%	2.81%
Measure of Available Funding		
Working Capital	\$26,877,941	\$24,006,778

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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 \$17,716,099, which includes this project of \$11,636,245, CON #10602 (DOAH appeal pending), and exempt non-review items. The applicant indicates on Schedule 3 of its application that funding for the project will be cash on hand. With \$24.3 million in cash and cash equivalents, the applicant has sufficient resources to fund this project and all capital expenditures.

Staffing:

The applicant's Schedule 6A indicates a current total of 675.5 FTEs. This project adds 42.5 FTEs for year one (CY 2022) and no additional year two FTEs resulting in total FTEs of 718.0 for both years. The table below shows the FTEs specific to this project.

**Cornerstone Hospice and Palliative Care, Inc.(CON application #10631)
Proposed 20-Bed Freestanding Inpatient Hospice Facility in SA 7B
Staffing**

Position	Year One Ending 12/31//2022	Year Two Ending 12/31/2023
Administration		
Administrator/Manager	1.0	1.0
Other: Admin/management	1.0	1.0
Physicians		
Medical Director	1.0	1.0
Nursing		
RNs	19.0	19.0
Nurses' Aides	16.0	16.0
Social Services		
Chaplain	1.3	1.3
Social Worker/Bereavement	1.5	1.5
Housekeeping		
Housekeepers	1.8	1.8
Grand Total	42.5	42.5

Source: CON application #10631, Schedule 6A (partial)

Schedule 6A notes indicate that staffing forecasts reflect the inpatient volume expected and almost all of the project's 42.5 FTEs are staff presently working at Cornerstone's leased ORMC unit.

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.

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.

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HOSPICE REVENUE (Year 2) TABLE 1

CON 10631

Cornerstone Hospice & Palliative Care, Inc.

County: Orange

Year Two: Dec-23

CON 10631	Cornerstone Hospice & Palliative Care, Inc.				
Orange	Wage Component	Wage Index	Adjusted Wage Amount	Unadjusted Component	Payment Rate
Base Rate Calculation					
Routine Home Care 1-60 days	\$131.04	0.8717	\$114.23	\$59.67	\$173.90
Routine Home Care 61+ days	\$103.56	0.8717	\$90.27	\$47.16	\$137.43
Continuous Home Care	\$940.24	0.8717	\$819.61	\$428.18	\$1,247.79
Inpatient Respite	\$238.89	0.8717	\$208.24	\$202.43	\$410.67
General Inpatient	\$640.96	0.8717	\$558.72	\$360.39	\$919.11
Year Two Comparison					
Year Two Comparison	Inflation Factor Year Two	Inflation Adjusted Payment Rate	Schedule 7 Revenue Year 2	Continuous Service Hours Provided	Calculated Patient Days
Routine Home Care 1-60 days	1.137	\$197.66	\$52,240		264
Routine Home Care 61+ days	1.137	\$156.21	\$52,240		334
Continuous Home Care	1.137	\$1,418.30	\$0	24	0
Inpatient Respite	1.137	\$466.79	\$0		0
General Inpatient	1.137	\$1,044.72	\$4,966,230		4,754
Total			\$5,070,709		5,352
			Days from Schedule 7		5,475
			Difference		123
			Percentage Difference		2.24%

The applicant's projected patient days are 2.24 percent or 123 days more than the calculated patient days. The applicant did not separate Routine Home Care Days (1-60) and Routine Home Care Days (61+). These revenues are split equally between Routine Home Care Days (1-60) and

Routine Home Care Days (61+). Operating profits from this project are expected to increase from a profit of \$770,613 in year one to a profit of \$860,352 in year two.

Conclusion:

This project appears to be financially feasible.

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

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 significant impact on either construction costs or the proposed completion schedule. The submitted plans do not depict the required smoke compartmentalization, but the layout does provide opportunity to create this compartmentalization by upgrading some of the walls to smoke barriers and adding cross-corridor doors.

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 not required before the commencement of any construction, but approval will be required from the local authority having jurisdiction over building construction.

- 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.**

As previously stated, 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.

Cornerstone's policy is to offer all patients access to hospice services if clinically indicated, consistent with its mission of service to indigent and low-income populations. Further, no person is refused service because of age, race, color, creed, religion, disability, sexual orientation, national origin, or ability to pay. CHPC contends that although some hospice providers may cap the number of such patients they serve at a particular time, it does not have a policy that limits its number of indigent patients.

CON application #10631's Schedule 7A indicates that with the proposed project, for year one and year two, total annual patient days will be attributed as follows:

- 1.0 percent self-pay
- 4.0 percent Medicaid

The applicant offers no Schedule C Medicaid/Medicaid HMO/Medicaid Managed Care and/or self-pay/charity condition.

F. SUMMARY

Cornerstone Hospice and Palliative Care, Inc. (CON application #10631), a Florida not-for-profit corporation, proposes to establish a new 20-bed freestanding inpatient hospice facility in SA 7B (in Orange County, Florida) – near or in reasonable proximity to ORMC, as well as other health care facilities south and east of the hospital.

Total project cost is \$11,636,245. Costs covered are for land, building, equipment, project development and start-up costs. The project involves 19,750 GSF of new construction, with a total new construction cost of \$7,121,000.

Cornerstone does not offer any conditions to the proposed project.

Need/Access:

- The Agency does not publish need for inpatient hospice beds.

Cornerstone contends that need for project approval is based primarily on the following factors:

- The involuntary closure of CHPC's leased ORMC inpatient unit
- High utilization of the ORMC unit and projected population growth
- SA 7B has no freestanding hospice inpatient facilities
- The cost-effectiveness of providing inpatient beds through the project versus relying on “scatter beds” in the service area
- The clinical superiority of the hospice house alternative
- Internal/institution-specific need for a full range of appropriate services ultimately drives the proposal
- “Scatter bed” arrangements in hospitals are not routinely sought by Cornerstone, in part because payment is a "pass through" to the hospital at 100 percent of the Medicare Allowable and Cornerstone has additional losses due to requirements to maintain staffing and visit frequencies
- “Scatter bed” arrangements in SNFs are not routinely sought by Cornerstone, in part because more expensive care delivery results, since hospice pays most of the allowable to the facility but still must maintain interdisciplinary team contact with the patient and family, and cover medication, durable medical equipment and medical supplies
- Leasing beds present disadvantages in both the hospital and the SNF setting, though not to the same extent or severity as “scatter bed” arrangements. Leasing beds results in buildout costs borne by Cornerstone that do not become a Cornerstone asset
- Compared to the ORMC leased unit, an expected cost savings of \$186 per patient day, contributing \$917,000 to net income in year two
- Compared to “scatter bed” arrangements, an expected cost savings of \$288 per patient day, contributing \$1,419,000 to net income in year two

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 7B.

Quality of Care:

- Cornerstone is licensed in Service Areas 3E, 6B and 7B
- Cornerstone has four freestanding inpatient facilities in SA 3E
- The applicant provided a detailed discussion of its ability to deliver quality care
- Agency records indicate that during the three-year period ending April 8, 2020, Cornerstone had one substantiated complaint

Financial Feasibility/Availability of Funds:

- Funding for this project and the entire capital budget should be available as needed
- This project appears to be financially feasible

Medicaid/Indigent/Charity Care:

- Hospice programs are required by law to provide services to all who seek them
- CHPC projects self-pay will account for 1.0 percent and Medicaid 4.0 percent of year one and year two total annual patient days

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 and the project completion forecast appear to be reasonable
- A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have significant impact on either construction costs or the proposed completion schedule
- The submitted plans do not depict the required smoke compartmentalization, but the layout does provide opportunity to correct this by upgrading some of the walls to smoke barriers and adding cross-corridor doors

G. RECOMMENDATION

Approve CON #10631 to establish a new 20-bed freestanding inpatient hospice facility in Hospice Service Area 7B, Orange County. The total project cost is \$11,636,245. The project involves 19,750 GSF of new construction and a construction cost of \$7,121,000.

AUTHORIZATION FOR AGENCY ACTION

Authorized representatives of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: _____

James B. McLemore
Operations and Management Consultant Manager
Certificate of Need