

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Gulfside Hospice, Inc./CON #10713

2061 Collier Parkway
Land O' Lakes, Florida 34639

Authorized Representative: Linda L. Ward
President & CEO
(727) 484-7933

2. Service District/Subdistrict

Service Area (SA) 5A – Pasco County

B. PUBLIC HEARING

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

Letters of Support

Gulfside Hospice, Inc. includes 18 letters of support/testimonials in Tab 3 of the application and provides excerpts of these on the application's pages 25-28. Two of these were from Tripp Owings, CEO of HCA Florida Trinity Hospital and Christina Brancato, Administrator, Heather Hill Healthcare Center.

C. PROJECT SUMMARY

Gulfside Hospice, Inc. (CON application #10713), also referenced as Gulfside or the applicant, is an existing community-based, 501(c)(3)/not-for-profit Florida entity, proposing to establish a new 24-bed freestanding inpatient hospice facility in SA 5A (Pasco County). Gulfside has been providing hospice services in SA 5A for more than 32 years and has an existing 14-bed inpatient hospice facility located in the eastern portion of Pasco County at 5760 Dean Dairy Road, Zephyrhills, Florida 33541.

Gulfside Hospice, Inc. indicates it also has a six-bed leased hospice unit at Heather Hill Healthcare Center, (a 120-bed community nursing home) located at 6630 Kentucky Avenue, New Port Richey, Florida 34653. The applicant states this unit will be phased out upon licensure of the project. Gulfside anticipates the issuance of license on December 19, 2023 and initiation of service on January 1, 2024.

Total project cost is \$13,066,020. Projected costs include land, building, equipment, project development, financing, and start-up costs. The project involves a total of 23,469 gross square feet (GSF) of new construction, with construction costs totaling \$7,890,400.

The applicant proposes no conditions to project approval.

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

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes, 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 Everett “Butch” Broussard of the Bureau of Central Services, who evaluated the financial data and Scott Waltz of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project with the 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.

Gulfside states that the proposed project will be located within one of the following four New Port Richey ZIP Code areas: 34652, 34653, 34654 and 34655. The reviewer confirms that per the US Postal Service (USPS) “Look Up a ZIP Code™” website at [ZIP Code™ Lookup | USPS](https://www.usps.com/zip-code-lookup), all four of these ZIP Codes have a recommended city name of New Port Richey, Florida.

The applicant explains that the proposed project’s location will be in the southwestern Pasco County, “...near or in reasonable proximity” to three major hospitals in western Pasco County, Morton Plant North Bay Hospital, HCA Florida Trinity Hospital and HCA Florida Bayonet Point

Hospital. The reviewer notes the three hospitals' city locations and ZIP Codes below:

- Morton Plant North Bay Hospital/New Port Richey 34652
- HCA Florida Trinity Hospital/Trinity 34655
- HCA Florida Bayonet Point Hospital/Hudson 34667

Gulfside explains that these hospitals are presently major sources of demand for its inpatient services. The reviewer notes that two of these three hospitals (Morton Plant North Bay Hospital and HCA Florida Trinity Hospital), respectively, each share a ZIP Code with one of the four ZIP Codes indicated by the applicant as potential project locations (ZIP Codes 34652 and 34655).

A map on the application's page 12 shows the geographic location of the proposed project and Pasco County's hospitals, SNFs and assisted living facilities (ALFs). The proposed inpatient facility location is in close proximity to Morton Plant North Bay Hospital and HCA Florida Trinity Hospital in the southwestern portion of Pasco County.

Gulfside summarizes the specific need to warrant the proposed project is based primarily on the following factors (these factors are dispersed throughout pages 3-5, 7-8, 10, 13, 24-25, 34, 38 and 40 of the application):

- Chief among the project's advantages is improved cost efficiency and net income
 - An expected \$273 in direct cost savings per Medicare general inpatient (GIP) day
 - A conservative estimated cost savings of approximately \$840,000 annually (applying only half of projected facility volume)
- Establishing long-term operational stability
- Allowing Gulfside to avoid excessive reliance upon leased units and scatter beds for a required hospice service
- Addressing the geographic maldistribution of Gulfside's existing freestanding inpatient hospice facility beds
- Internal need for a full range of appropriate services
- Current and projected high utilization of Gulfside's inpatient services, coupled with population growth projections
- Gulfside's current inpatient services market share in the service area
- The cost-effectiveness of providing inpatient beds through the proposed project setting versus relying heavily on scatter beds in the service area, especially in western Pasco County
- The clinical superiority of the proposed project to the existing situation

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- Increased respiratory care capability, allowing earlier and more effective discharges from hospital ICU and acute care beds leading to improved operations at the hospitals and Gulfside, and improved experience for patients, their families and satisfaction
- Cost savings strengthen, enhance and extend Gulfside's ability to provide care to medically needy and community programs

Gulfside asserts that the only realistic and available alternative in the absence of the project is to provide anticipated inpatient days through scatter bed arrangements at existing facilities. However, scatter bed arrangements have the following disadvantages:

- Cost of the daily rate (100 percent pass-through of the Medicare rate)
- Additional costs associated with -
 - Maintaining necessary administration, supervision and oversight of the care plan
 - Ensuring facility staff are trained in hospice principals
- For family and friends, often inadequate -
 - Space for overnight stays
 - Inconvenient space for private consultation, contemplation or rest
- Limited access to dining, snacks or kitchen
- Difficulty incorporating volunteer support

As previously stated, Gulfside Hospice, Inc. has one licensed 14-bed freestanding inpatient hospice facility in Zephyrhills.

- 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

Gulfside notes that persons in the age 65+ cohort constitute the bulk of the patient population for inpatient hospice care and are much more likely to suffer from cancer, heart disease, pulmonary failure and dementia which form the core group of conditions leading to hospice admission and potentially inpatient hospice care.

Gulfside uses the Agency's Florida Population Estimates and Projections by AHCA District 2015 to 2030 publication issued September 2021, to provide six tables that account for total population by age 0-64 and 65+ cohorts for SA 5A, SA 5B, District 5 and Florida as of January 1, of 2022, 2024 and 2025. The applicant's population estimates show SA 5A's age 65+ population is expected to increase from 133,459 in 2022 to 145,572 in 2025, an increase of 12,113 age 65+ residents or by 9.08 percent. The application includes maps showing the population density of areas in the SA in 2022 (page 15) the total population change from 2022-2025 (page 16) and the change in population age 65+ from 2022 to 2025 (page 18).

Availability, utilization and quality of like services

Gulfside Hospice, Inc., notes that it reported 3,524 (64.78 percent) of SA 5A's total CY 2021 hospice admissions. SA 5A's existing freestanding inpatient hospice facilities are also discussed (see item E.3.a. for a listing these facilities and their licensed bed count). Gulfside next discusses its 14-bed freestanding inpatient hospice facility and the six-bed Heather Hill Healthcare Center unit's occupancy increasing from 72.2 and 88.3 percent in 2017 to 90.5 and 95.8 percent in 2021, respectively.

Medical treatment trends

Gulfside explains that a portion of patients now treated at freestanding inpatient hospital facilities are in the process of making a transition from the acute care hospital setting back to their home and hospice inpatient facilities frequently function as post-hospital step-down units for patients with a terminal diagnosis. Florida's freestanding inpatient hospice facilities and beds growth from October 2009 to February 2022 is also discussed. The applicant's Table 7 shows Florida's licensed and approved bed inpatient hospice bed inventory as of February 2022.

Gulfside bullets some additional reasons for disadvantages in scatter bed arrangements at hospitals and at SNFs (pages 24 and 25 of the application). The reviewer notes that some of these justifications are in addition to those previously summarized in item E.1.a of this report.

Market conditions

Gulfside reiterates some key rationales for the proposed project and some of its letters of support (see item B for a review of letters of support).

Projected Utilization

Gulfside provides CYs 2017-2021 inpatient day totals, occupancy rates and average daily census (ADC) at its existing inpatient operations, indicating the ADC increased from 21.3 in 2017 to 28.4 in 2021. The applicant projects the 24-bed facility will have 6,809 patient days or 78 percent occupancy in year one (CY 2024) and 7,229 patient days or 83 percent year two occupancy.

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.**

Gulfside restates the challenges in providing inpatient hospice care at hospitals and nursing homes and its expectation to greatly reduce or eliminate the impact of these challenges through development, implementation and operation of the proposed project (see item E.1.a of this report). The applicant also provides more in-depth discussion of the project advantages including:

- Improved cost-efficiency and increased net income
- Enhanced respiratory care capability
- Cost savings enhance the ability to provide care to medically needy and community programs
- The palliative care focus in the inpatient hospice will improve the patient and family experience and satisfaction.

Gulfside provides the following cost savings estimates:

**Inpatient Cost Comparison
Hospitals vs Projected Cost in Freestanding Hospice Inpatient Care Center
Medicare Patients
SA 5A/Pasco County**

| | New Hospice Facility Inpatient Day 2nd Year (2025) | Hospital Bed Inpatient Day 2nd Year (2025) |
|--|--|--|
| Hospice Inpatient Revenue per Pat Day | \$1,029 | \$1,029 |
| Average Inpatient Expense per Pat Day | \$771 | \$1,044 |
| Difference | \$258 | -\$15 |
| Hospice Net Savings Per Patient Day, Year 2: \$273 X 3,075 pat days = \$839,475 | | |

Source: CON application #10713, pages 8 and 40.

Gulfside explains that if inpatient days exceed its projections, savings will be greater. The project also gives it more direct control of costs, continuum of care and end-of-life services.

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

Gulfside states having contractual agreements for inpatient care with all six acute care hospitals with 11 facilities including satellite locations and 13 SNFs in Pasco County. The application's Tab 12 lists these. Gulfside reiterates the expected cost savings from the proposed project and provides additional narrative on the administrative burdens and costs incurred when providing care in contracted beds.

(3) Anticipated sources of funds for the construction.

Gulfside explains that the total project cost of \$13,066,020 will be funded from cash-in-hand by the parent and from financing provided through a non-related company, Truist Bank.

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 states that Gulfside currently provides utilization reports to the Agency in a timely manner consistent with this requirement and will continue to do so in the future.

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), (2) and (5), Florida Statutes.**

Pursuant to the Agency's most recent hospice publication - the Florida Need Projections for Hospice Programs - issued February 4, 2022 for the July 2023 Hospice Planning Horizon, SA 5A has no CON-approved but not yet licensed freestanding inpatient hospice facilities. SA 5A has two licensed freestanding inpatient hospice facilities, Gulfside's 14-bed Zephyrhills facility and HPH Hospice's 48-bed facility located in New Port Richey.

Gulfside contends that as health care costs continue to increase, it is clear that all types of hospice services must be supported and restates the project will allow it to retain funds that would otherwise be paid to hospitals or SNFs for contractual scatter beds. These funds can be used to support patient care and expand services in the service area. Further, Gulfside contends that need is evidenced by the availability, accessibility and extent of utilization of existing health care facilities and health services in SA 5A (see in item E.1.a of the application).

- 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(3), Florida Statutes.**

Gulfside Hospice, Inc. states having a long and exemplary history of providing quality care and that it was the first hospice in Pasco County to be accredited by The Joint Commission (in 2015) and has maintained continuous accreditation since then. The application's Tab 8 includes its Accreditation, Quality Assessment Performance Improvement (QAPI) and Quality of Care.

As of April 29, 2022, the parent's (Gulfside Healthcare Services, Inc. and Subsidiaries) website shows some of its affiliations/memberships include:

- TJC (The Joint Commission) Accreditation
- Florida Hospice & Palliative Care Association
- Florida Council on Aging
- Home Care Association of Florida
- National Hospice and Palliative Care Organization
- National Association for Home Care & Hospice

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The reviewer notes additional documents included in CON application #10713's Tab 8 include Gulfside Hospice, Inc.'s:

- Awards, Certifications, Recognitions
- Policy on -
 - Infection Prevention and Control Program
 - Standard Precautions
 - Personal Protective Equipment
 - Hand Hygiene
 - COVID-19 Screening and Restrictions

Additional documentation/information found in the application include:

- Patient Admission and Care Policies including Inpatient (Tab 7)
- Personnel Policies & Procedures, Onboarding (Tab 9)
- Quality and Infection Control Policies and Procedures (Tab 10)
- Inter-Disciplinary Team Job Descriptions (Tab 11)

The applicant's Tab 9 also includes Gulfside Hospice, Inc.'s Mission, Vision and Values.

Gulfside Hospice, Inc. offers a chronological history of events of its hospice program from 1987 to April 2022 (pages 55-58 of the application) and staffing and QAPI activities (pages 58-64 of the application). The applicant lists members of the Interdisciplinary Team (IDT) on page 59 of the application. Gulfside uses a case management system to guide the IDT/group in providing comprehensive, coordinated hospice care to patients and family/caregivers. Further, Gulfside maintains a written individualized patient and family/caregiver plan - a plan of care. Thirteen specific procedures for development and implementation of the plan of care are bulleted on pages 60 and 61 of the application. Per Gulfside, the IDT/group meets on a regular basis to discuss patient and family/caregiver changes and progress and updates to the plan of care, deaths and changes in family/caregiver circumstances. IDT/group meetings also address admissions, certification and recertification of these patients. Gulfside comments that each patient's plan of care is updated utilizing the results from the ongoing comprehensive assessments.

Gulfside provides a description of procedures addressing new and existing employees, volunteering, training and tools governing all aspects of its existing program on pages 61-62 of the application. Pages 62-64 include a discussion of the QAPI Plan with the following components:

- Organization of the QAPI Committee
- Responsibility of the QAPI Committee
- Organization of a QAPI Team

- Responsibilities of QAPI Team
- Evaluation of the QAPI Plan
- Confidentiality

Agency records indicate that, for the three-year period ending March 30, 2022, Gulfside Hospice, Inc. had no substantiated complaints.

c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(4) and 408.037(1)(b) and (c), Florida Statutes.

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 parent, where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

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| CON 10713 - Gulfside Healthcare Services, Inc. and Subsidiaries | | |
|--|---------------|---------------|
| | Jun-21 | Jun-20 |
| Current Assets | \$20,122,968 | \$16,332,113 |
| Total Assets | \$28,415,589 | \$24,975,583 |
| Current Liabilities | \$4,440,589 | \$5,754,207 |
| Total Liabilities | \$7,115,115 | \$12,299,546 |
| Net Assets | \$21,300,474 | \$12,676,037 |
| Total Revenues | \$54,148,937 | \$43,842,863 |
| Excess of Revenues Over Expenses | \$5,394,100 | \$1,692,468 |
| Cash Flow from Operations | \$3,656,797 | \$2,738,271 |
| Short-Term Analysis | | |
| Current Ratio (CA/CL) | 4.5 | 2.8 |
| Cash Flow to Current Liabilities (CFO/CL) | 82.35% | 47.59% |
| Long-Term Analysis | | |
| Long-Term Debt to Net Assets (TL-CL/NA) | 12.6% | 51.6% |
| Total Margin (ER/TR) | 9.96% | 3.86% |
| Measure of Available Funding | | |
| Working Capital | \$15,682,379 | \$10,577,906 |

| 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 \$18,041,520, which includes \$13,066,020 for the CON currently under review. The applicant indicates on Schedule 3 of its application that funding for the project will be by \$3,466,020 cash on hand of the parent and \$9,600,000 in financing from Truist Bank.

In support of its access to the funding claimed, the applicant provided audited financial statements of its parent company (recapped above) indicating \$20.1 million in total current assets. In addition, the applicant provided a letter of financial commitment from its parent company president and CEO, committing up to \$4,000,000 to the project.

Regarding the debt financing component of the funding requirement, the applicant provided a letter of interest in lending up to \$9.6 million to finance the project. Staff notes that a letter of interest is not a commitment to lend.

Given the cash commitments, and if the applicant is able to secure the debt financing discussed, the applicant will have sufficient resources to fund the \$13,066,020 of direct project costs, while the remaining \$4,975,500 of the \$18,041,520 schedule 2 capital projects was not discussed.

Conclusion:

If the applicant is able to secure anticipated debt financing, funding for the project should be available. Funding for the balance of the capital budget is unknown.

d. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035 (6), 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 financially 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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| CON 10713 | Gulfside Hospice, Inc. | | | | |
|-----------------------------|---------------------------|---------------------------------|------------------------------|-----------------------------------|-------------------------|
| Pasco | Wage Component | Wage Index | Adjusted Wage Amount | Unadjusted Component | Payment Rate |
| Base Rate Calculation | | | | | |
| Routine Home Care 1-60 days | \$134.24 | 0.8826 | \$118.48 | \$69.16 | \$187.64 |
| Routine Home Care 61+ days | \$106.09 | 0.8996 | \$95.44 | \$54.65 | \$150.09 |
| Continuous Home Care | \$1,099.82 | 0.8826 | \$970.70 | \$362.70 | \$1,333.40 |
| Inpatient Respite | \$288.99 | 0.8826 | \$255.06 | \$184.76 | \$439.82 |
| General Inpatient | \$678.36 | 0.8826 | \$598.72 | \$389.92 | \$988.64 |
| | | | | | |
| 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 | 1.134 | \$212.83 | \$115,846 | | 544 |
| Routine Home Care 61+ days | 1.134 | \$170.24 | | | 0 |
| Continuous Home Care | 1.134 | \$1,512.39 | | 24 | 0 |
| Inpatient Respite | 1.134 | \$498.86 | | | 0 |
| General Inpatient | 1.134 | \$1,121.35 | \$6,653,930 | | 5,934 |
| | | Total | \$6,769,776 | | 6,478 |
| | | | Days from Schedule 7 | | 7,229 |
| | | | Difference | | 751 |
| | | | Percentage Difference | | 10.39% |

As such, the applicant’s projected patient days are 10.39 percent or 751 days more than the number of patient days calculated by staff. Operating profits from this project are expected to increase from \$725,089 in year one to \$1,148,622 in year two.

Conclusion:

This project appears to be financially feasible, while total revenues and patient days appear to be overstated.

e. Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(5) and (7), 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 (8), Florida Statutes

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 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 (OPC) is not required for this facility type but the applicant may submit plans to OPC at their discretion for the purpose of requesting a pre-construction review of the design documents for compliance with applicable rules, codes, and standards.

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(9), 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.

Gulfside Hospice, Inc. cites its history of providing services to Medicaid and medically indigent patients, as well as minority populations (notably the Hispanic and Black populations) in SA 5A. Gulfside states during

the last five years, it has averaged over five percent of its services annually to Medicaid patients and over two percent to charity care.

Schedule 7A indicates Medicaid will be the payer source for 6.02 percent of the project's total annual year one and year two patient days.

F. SUMMARY

Gulfside Hospice, Inc. (CON application #10713), proposes to establish a new 24-bed freestanding inpatient hospice facility in SA 5A (Pasco County). Gulfside Hospice, Inc., is one of three hospice providers in SA 5A. It has a leased six-bed unit at Heather Hill Healthcare Center in New Port Richey, which it states will be phased out upon licensure of the project.

Total project cost is \$13,066,020. Projected costs include land, building, equipment, project development, financing, and start-up costs. The project involves 23,469 GSF of new construction and a construction of \$7,890,400.

The applicant does not propose any conditions to project approval.

Need/Access:

The Agency does not publish need for inpatient hospice beds. In SA 5A, Gulfside Hospice, Inc. has a 14-bed facility in Zephyrhills and HPH Hospice has a 48-bed facility in New Port Richey.

Gulfside indicates that need to warrant project approval is based on:

- Chief among the project's advantages is improved cost efficiency and net income
 - An expected \$273 in direct cost savings per Medicare general inpatient (GIP) day
 - A conservative estimated cost savings of approximately \$840,000 annually (applying only half of projected facility volume)
- Current and projected high utilization of Gulfside's inpatient services, coupled with population growth projections
- Gulfside's current inpatient services market share in the service area

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- The cost-effectiveness of providing inpatient beds through the proposed project setting versus relying heavily on scatter beds in the service area, especially in western Pasco County
- The clinical superiority of inpatient hospice facility alternative
- Increased respiratory care capability, allowing earlier and more effective discharges from hospital ICU and acute care beds leading to improved operations at the hospitals and Gulfside, and improved experience for patients, their families and satisfaction
- Cost savings will strengthen, enhance and extend Gulfside's ability to provide care to medically needy and community programs
- The applicant projects the 24-bed facility will have 78 percent occupancy in year one and 83 percent occupancy in year two.

The Agency finds that the applicant, on balance, met the statutory and rule requirements to approve a new freestanding inpatient hospice facility including information regarding how the proposed project will be more cost-efficient than contractual arrangements with existing facilities in Service Area 5A.

Quality of Care:

- Gulfside Hospice, Inc. provided a detailed discussion of its ability to provide quality care
- Gulfside Hospice, Inc. had no substantiated complaints during the three-year period ending March 30, 2022.

Financial Feasibility/Availability of Funds:

- If the applicant is able to secure anticipated debt financing, funding for the project should be available. Funding for the balance of the capital budget is unknown
- This project appears to be financially feasible, while total revenues and patient days appear to be overstated
- Strictly, from a financial perspective, this 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
- The applicant discussed its most recent five year history of providing care to Medicaid and medically needy patients
- Schedule 7A indicates the 24-bed facility will provide 6.02 percent of its annual year one (CY 2024) and annual year two (CY 2025) patient days to Medicaid patients.

Architectural:

- The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria
- 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 project cost and project completion forecast appear to be reasonable.

G. RECOMMENDATION

Approve CON #10713 to establish a new 24-bed freestanding inpatient hospice facility in Service Area 5A, Polk County. The total project cost is \$13,066,020. The project involves 23,469 GSF of new construction, and a total construction cost of \$7,890,400.

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: June 17, 2022



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