

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

**A. PROJECT IDENTIFICATION**

1. **Applicant/CON Action Number**

**Hawthorne Ocala Operations LLC d/b/a Hawthorne Center for Rehabilitation and Healing of Ocala/CON application #10736**  
400 Boulevard of the Americas, Suite 403  
Lakewood, New Jersey 08701

Authorized Representative: Mr. Solomon Klein, CEO  
(352) 237-7776

2. **Service District/Subdistrict**

District 3/Subdistrict 3-4 (Marion County)

**B. PUBLIC HEARING**

A public hearing was not requested or held regarding the proposed project. No letters of support were included in this application.

**C. PROJECT SUMMARY**

**Hawthorne Ocala Operations LLC d/b/a Hawthorne Center for Rehabilitation and Healing of Ocala (CON application #10736)**, also referenced as the applicant or Hawthorne proposes to add 22 beds to its existing 120-bed located at 4100 SW 33rd Avenue, Ocala, Florida 34474 in Subdistrict 3-4 (Marion County). The applicant is a Florida for-profit limited liability company and the nursing home is managed by Hawthorne Care Consulting LLC. The facility has 26 private and 47 semi-private rooms and connects to a 36-bed assisted living facility (ALF). The applicant proposes to convert the 36-bed ALF into 22 private skilled nursing facility beds which will increase the number of private rooms to 48, resulting in a 142-bed facility.

Hawthorne states that the renovation of the existing space keeps costs low in comparison to new construction, and the project can be implemented and operational ahead of the January 2026 planning horizon. The project involves 16,253 gross square feet (GSF) of

renovation and no new construction. The construction cost is \$3,272,453. Total project cost includes building, equipment, project development, and financing costs is \$3,610,953.

Hawthorne expects issuance of license in June of 2025 and initiation of service in July of 2025.

The applicant does not propose any conditions to project approval.

*Issuance of a CON is required prior to licensure of the project. 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. 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 assessing the responses provided in the application, and independent information gathered by the reviewer.

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

Section 59C-1.010(3)(b), Florida Administrative Code, allows no application amendment information subsequent to the application being 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, Sarah Zimmerman, analyzed the application 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 criteria and application content requirements found in Florida Statutes, Sections 408.035, and 408.037; applicable rules of the State of Florida, Chapter 59C-1 and 59C-2 and Florida Administrative Code.

**1. Fixed Need Pool**

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Rule 59C-1.008(2), Florida Administrative Code.**

In Volume 49, Number 63 of the Florida Administrative Register dated March 31, 2023, a fixed need pool (FNP) of 53 community nursing home beds was published for Subdistrict 3-4 for the January 2026 planning horizon. There were no exemption requests or expedited CON applications to increase the subdistrict’s community nursing home bed count subsequent to the FNP publication. The project will use 22 of the FNP’s 53 beds, adding them to the 120-bed Hawthorne Center for Rehabilitation and Healing of Ocala.

As of February 10, 2023, Subdistrict 3-4 has 12 community nursing homes with 1,620 licensed and no CON approved community nursing home beds pending licensure. Subdistrict 3-4 community nursing homes reported 85.50 percent occupancy during the six months ending December 31, 2022. The subdistrict averaged 84.17 percent occupancy in CY 2022 (see the table below).

**Subdistrict 3-4 (Marion County)  
Community Nursing Home Utilization  
CY 2022**

<b>Facility</b>	<b>Beds</b>	<b>Patient Days</b>	<b>Total Occupancy</b>
Arbor Springs Health and Rehabilitation Center	180	47,012	71.56%
Avante at Ocala Inc	133	41,371	85.22%
Bridgewater Park Health & Rehabilitation Center	120	39,785	90.83%
Chatham Glen Healthcare and Rehabilitation Center	120	34,722	79.27%
Club Healthcare and Rehab. Center at the Villages, The	68	17,212	69.35%
Hawthorne Center for Rehabilitation & Healing of Ocala	120	36,710	83.81%
Life Care Center of Ocala	120	38,430	87.74%
Ocala Health and Rehabilitation Center	180	59,115	89.98%
Ocala Oaks Rehabilitation Center	120	35,701	81.51%
Palm Garden of Ocala	180	57,546	87.59%
The Lodge Health and Rehabilitation Center	99	32,980	91.27%
TimberRidge Nursing & Rehabilitation Center	180	57,104	86.92%
<b>Subdistrict 3-4</b>	<b>1,620</b>	<b>497,688</b>	<b>84.17%</b>

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, April 2023 Batching Cycle.

The current and projected planning horizon senior population for Subdistrict 3-4, District 3, and the State is shown in the table below.

**Subdistrict 3-4, District 3 and Florida  
Population Age 65 and Over  
January 1, 2023 & January 1, 2026**

Area/Subdistrict	January 1, 2023 Population			January 1, 2026 Population		
	65+ - 74	75+	65+ Total	65+ - 74	75+	65+ Total
<b>Marion/3-4</b>	61,378	56,612	118,350	66,532	62,473	129,005
<b>District 3</b>	284,204	259,005	543,209	303,781	289,250	593,631
<b>State of Florida</b>	2,625,507	2,238,659	4,864,166	2,832,590	2,495,066	5,327,656
Area/Subdistrict	January 2023 – January 2026 Increase			January 2023 – January 2026 Growth Rate		
	65+ - 74	75+	65+ Total	65+ - 74	75+	65+ Total
<b>Marion/3-4</b>	5,154	5,861	10,655	8.40%	10.35%	8.26%
<b>District 3</b>	19,577	30,845	50,422	6.89%	11.91%	8.49%
<b>State of Florida</b>	207,083	256,407	463,490	7.89%	11.45%	8.70%

Source: Florida Agency for Health Care Administration Population Estimates, January 2023

Hawthorne’s need assessment includes the following topics:

- Population growth
- Availability
- Utilization
- Market conditions and service needs
- Implementation of the project

Hawthorne provides a table based on the Agency’s Florida Population Estimates and Projections by AHCA District 2018 to 2030, published January 2023 which shows projected population growth for the age 64 and under and 65 and over age cohorts from July 2022 to July 2027 for Marion County, District 3, and Florida overall. The applicant notes that seniors (age 65+) represent 30.1 percent of the July 1, 2022, Marion County population. Marion County’s age 65 and over population is projected to increase by 17,315 persons or a rate of 14.8 percent by July 1, 2027. From July 2022 to July 2027, Marion County residents under the age of 65 will increase by 9,776, a rate of 3.6 percent, which is one quarter the age 65 and over population’s growth. The July 2027 projected senior population of Marion County of 134,043 will represent 32.3 percent of the projected total population of 414,966.

Hawthorne’s Figure 1-1, on the application’s page 1-3 provides a visual example showing the distribution of the 2022 population estimates for the group age 65 and over by ZIP code, and locations of nursing homes and hospitals in Marion County. The applicant’s map shows the Age 65 and over population is concentrated around Ocala and areas south and west of the county seat. Hawthorne states that 84 percent of Marion

County seniors reside within a 15-mile radius of the facility and concludes this demonstrates its facility is readily accessible.

Hawthorne next addresses the current (2022) and projected (2027) Population by ZIP Code. The age 65+ population five-year growth ranges from 8.1 to 17.3 percent and averages 12 percent compared to the total population increasing by 4.5 percent. Further, Marion County has 14 beds per 1,000 persons aged 65 and older in 2022, compared to the state’s 17 beds per thousand and that by January 2027 Marion County will drop to 12 beds per 1,000 seniors, while Florida increases to 16 beds per 1,000. Adding the proposed 22 beds to its facility, the number of beds per 1,000 remains at 12, which minimizes the impact of population growth and increasing demand. Hawthorne concludes that while the nursing home bed inventory per 1,000 population age 65+ decreases, its project is a positive and increases the supply in an area of the county with a high percentage of elderly population growth.

Hawthorne cites that its CY 2022 occupancy at 84 percent with 36,710 patient days is comparable to the average occupancy for District 3 and Marion County, and higher than the statewide average of 79 percent. The applicant’s table below shows CYs 2018-2022 nursing home occupancy for the facility, Subdistrict 3-4, District 3 and Florida.

**Hawthorne Center for Rehabilitation and Healing of Ocala,  
Marion County, District 3, and Florida**

<b>Patient Days</b>	<b>CY 2018</b>	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021</b>	<b>CY 2022</b>
Hawthorne Center	34,801	35,770	32,455	31,208	36,710
Marion County	473,914	486,515	447,643	431,538	497,688
District 3	2,547,761	2,602,274	2,428,032	2,397,615	2,611,587
Florida	24,935,751	25,492,036	23,280,683	22,175,075	23,891,583
<b>Occupancy</b>					
Hawthorne Center	79.45%	81.67%	73.90%	71.25%	83.81%
Marion County	86.56%	88.86%	77.51%	72.98%	84.17%
District 3	87.97%	88.28%	80.03%	77.90%	83.03%
Florida	84.72%	85.96%	77.54%	73.46%	79.12%

Source: CON application #10736, page 1-6, Table 1-4, from AHCA's Florida Nursing Home Utilization by District and Subdistrict, for the years indicated.

Hawthorne notes Marion County showed stable patient days and approximately 86-89 percent occupancy prior to the COVID-19 pandemic and rebounded back to a pre-pandemic level during 2022, while rates for the district and state have remained significantly lower than years prior. The applicant presents a table showing quarterly CY 2022 occupancy rates have steadily climbed from 82.66 to 86.88 percent for Marion County and is higher than District 3 and Florida occupancy rates. Hawthorne adds that its own occupancy rate reached 87.5 percent in the fourth quarter, higher than the Marion County average and the service area increase and facility utilization puts it in a position to increase the much-needed additional nursing home bed supply.

Hawthorne notes its programs and services include cardiac care, respiratory care, wound care, IV therapy, surgery recovery, physical therapy, occupational therapy, speech therapy, respite, Alzheimer's/memory care, and other services. The project's beds are sought to accommodate the demand for rehabilitative services, as the facility acts as a step-down rehabilitation center for residents following an acute care hospital stay. The applicant's Figure 1-2 on page 1-9 shows that all the subdistrict's hospitals are within a five-mile radius of its facility. Hawthorne concludes that the limited availability of nursing home beds exerts demand on area nursing homes, its facility included which demonstrates need for the 22 skilled nursing beds.

The Agency's Hospital Patient Discharge Data from area hospitals to nursing homes for residents aged 65 and over during the 12 months ending June 2022 was utilized to determine the level of need for specific services. The largest number of the discharges to nursing homes were MDC 8, Diseases and Disorders of the Musculoskeletal System and Connective Tissue, representing 23.6 percent of all discharges to nursing homes followed by MDC 05, Diseases & Disorders of the Circulatory System, at 13.4 percent and MDC 01, Nervous System Diseases and Disorders at 13.3 percent. These three MDCs represent approximately 50 percent of Marion County residents age 65 and over discharges and the five top MDCs (which include MDC 4, Diseases & Disorders of the Respiratory and MDC 18, Infectious & Parasitic Diseases) represent over 70 percent or 4,092 hospital discharges to nursing homes. Hawthorne contends that with the additional 22 beds, the facility will continue to deliver quality services which are needed within the service area, increasing availability as growth and demand increase.

Subdistrict 3-4's CY 2022 community nursing home patient days, use rates and occupancy are shown in the table below.

**Marion County Patient Days, Use Rates and Occupancy, CY 2022**

	<b>CY 2022</b>
Patient Days	497,688
Average Daily Census	1,364
Marion County Population 65+ Days Per 1,000 Persons, 65+	116,728
Current Existing Community Beds	1,620
<b>Occupancy</b>	<b>84.17%</b>

Source: CON application #10736, page 1-12, Table 1-7, from Florida Nursing Home Bed Projections by District and Subdistrict, published March 31, 2023 and Florida Population Estimates and Projections by AHCA District 2018, 2030 published January 2023.

The table below shows Marion County's occupancy in year two of the project.

**Projected Marion County Patient Days and Occupancy  
Year Two (July 2026 – June 2027)  
With and Without the Project to Add 22 Beds**

<b>Projections based on use rate from: Marion County</b>	<b>7/26-6/27</b>
Marion County Population 65+, January 1, 2027	132,398
Resident Days Forecasted for 7/26-6/27	564,499
Average Daily Census, 7/26-6/27	1,547
Current Existing Community Beds	1,620
<b>Projected Occupancy without the Project</b>	<b>95.47%</b>
Projected Licensed Beds WITH the Project	1,642
<b>Projected Occupancy WITH the Project</b>	<b>94.19%</b>

Source: CON application #10736, page 1-13, Table 1-8, from AHCA's Florida Population Estimates and Projections by AHCA District 2018 to 2030, published January 2023.

Hawthorne assures that applying the current utilization rate to the projected population yields a subdistrict projected occupancy rate of 95.47 percent if no beds are added and 94.19 percent with the 22 beds added. Hawthorne concludes that given the high growth and demand for skilled nursing beds, the project ensures sufficient beds are available without negatively impacting existing facilities.

Hawthorne's Schedule 5 forecast of the utilization for the 22-bed addition and the 142-bed facility shows the first month of operation (July 2025) and fill-up period during the first year, which it contends is consistent similar projects around the state. The expectation is that the facility will exceed its recent average 84 percent occupancy with a projected utilization of 86.86 percent by the end of the project's first year (averaging 74.22 percent occupancy in year one) and will increase to 90.55 percent by the end of the second year (averaging 90.52 percent for the year). The reviewer notes that the applicant's Schedules 7 and 5 are consistent with their projected occupancy.

Hawthorne expects an average daily census (ADC) of 123 residents in the first year and 129 residents in the second year. The 22-bed addition is projected to have an ADC in year one of 16 residents and 20 residents in year two. The average length of stay (ALOS) is 44 days in the new beds and 42 days in the total facility, which Hawthorne contends reflects the demand for both short and long-term care needs.

Hawthorne concludes:

- it addressed the benefits associated with implementing a 22-bed addition to its skilled nursing facility and within the Marion County subdistrict
- established that the need for the 22 additional beds is consistent with the March 31, 2023, fixed need pool
- responds to the statutory criterion, demonstrating need and enhances both access and availability of skilled nursing care within the service area

- projected nursing facility utilization, based on existing use rates and projected population growth in the 65 and over population indicates that the proposed beds will not have a negative impact on existing facilities once the 22 beds are placed into service; and
- demonstrated entitlement to the certificate of need sought.

## 2. Agency Rule Preferences

**Does the project respond to preferences stated in Agency rules? Please indicate how each applicable preference for the type of service proposed is met. Rule 59C-1.036, Florida Administrative Code.**

Chapter 59C-1.036 of the Florida Administrative Code does not contain preferences relative to community nursing home beds nor does the Agency for Health Care Administration publish specific preferences for these facilities. However, the rule does contain standards the Agency utilizes in assessing the applicant's ability to provide quality care to the residents. Hawthorne states that it shows conformity with provisions of the applicable rules.

1. **Proposed Services. Applicants proposing the establishment of Medicare-certified nursing facility beds to be licensed under Chapter 400, Florida Statutes, shall provide a detailed description of the services to be provided, staffing pattern, patient characteristics, expected average length of stay, ancillary services, patient assessment tools, admission policies and discharge policies.**

Hawthorne states that the facility provides both short-term and long-term skilled nursing care and is dually certified for both Medicare and Medicaid participation. The applicant refers to its Schedule 6A staffing pattern, and ALOS in Schedule 7, in which resident days and admissions by payer appear. Hawthorne reiterates its patient characteristics and its facility's response to these needs and services. Hawthorne's proposed services, admission, resident rights, care planning, discharge planning, utilization and staffing are briefly described in the application's pages 2-2 through 2-8.

Hawthorne assures that it provides a broad range of nursing and restorative care to manage short-term rehabilitation, long term care, and complex medical conditions. Hawthorne describes in detail the services it provides which include: physical, occupational and speech therapy, orthopedic, neurological and pulmonary rehabilitation, medical management, memory care, palliative care,



hospice care and wound care and lists 16 other services and amenities that provide support, comfort and security.

Regarding admissions, Hawthorne's multidisciplinary team, consisting of the Nursing Center's administrator, medical director, and other health care professionals, evaluates the needs of each resident. Further, decisions to transfer are based on consultation with the care team, as well as with the resident and his or her family and physician. Each resident receives an admission packet which details the agreement between the facility representative and the resident, his legal representative or other responsible party. Twenty applicable forms the facility uses in the admissions process are listed on the application's page 2-4.

Hawthorne states that residents' rights encompass a resident's role within the nursing home as it pertains to choose, safety, and quality of life. The applicant cites its Additional Information section, which has its admissions policy and Section 4, Quality of Care, where resident rights are addressed. Hawthorne affirms that its policy ensures that all residents are made aware of its policy and that all its staff is prepared and trained to provide all residents the highest measure of dignity, courtesy, and good care that is expected by the residents, the families, and by the community.

Discussing care planning, Hawthorne confirms that it is performed by an interdisciplinary team so that the resident's care will be coordinated and continuous with each individual discipline sharing the responsibility for that resident reaching his maximum potential for the highest quality of life. Staff members responsible for the development/implementation of the resident's care plan include:

- Attending physician
- Director of Nursing
- The Charge Nurse responsible for resident care
- Registered Nurse assigned to the resident
- Nursing Assistants responsible for the resident's care
- Dietary Manager
- Social Services Manager
- Activities Director
- Therapists, as appropriate
- Consultants, as appropriate
- Others, as appropriate/necessary to meet the residents needs

Hawthorne states that upon admission, each resident is evaluated for special needs, a care plan is developed and that the information addressed during the initial evaluation by the admitting nurse includes, but is not limited to the:

- Medical diagnosis
- Description of skin condition
- Current level of activity/mobility
- Cognitive status
- Diet orders
- Weight
- ADL performance
- Physical impairments

Regarding discharge, Hawthorne indicates that upon admission the social services director must recognize the potential of each resident for discharge and then explains that this approach makes placement into a nursing home a last resort, as the facility environment does reduce the independence of individuals. The initial length of stay will be estimated, particularly for Medicare beneficiaries, after which date the expectation will be for discharge and that discharge plans begin with the initial assessment. Seven medically related social service or home-based services and additional eligibility factors are cited.

Hawthorne indicates that discharge plans involve an interdisciplinary team approach: dietary, all therapies, nursing, family, patient, caregiver, and third-party payer sources to provide the best care after the patient is discharged from the facility. Further, a resident is discharged only on the orders of the attending physician and at that time, a record is made of the resident's care with an appropriate discharge summary of prior treatment, diagnosis, rehabilitation potential, physician orders for immediate care, and other pertinent information which is then available to physicians or other providers such as home health agencies or ALFs. The director of nursing and social services director will discuss the aftercare plans with the resident and his or her family and any other aftercare provider, as appropriate and will provide a written plan to the person, to his or her responsible party, and to the attending physician. The applicant assures that when the discharge plan calls for follow-up, it will occur with the referral agent to acknowledge that the person has begun the aftercare program.

Hawthorne restates that the facility will have short-term and long-term patients and will include Medicare, Medicaid, and private insurance. The applicant’s table below is stated to be based on keeping utilization patterns similar to the current provision on a going forward basis.

**Projected Admissions, Patient Days, ALOS & ADC  
Years One and Two of the Project  
22-Bed Addition and 142-Bed Facility**

Factor	22 Beds		142 Beds	
	Year One	Year Two	Year One	Year Two
Admissions	173	165	1,116	1,112
Patient Days	5,960	7,271	45,021	46,917
ALOS	34	44	40	42
ADC	16	20	123	129

Source: CON application #10737, page 2-7, Table 2-1

The applicant states that 50 percent of the 22-beds patient days will be allocated to Medicaid and 33 percent to Medicare, which is reflective of the demand for both short-term rehabilitation and long-term care. Admissions and patient days for the total facility remain constant with a projected 40-day year one and 42-day year two ALOS. Hawthorne restates that the 22 beds are expected to quickly fill in year one, with a year one ADC of 16 and an ADC of 20 in year two.

Hawthorne assures that staffing provided on Schedule 6 show that the facility meets or exceeds the minimum staffing standards. Schedule 6A shows a total of 136.60 current FTEs and 16.20 FTEs added by this project for a new total of 152.80 FTEs for both years one and two. The reviewer notes that administration, nursing, ancillary, dietary, housekeeping, laundry and plant maintenance show an increase in staffing for years one and two.

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

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

Hawthorne responds that it has not had a nursing facility licensed denied, revoked, or suspended and adds that the facility was acquired April 16, 2021.

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

The applicant states that it has not had a nursing home placed into receivership.

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

This does not apply.

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

This does not apply.

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

This does not apply.

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

The applicant states it will continue to provide the required data to the WellFlorida Council that serves Health Planning District 3 and to the Agency for Health Care Administration on required licensure and financial requirements attendant to operating a licensed nursing facility.

**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? Section 408.035 (1), (2) and (5), Florida Statutes.**

As of February 10, 2023, Subdistrict 3-4 has 12 community nursing homes with 1,620 licensed and no CON approved beds pending licensure. Subdistrict 3-4's nursing homes reported 85.50 percent total occupancy during the six months ending December 31, 2022, which exceeded the state's 80.49 percent.

As previously stated, the project will use 22 of Subdistrict 3-4's 53-bed FNP. The applicant maintains that availability often refers to how much of a service exists, such as how many beds or facilities are in the market and District 3 has 8,679 licensed community nursing home beds in operation with an occupancy rate of 83.03 percent in CY 2022. Hawthorne reiterates portions of its response to E.1.a. Fixed Need Pool.

Quality of care is addressed in item E.3.b. of this report. Hawthorne shares that its facility has an overall state inspection rating of 4 out of 5 stars for its most recent inspection and five component elements having 5-star ratings. Hawthorne contends its facility operation benefits from Hawthorne Care Consulting LLC (its management company), which is an experienced manager, having the knowledge, tools, and expertise to continuously maintain high quality standards.

Hawthorne states that access is defined as how potential users get to the service, or gain admittance, or enter the service. Components of access include: eligibility criteria, financial criteria or payer requirements, facility and admission center locations, geographical features including roadways, bridges, railroads, travel time and distance and specific services or programs. Hawthorne contends that access will be improved

by increasing beds at a facility in high demand and within proximity to hospitals. Maps showing the 10 and 30-minute drive times, five-mile radius of hospital and nursing home locations are provided on the application’s pages 3-4 and 3-5. These demonstrate that the majority of Marion County falls within a 30-minute drive time of its facility.

Regarding service access, Hawthorne reiterates the hospital discharge data previously discussed and contends that its location in proximity to the area’s three acute care, long-term care, and comprehensive rehabilitation hospitals increases accessibility to skilled nursing beds, which are a critical component in the local population's health care continuum. Further, without additional capacity, hospital discharges are delayed, or local residents must be discharged to other nursing homes at greater travel distances from their home and hospital. Hawthorne concludes that the project improves geographic availability.

Regarding financial access, Hawthorne states it participates in both Medicare and Medicaid programs and contracts with managed care providers and commercial insurance companies as shown in its Schedule 7. Further, the facility “provides a wide range of services with separate neighborhoods for various patient needs, such as short-term rehabilitation, complex care, and long-term care needs” and “makes every effort to remove any financial barriers that could impede access to nursing home care, working closely with hospital discharge planners and those who may make direct admissions”.

Hawthorne reiterates that Subdistrict 3-4’s 12 facilities have a total of 1,620 licensed community beds and reported 497,688 patient days of care in CY 2022, resulting in an average occupancy rate of 84.17 percent, compared to the statewide 79.12 percent occupancy rate. The chart below also includes Medicaid days and occupancy, which were not included in its table 1-4 on the application’s page 1-6.

**Community Nursing Home Bed Utilization  
Subdistrict 3-4, Marion County**

<b>Subdistrict 3-4</b>	<b>CY 2018</b>	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021</b>	<b>CY 2022</b>
Patient Days	473,914	486,515	447,643	431,538	497,688
Occupancy	86.56%	88.86%	77.51%	72.98%	84.17%
Medicaid Days	288,408	307,137	289,656	265,580	296,184
Medicaid Occupancy	60.86%	63.13%	64.71%	61.54%	59.51%

Source: CON application #10736, page 3-7, Table 3-1, from AHCA's Florida Nursing Home Bed Need Projections by District and Subdistrict, for the years shown.

The applicant states that Marion County occupancy rates and most of the subdistrict's facilities have experienced increasing utilization during CY 2022, with Hawthorne increasing to an occupancy rate of 87.51 percent during the final quarter. A chart showing Subdistrict 3-4

quarterly utilization during CY 2022 is provided on the application's page 3-8. Hawthorne argues that the 22-bed addition will ensure continued access to skilled nursing beds in a highly utilized market.

Health Care Access Criteria is addressed on the application's pages 3-9 through 3-11. Hawthorne concludes that the conversion of the ALF to accommodate the project's 22 beds will improve availability and access to the level of care that is most in demand.

- b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? Is the applicant a Gold Seal Program nursing facility that is proposing to add beds to an existing nursing home? Section 408.035(3) and (10), Florida Statutes.**

Hawthorne Center for Rehabilitation and Healing of Ocala is not a Gold Seal facility. The nursing home is managed by Hawthorne Care Consulting LLC, which provides clinical support and consulting services, and back-office functions such as accounting, human resources, payroll, and ancillary support and comprehensive policies and procedures needed to operate the facility.

Hawthorne shares that it holds Joint Commission Accreditation and that the Centers for Medicare and Medicaid Services (CMS) Care Compare website shows the facility has a 3-star rating and has an Agency overall inspection rating of 4 stars meaning that the facility ranked better than 61 to 80 percent of the facilities in its region. Hawthorne's Exhibit 3 for has additional information on its ratings/accreditation. Fourteen services offered at Hawthorne Center for Rehabilitation and Healing of Ocala include Alzheimer's & Dementia care, cardiac, COPD, stroke and orthopedic rehab, respite care, private suites, onsite wound care, etc.

Regarding quality assessment and performance improvement (QAPI), Hawthorne states it is guided by its vision and mission statements, which it provides verbatim. Hawthorne takes a proactive approach to continually improving care and services for residents and all employees participate in ongoing QAPI efforts that support the mission of providing quality focused care, one resident at a time. Hawthorne lists eight QAPI Guiding Principles and 20 types of care and services the facility provides that have an impact on clinical care, quality of life, resident choice, and care transitions.

Hawthorne states its QAPI Program will provide a comprehensive approach that will ensure high quality care and services. The administrator is responsible for the Quality Assessment and Assurance Committee that will meet at least monthly and use the "5 Elements of

QAPI" which are Design and Scope, Governance and Leadership, Feedback Data Systems and Monitoring, Performance Improvement Projects and Systemic Analysis and Systemic Action.

Hawthorne's internal Quality Assessment and Assurance Program (QA&A) is described in which the facility assesses resident care practices and reviews quality indicators, incident reports, resident grievances, and deficiencies cited. The applicant notes that the administrator serving as chairperson is responsible for the committee which is composed of several members including the medical director, director of nursing, risk manager, safety team member, care plan coordinator, etc. The QA&A Committee will meet at least monthly to identify risks/areas of concern and develop plans. Hawthorne also describes the facility's QA&A meeting minutes procedure and its use of The Interventions of Reduce Acute Care Transfers (INTERACT®), which is a tool to aide long-term care staff to identify, evaluate, and manage acute changes in the medical conditions of residents as to avoid the risks associated with hospitalization by safely managing clinical situations on site when possible. Exhibit 4 includes the Interact Implementation Guide Version 4.0 Tools, Risk Management and Quality Assurance Plan and assessment forms.

Hawthorne states that a Residents' Rights brochure is given to every resident and employee and publicly posted in the facility. Employees receive annual resident rights education. Hawthorne lists the residents' rights on pages 4-7 and 4-8 and includes its resident rights policy in the application's Exhibit 2.

In reference to quality of life, Hawthorne states it ensures residents select activities they find enjoyable and leisure pursuits that enrich their lives. Activities are stated to be designed to augment treatments that occur pursuant to the residents' care plans. Hawthorne provides details on activities objectives and states that residents have multiple opportunities to participate in various forms of recreation for improving mind and body and family members are encouraged to participate. The range of activities each week includes, but is not limited to activities such as card and board games, crafts, exercise, garden yoga, etc. Exhibit 5 includes two June 2023 activities calendars and a specialty programs flier.

During the 36 months ending June 23, 2023, Hawthorne Center for Rehabilitation and Healing of Ocala had no substantiated complaints.



**c. What resources, including health personnel, management personnel and funds for capital and operating expenditures, are available for project accomplishment and operation? 408.035(4), 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 applicant is a development stage company, meaning there is no operational data to be analyzed for the purposes of this review. The applicant indicated that funding will be provided by a third-party source.

**Capital Requirements and Funding:**

The applicant indicates on Schedule 2 capital projects totaling \$3,715,953, which includes this project and other capitalization.

The applicant indicates on Schedule 3 of its application that funding for the project will be provided by non-related company financing of \$1,500,000 and a letter of commitment from Solomon Klein for the remainder of the required capital. The audited financial statements for Hawthorne FL Operations Holdings, LLC show \$922,200 cash on hand. The applicant submitted a letter from Valley Bank indicating an interest in providing \$1,500,000 of funding and Summit Care II confirming their commitment to providing financing for the remainder of the project. A letter from J. P. Morgan Private Bank confirmed a bank balance, in the name of Solomon Klein, in excess of \$5,980,000 as of May 24, 2023. It should be noted that a letter of interest from the bank is not a guarantee of funding.

**Conclusion:**

Funding for this project is likely but not guaranteed.

**d. What is the immediate and long-term financial feasibility of the proposal? Section 408.035(6), Florida Statutes**

The immediate and long-term financial feasibility of the project is tied to expected profitability. The purpose of our analysis for this section is to evaluate the reasonableness of the applicant's profitability projections and, ultimately, whether profitability is achievable for this project. Our analysis includes an evaluation of net revenue per patient day (NRPD), cost per patient day (CPD), nurse staffing ratios, and profitability. We compared the NRPD, CPD, and profitability to actual operating results from skilled nursing facilities as reported on Medicaid cost reports (2020 and 2021 cost report years). For our comparison group, we selected skilled nursing facilities with similar Medicaid utilizations to the

utilization projected by the applicant on a per patient day basis (PPD). Comparison group data was adjusted for inflation to match the second-year projection (inflation factor was based on the New CMS Market Basket Price Index as published in the 3rd Quarter 2022, Health Care Cost Review).

NRPD, CPD, and profitability or operating margin that fall within the group range are considered reasonable projections. Below is the result of our analysis.

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	3,102,021	427	447	320	230
Total Expenses	2,704,455	372	410	315	256
Operating Income	397,566	55	59	4	-91
Operating Margin	12.82%		<b>Comparative Group Values</b>		
	Days	Percent	Highest	Median	Lowest
Occupancy	7,271	90.55%	97.00%	91.00%	56.00%
Medicaid	3,603	49.55%	60.00%	55.00%	40.00%
Medicare	2,373	32.64%	41.00%	20.00%	0.00%

**Staffing:**

Section 400.23(3)(b)(1), Florida Statutes, specifies a minimum certified nursing assistant staffing of 2.0 hours of direct care per resident per day, a minimum licensed nursing staffing of 1.0 hour of direct resident care per resident day, and 3.6 hours of total direct care staffing. Based on the information provided in Schedule 6, the applicant’s projected staffing meets this requirement.

The projected NRPD, CPD, and profit fall within the group range and are considered reasonable. In addition, the total cost appears to include at least the minimum amount of staffing required. Therefore, the overall profitability appears achievable.

**Conclusion:**

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

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

Strictly from a financial perspective, the type of competition that would result in increased efficiencies, service, and quality is limited in health care. Cost-effectiveness through competition is typically achieved via a

combination of competitive pricing that forces more efficient cost to remain profitable and offering higher quality and additional services to attract patients from competitors. Since Medicare and Medicaid are the primary payers in the nursing home industry, price-based competition is limited. With a large portion of the revenue stream essentially fixed on a per patient basis, the available margin to increase quality and offer additional services is limited. In addition, competitive forces truly do not begin to take shape until existing business market share is threatened. The publication of need in this area suggests that there is an unmet and untapped customer base for a new entrant to absorb. Since nursing home services are limited to available beds and the need formula suggest excess capacity in the market to fill those beds, the impact on market share would be limited. The combination of the existing health care system's barrier to price-based competition via fixed price payers and the existence of unmet need in the district, limits any significant gains in cost-effectiveness and quality that would be generated from competition.

**Conclusion:**

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

**f. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035 (8), 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 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 applicant also does not specifically identify the type of construction. The new SNF beds are proposed in a portion of building that is connected the existing SNF, but currently is licensed for assisted living. The applicant will need to determine the construction type of this portion of the building to determine if additional modifications will be needed to comply with current nursing home physical plant requirements. If modifications are required, it could result in significantly higher construction costs. This and other requirements will be verified by the Agency during future examination of more developed plans.

The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant owner. Approval from the Agency for Health Care Administration’s Office of Plans and Construction is required before the commencement of any construction.

**g. Does the applicant have a history of and propose the provision of health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? Section 408.035(9), Florida Statutes**

Hawthorne currently provides care to Medicaid residents and will continue this service following the approval of the 22-bed project. The facility’s CYs 2020—2022 Medicaid history is shown below.

Facility Name	Medicaid Days			Medicaid Occupancy		
	2020	2021	2022	2020	2021	2022
Hawthorne Center 3-4	23,536	19,956	22,477	72.52%	63.95%	61.23%

Source: CON application #10736, page 9-2, Table 9-1, from Florida Nursing Home Bed Need Projections by District and Subdistrict, AHCA, for CYs indicated.

Hawthorne’s table shows the total facility is projected to have 45,021 year one and 46,917 year two and the 22-bed project 5,960 year one and 7,271 year two patient days. Medicaid is projected to be 49.55 percent of the total year one and year two patient days for the total facility and the 22-bed project.

**F. SUMMARY**

**Hawthorne Ocala Operations LLC d/b/a Hawthorne Center for Rehabilitation and Healing of Ocala (CON application #10736)** proposes to add 22 beds to its existing 120-bed community nursing home in Subdistrict 3-4 (Marion County).

The applicant expects issuance of license in June of 2025 and initiation of service in July of 2025.

The proposed 22-bed project includes 16,253 GSF of renovation. The construction cost is \$3,272,453. Total project cost is \$3,272,453.

Hawthorne does not propose conditions to the project’s approval.

**Need/Access:**

- The application was filed in response to published need and uses 22 of the 53-bed FNP
- Major need justifications cited by the applicant include:
  - Subdistrict 3-4's age 65 and older population growth
  - the positive effect on the service area, increasing availability where it is most needed
  - high current and projected occupancy demonstrating the need for the additional beds and
  - the benefit to patients by the programs it offers.
- Specific patient/resident services planned for the project are consistent with the most commonly occurring MDC Marion County hospital discharges to SNFs during July 2021 – June 2022.
- The 142-bed facility is projected to have 86.86 percent occupancy in year one ending June 30, 2026 and 90.52 percent in year two ending June 30, 2027. The 22-bed project is projected to have 74.22 percent and 90.55 percent occupancy in years one and two, respectively.

**Quality of Care:**

- The applicant provided a detailed description of the ability to provide quality care.
- The facility had no substantiated complaints during the three-year period ending June 23, 2023.

**Financial Feasibility/Availability of Funds:**

- Funding for this project is likely but not guaranteed.
- The project appears to be financially feasible based on the projections provided by the applicant.
- The project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

**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.

- The applicant will need to determine the construction type of the ALF portion of the building to determine if additional modifications will be needed to comply with current nursing home physical plant requirements.

**Medicaid/Indigent Care**

- Medicaid accounted for 22,477 patient days or 61.23 percent of the facility's CY 2022 patient days.
- Medicaid patients are projected to comprise 49.55 percent of the 142-bed facility's total year one and year two patient days.

**G. RECOMMENDATION**

Approve CON #10736 to add 22 community nursing home beds to the existing 120-bed community nursing home in District 3, Subdistrict 4, Marion County. The total project is \$3,610,953. The project involves 16,253 GSF of renovation and no new construction. The construction cost is \$3,272,453.

**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: August 11, 2023



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**Certificate of Need**



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