

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

PruittHealth – Orange County, LLC/CON #10760

1626 Jeurgens Court
Norcross, Georgia 30093

Authorized Representative: Neil L. Pruitt, Jr.
Chairman and Chief Executive Officer
(678) 533-6699

2. Service District/Subdistrict

District 7/Subdistrict 2 (Orange County)

B. PUBLIC HEARING

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

C. PROJECT SUMMARY

PruittHealth – Orange County, LLC (CON application #10760), also referenced as PruittHealth, PruittHealth Orange, or the applicant is proposing the transfer of CON #10723 PruittHealth – Windermere, LLC which was approved to establish a new 120-bed community nursing home in Subdistrict 7-2 (Orange County) in September of 2022 from the transfer of CON #10627. PruittHealth maintains that there are no other changes to the proposal sought via this transfer CON application. The facility will be located at 870 Tomyon Boulevard, Ocoee, Florida, 34761. The site was acquired in August 2021.

PruittHealth – Orange County, LLC and PruittHealth – Windermere, LLC, LLC are PruittHealth affiliates. The applicant states that PruittHealth entities include:

- More than 100 related skilled nursing and rehabilitation centers and assisted living facilities
 - 25 hospice agencies

- 26 home health agencies
- 10 home first agencies
- An independent living community
- Six pharmacies
- A medical supply company

PruittHealth affiliates currently operate five licensed community nursing homes in Florida, which include:

- PruittHealth – Santa Rosa (Subdistrict 1-1) – 120 beds
- PruittHealth – Panama City (Subdistrict 2-2) – 101 beds
- PruittHealth – Southwood (Subdistrict 2-4) – 101 beds
- PruittHealth - Fleming Island (Subdistrict 4-2) – 97 beds and
- PruittHealth – North Tampa, LLC (Subdistrict 6-1) – 90 beds.

In addition to this project, PruittHealth entities have the following CON projects to establish new community nursing homes pending licensure:

- PruittHealth - Escambia, LLC (Subdistrict (SD) 1-1), Exemption #200003 which combined CON #10613 to Exemption #180033 which combined CON #10505 (75 beds) and CON #10527 (45 beds), to establish a 120-bed facility
- PruittHealth - Citrus Hills, LLC (SD 3-5), CON #10720 (93 beds)
- PruittHealth – 4-3, LLC, (SD 4-3), CON #10721 (120 beds)
- PruittHealth – West Central Florida, LLC (SD 5-2), CON #10732 (120-beds)
- PruittHealth – 6-1, LLC (SD 6-1) - CON #10757 (119 beds) and
- PruittHealth - Viera, LLC (SD 7-1) - CON #10722 (98 beds).

The project is projected to have 94,207 gross square feet (GSF) of new construction, which is a decrease from CON #10723's 95,500 GSF and the original CON #10627's 102,079 GSF. Total construction cost is \$30,034,041. Total project cost is \$41,543,170 and includes land, building, equipment, project development, financing, and start-up costs.

PruittHealth – Orange County, LLC's Schedule 10 indicates the applicant expects issuance of license in August of 2026 and initiation of service in September 2026. However, the applicant's Schedule 7 indicates year one ends June 30, 2028, and year two June 30, 2029.

PruittHealth states it will accept the original CON application #10627 conditions and in CON #10723 which include:

Programming/Operational Conditions:

1. All 120 patient beds will be in private patient rooms.
2. All patient bathrooms will be handicap accessible.
3. Incorporate four bariatric rooms/beds into the facility design.

4. Implement a program designed to reduce hospital re-admissions; the current program utilized by PruittHealth affiliated facilities is INTERACT 3.0. The program to be implemented will be this program or other similarly designed program based on the most recent quality driven program PruittHealth determines to be available at the time of implementation.
5. Participate in an organization-wide quality assurance/ performance improvement initiative that entails quarterly visits in regard to clinical, operational, pharmaceutical and reimbursement areas by corporate consultants to ensure compliance with all local, state and federal laws.
6. Implement electronic medical records (EMR) at the facility, and include smart charting or other similar bed side patient charting tool.
7. Implement resident safety technology including Call Guard and WanderGuard into the facility.
8. Implement clinical kiosks in appropriate locations throughout the facility.
9. Assure all staff maintains ongoing training and continuing education credits utilizing Pruitt University and at no cost to the employees.
10. Participate in a company-wide annual quality report to demonstrate transparency in operations and make this quality report available to the public.
11. Adopt the PruittHealth patient model of care including the applicable PerfectPath Programs appropriate for this facility and described in the CON application and supporting documents.
12. Implement PointRight technology (or a future similar technology) in the ongoing operations.
13. In addition to complying with Florida Emergency Management Plans and Operations Center as required by the State of Florida, the Applicant will adopt PruittHealth's policies related to natural disasters and hurricanes, will implement the PruittHealth hurricane response plan and be an active participant in PruittHealth's central command center when severe weather events arise.

PruittHealth states that these conditions will be measured by furnishing the Agency with certificates, declaratory statements, and other information as needed on an ongoing basis.

Should the proposed project be approved, the applicant's conditions would be reported in the annual condition compliance report, as required by Rule 59C-1.013(3), Florida Administrative Code.

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; and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

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

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

As part of the fact-finding, the consultant, Sarah Zimmerman, 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 criteria and application content requirements found in Florida Statutes, sections 408.035 and 408.037; applicable rules of the State of Florida, Chapter 59C-1 and 59C-2, Florida Administrative Code.

1. Fixed Need Pool

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

PruittHealth – Orange County, LLC’s CON application #10760 is an expedited review and is not in response to a fixed need pool. The number of licensed and approved nursing home beds in Subdistrict 7-2 will remain unchanged as a result of the proposed transfer.

As of August 11, 2023, Subdistrict 7-2 had 36 community nursing homes with 4,368 licensed and 273 CON approved community nursing home beds pending licensure. The subdistrict’s nursing homes reported 83.30 percent for the six months and 83.24 percent occupancy for the 12 months ending June 30, 2023, respectively.

**District 7-2 (Orange County)
Community Nursing Home Utilization
12 months ending June 30, 2023**

Name of Facility	Total Pat. Days	Total Occ. Rate	Medicaid Pat. Days	% Med. Tot. Pat. Days
AdventHealth Care Center Apopka North	41,350	94.41%	21,013	50.82%
AdventHealth Care Center Orlando East	41,820	95.48%	17,352	41.49%
AdventHealth Care Center Orlando North	41,079	93.79%	23,771	57.87%
Apopka Health and Rehabilitation Center	50,123	76.29%	30,666	61.18%
Avante at Orlando, Inc.	8,744	20.30%	5,589	63.92%
Bedrock Rehabilitation & Nursing Center at Orlando So.	37,901	86.53%	24,375	64.31%
Bedrock Rehabilitation and Nursing Center at Winter Park, The	50,984	77.60%	37,246	73.05%
Colonial Lakes Health Care	48,921	74.46%	36,052	73.69%
Commons at Orlando Lutheran Towers	33,945	100.00%	26,486	78.03%
Conway Lakes Health & Rehabilitation Center	41,746	95.31%	17,234	41.28%
Courtyards of Orlando Care Center	40,937	93.46%	28,035	68.48%
Delaney Park Health and Rehabilitation Center	29,610	91.15%	13,424	45.34%
Guardian Care Nursing & Rehabilitation Center	33,557	92.87%	19,784	58.96%
Health Central Park	40,281	93.52%	24,627	61.14%
Hunters Creek Nursing and Rehab Center	38,908	95.18%	25,635	65.89%
Lake Bennet Center for Rehabilitation & Healing	42,112	96.15%	26,383	62.65%
Life Care Center of Orlando	11,010	22.85%	6,547	59.46%
Mayflower Healthcare Center	8,238	94.04%	0	0.00%
Metro West Nursing and Rehab Center	39,889	91.07%	26,492	66.41%
Orlando Health and Rehabilitation Center	133,686	93.67%	91,670	68.57%
Orlando Health Center For Rehabilitation	13,339	33.22%	11,408	85.52%
Palm Garden of Orlando	45,942	95.35%	28,218	61.42%
Parkview Rehabilitation Center at Winter Park	38,407	76.25%	27,355	71.22%
Regents Park of Winter Park	39,045	89.14%	22,927	58.72%
Rio Pinar Health Care	57,904	88.13%	39,387	68.02%
Rosewood Health and Rehabilitation Center	37,785	86.27%	22,737	60.17%
Savannah Cove	12,870	90.41%	4,289	33.33%
Solaris Healthcare Windermere	42,024	95.95%	24,697	58.77%
The Gardens at DePugh Nursing	12,788	87.59%	7,445	58.22%
The Palms Nursing and Rehab at Orlando	29,029	69.16%	21,102	72.69%
West Orange Center For Nursing and Healing	34,828	79.52%	20,437	58.68%
Westminster Baldwin Park	11,933	81.73%	91	0.76%
Westminster Towers	38,187	90.98%	19,631	51.41%
Westminster Winter Park	28,124	96.32%	11,772	41.86%
Winter Garden Rehabilitation and Nursing Center	38,764	88.50%	24,194	62.41%
Winter Park Care and Rehabilitation	31,352	83.39%	20,718	66.08%
SUBDISTRICT 7-2 TOTAL	1,327,162	83.24%	808,789	60.94%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, September 29, 2023.

PruittHealth states the project will enhance competition in the subdistrict and cites the ‘gaps in service’ that it contends were evident pre-pandemic and it expects will continue. The ‘gaps in service’ the project will address include:

1. Bariatric Suites in Response to Obesity Rates and Hard to Place Patients
2. Available and Accessible Beds for Medicaid Long Term Care Enrollees
3. Enhance Access to Private Room Accommodations for all Patients and Payors.

In reference to its proposed bariatric suites, PruittHealth indicates there is a growing demand and cites obesity rates. CON application #10760, page 8, includes the table:

- Estimates of Residents with Obesity, Ages 65+, Subdistrict 7-2: Orange County 2019 and 2026

This table indicates Orange County projects obesity cases increasing from 67,514 in 2019 to 80,632 by 2026. The reviewer notes that the data presented indicates a net increase of 13,118 (19.43 percent) obesity cases in Orange County by 2026 ($80,632 - 67,514 = 13,118$). PruittHealth maintains that the project is responding to a growing demand for nursing homes locally, and in the state, and will offer four suites to accommodate obese patients.

In reference to available beds for Medicaid Long Term Care enrollees, PruittHealth includes a chart showing:

- Medicaid LTC Enrollment Trend Orange County/Subdistrict 7-2 October 31, 2021, through October 31, 2023:
 - October 2023 total enrollment count at 5,031
 - October 2022, total enrollment count at 4,835
 - October 2021, total enrollment count at 4,832

PruittHealth contends that data supports the position that Subdistrict 7-2 has experienced growth in Medicaid Long Term Care enrollment during the past five plus years with an increase of 13.4 percent between September 2017 and 2019, from 4,247 to 4,814 enrollees. PruittHealth includes an update which indicates a fairly stable Medicaid Long Term Care enrollment, with an increase from 4,832 to 5,031 (4.12 percent) between October 2021 and October 2023.

The applicant indicates that providing a state-of-the-art nursing home with specialty programs, accommodations and private rooms to lower income patients who will comprise a majority of the proposed beds, will enhance financial access and quality of care within Orange County.

Subdistrict 7-2’s total number of SNF beds, private beds, beds in multiple rooms and percent of private beds by facility is shown in the table below.

**Subdistrict 7-2
Community Skilled Nursing Home
Bed Configuration**

All SNFs	SNF Beds	Number of Private Beds	Beds in Multiple Rooms	Percent of Private Beds
Total	4,488	620	3,868	13.8%

Source: CON application #10760, page 12 (partially reproduced)

PruittHealth states that the proposed project will become the first all private bed nursing home in Orange County, which is in stark contrast to the average 13.8 percent of nursing home beds that are private in Orange County.¹ The reviewer notes that CON application #10760 accepts the CON #10723 Condition #1, which commits that all 93 patient beds will be in private patient rooms.

The applicant states that in sum, 20 of the 36 Orange County nursing facilities provided greater than 60.9 percent of patient days to Medicaid patients and that these facilities had an average of 11.7 percent of their total beds in a private setting, compared to 13.8 percent in the total subdistrict.

The applicant’s response to quality of care is addressed in item E.2.b. of this report. PruittHealth also references its Schedule 7 projections to provide 55.7 percent of year one’s and 59.6 percent of year two’s total patient days to Medicaid residents.

2. 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? [s. 408.035(1), (2) and (5) Florida Statutes].**

As of August 11, 2023, Subdistrict 7-2 had 36 community nursing homes with 4,368 licensed and 273 CON approved community nursing home beds pending licensure. The subdistrict’s nursing home reported 83.30 percent for the six months and 83.24 percent occupancy for the 12 months ending June 30, 2023, respectively.

¹ The applicant notes on page 2 of this application that this excludes Mayflower Healthcare Center which is part of a CCRC and is only partially available to the community at large.

As previously indicated, the “gaps in service” that PruittHealth proposes to address:

1. Bariatric Suites in Response to Obesity Rates and Hard to Place Patients
2. Available and Accessible Beds for Medicaid Long Term Care Enrollees
3. Enhance Access to Private Room Accommodations for all Patients and Payors

Need was addressed in detail in the original CON application #10627. Both the transferor (PruittHealth – Windermere, LLC) and the transferee (PruittHealth - Orange County, LLC) have common ownership and affiliation with PruittHealth, Inc., ultimately parented by United Health Services, Inc.

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

PruittHealth – Orange does not have a history of providing care. The applicant indicates that since it is a PruittHealth affiliate, the same quality of care information that is in CON #10627 and the transfer CON #10723 applies to this application. PruittHealth states that implementation of this proposal will involve the development of all quality policies and procedures based on its other affiliated facilities. The applicant expresses a commitment to adhere to all state and federal SNF regulations and statutes in addition to Medicare’s Conditions of Participation and to seek Joint Commission accreditation.

PruittHealth states that it will use LTC TrendTracker which is a data collection and benchmarking tool that gives nursing care facilities the opportunity to compare staffing levels, resident characteristics, survey findings, revenue and cost, Medicare patient days, and quality measures with its peer. Further, that when compared to other LTC TrendTracker users, PruittHealth affiliated skilled nursing facilities are leaders in quality care.

The applicant states it will develop programs, services and protocols and will exceed benchmarks to achieve AHCA Gold Seal eligibility. The reviewer notes that none of PruittHealth’s existing facilities have Gold Seal designation. Per the applicant, PruittHealth – Orange County will strive to be a deficiency-free facility, to become a five-star rated facility and meet all AHCA Quality Award Requirements. PruittHealth states that three of its affiliates – PruittHealth – Panama City, PruittHealth – Fleming

Island and PruittHealth – Southwood, received zero deficiency surveys when undergoing their Medicare certification surveys, attesting to the quality of services implemented by PruittHealth.

PruittHealth points out that it will participate in the PruittHealth “Go for the Gold” program that honors its outstanding employees to foster a sense of invested ownership in the success and continually improving quality care of their facilities. PruittHealth also sponsors retreats, workshops, and continuing education programs where employees meet in structured forums to encourage open and honest communication that provides a foundation for conducting and improving daily operations of health-related, support and administrative tasks in an ethical and legal manner that will better anticipate and fulfill residents’ evolving health and quality of life needs.

PruittHealth – Orange County comments that will follow PruittHealth's model for commitment to quality and strive to achieve the same levels of success. The applicant states that its Committed to Caring Campaign, set PruittHealth apart from other skilled nursing operators. Further, as part of its quality initiative plans, PruittHealth Pharmacy Services will perform random audits of client medication regimens.

PruittHealth explains that it is one of the first and largest utilizers of the INTERACT platform, which is a program integrated between different levels of care to reduce hospital readmissions by addressing clinical symptoms before they escalate to the need to transfer a resident to the hospital.

Agency records indicate that for the three-year period ending January 17, 2024, PruittHealth, Inc.’s five Florida SNFs had a total of seven substantiated complaints. A single complaint can encompass multiple complaint categories. See the table below.

**PruittHealth, Inc. Affiliated Florida SNFs
36 Months ending January 17, 2024
Substantiated Complaint History**

Complaint Category	Number Substantiated
Administration/Personnel	1
Elopement	1
Life Safety Code	1
Quality of Care/Treatment	3
Resident/Patient/Client Neglect	1

Source: Agency for Health Care Administration Complaint Records

Note: PruittHealth - North Tampa, LLC was initially licensed effective December 13, 2022.

As noted previously, no PruittHealth, Inc. affiliated facility has earned Gold Seal Award recipient status, and none are identified on the Agency Watch. The Watch List identifies nursing homes that are operating under bankruptcy protection or met the criteria for a conditional status during the past 30 months. Below are the Agency’s and the Centers for Medicare and Medicaid Services (CMS) Care Compare and AHCA FloridaHealthFinder websites showing PruittHealth, Inc. affiliated Florida facilities overall inspection ratings.

The reviewer notes that the Agency documents the most current Nursing Home Guide Inspection Ratings issuance (a one-to-five-star rating system with a possible maximum of five stars) for licensed Florida SNFs.

**PruittHealth-Affiliated NHs Agency-Issued
Nursing Home Guide Inspection Ratings**

PruittHealth Affiliated Nursing Homes	Overall Inspection Star Rating
PruittHealth - Fleming Island	★★★★
PruittHealth - Panama City	★★★★★
PruittHealth - Santa Rosa	★
PruittHealth - Southwood	★★★
PruittHealth -North Tampa, LLC	NR

Source: <https://quality.healthfinder.fl.gov/Facility-Provider/Nursing-Home?&type=0>

Note: NR means no survey date or update information was available.

On February 2, 2024, the reviewer used the Centers for Medicare and Medicaid’s (CMS) Medicare.gov website to obtain Medicare’s Nursing Home Compare rating for the five PruittHealth-affiliated Florida nursing homes. The star ratings are on a one to five basis with five being “Much Above Average”, four “Above Average”, three “Average”, two “Below Average”, and one “Much Below Average”. Not available is cited when a newly certified nursing home has less than 12-15 months of data available or opened less than six months ago, and there was no data to submit or claims for the measure. The overall inspection star rating for each of PruittHealth, Inc.’s Florida SNFs, per CMS Medicare Compare is shown in the table below.

**PruittHealth-Affiliated NHs CMS Nursing Home
Compare Ratings as of February 2, 2024**

PruittHealth Affiliated SNF	Overall Nursing Home Compare Star Rating
PruittHealth - Fleming Island	★★★★
PruittHealth - Panama City	★★★★★
PruittHealth - Santa Rosa	★★★
PruittHealth - Southwood	★★★★★
PruittHealth -North Tampa, LLC	NA

Source: <https://www.medicare.gov/care-compare/?redirect=true&providerType=NursingHome> last updated January 31, 2024.

c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? Section 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 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. The Parent provided audited financial statements, where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

CON 10760 United Health Services, Inc. & Subs (Parent)		
	Jun-23	Jun-22
Current Assets	\$193,674,000	\$219,088,000
Total Assets	\$894,640,000	\$885,999,000
Current Liabilities	\$413,386,000	\$435,956,000
Total Liabilities	\$756,044,000	\$789,254,000
Net Assets	\$138,596,000	\$96,745,000
Total Revenues	\$1,133,313,000	\$1,095,639,000
Excess of Revenues Over Expenses	(\$15,726,000)	\$1,568,000
Cash Flow from Operations	(\$4,600,000)	\$34,066,000
Short-Term Analysis		
Current Ratio (CA/CL)	0.5	0.5
Cash Flow to Current Liabilities (CFO/CL)	-1.11%	7.81%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	247.2%	365.2%
Total Margin (ER/TR)	-1.39%	0.14%
Measure of Available Funding		
Working Capital	(\$219,712,000)	(\$216,868,000)

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:

The applicant indicates on Schedule 2 capital projects totaling \$41,543,170, which includes this project. In addition to the capital costs, the applicant will have to finance a projected year one operating loss of \$2,191,345.

The applicant states on Schedule 3 that funding for this project will come from operating cash flows and line of credit (\$8,308,634) and non-related company financing (\$33,234,536). The applicant provided a letter, dated January 2, 2023, from Synovus stating they would provide 80 percent financing. The applicant also provided audited financial statements showing over \$2.0 million in cash & cash equivalents. Finally, the applicant states that it has access to a Capital One line of credit for working capital. There is no letter from Capital One.

Conclusion:

Funding for this project is in question.

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 1st Quarter 2023, 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	18,736,740	458	1,624	454	343
Total Expenses	18,194,239	445	1,694	459	358
Operating Income	542,501	13	103	0	-166
Operating Margin	2.90%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	40,880	93.33%	97.54%	79.93%	50.44%
Medicaid	24,366	59.60%	69.58%	60.11%	49.64%
Medicare	13,229	32.36%	39.98%	17.39%	3.22%

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 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 (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's 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? Section 408.035 (8), Florida Statutes; Chapter 59A-4, Florida Administrative Code

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule. The application does not explicitly recognize disaster preparedness requirements in the selection of a building site, but compliance with these requirements is implied by the listing of the Florida Building Code as an applicable code. Compliance with these and other requirements will be verified in subsequent submissions of the project to the Office of Plans and Construction.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant owner. Approval from the Agency for Health Care Administration's Office of Plans and Construction is required before the commencement of any construction.

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

The applicant states that, “PruittHealth will enhance access for the defined population and enhance quality of care for lower income persons, disadvantaged persons and the elderly”. PruittHealth notes that it is a newly formed entity with no history of providing health services to Medicaid patients and the medically indigent. However, it is part of PruittHealth, which during Fiscal Year 2023, provided 2,041,694 Medicaid patient days (68.4 percent of FY 2023’s total patient days) and more than six million Medicaid patient days during the past three years.

PruittHealth – Orange County projects 55.7 percent of year one and 59.6 percent of year two total annual patient days will be provided to Medicaid patients.

F. SUMMARY

PruittHealth – Orange County, LLC (CON application #10760) proposes the transfer of CON #10723 from PruittHealth – Windermere, LLC which was approved to establish a new 120-bed community nursing home in SD 7-2 (Orange County). There are no other changes to the proposal sought via this transfer CON application.

PruittHealth – Orange County, LLC and PruittHealth – Windermere, LLC are affiliates of PruittHealth, Inc., ultimately parented by United Health Services, Inc., and Subsidiaries.

The project includes 94,207 GSF of new construction and a construction cost of \$30,034,041. Total project cost is \$41,543,170 and includes land, building, equipment, project development, financing, and start-up costs.

PruittHealth – Orange County, LLC states it will accept the conditions on the original CON #10627 and CON #10723.

Need

- The application is the transfer of CON #10723 and is not in response to the fixed need pool.

- Subdistrict 7-2 (Orange County) has 36 licensed community nursing homes with a total of 4,368 licensed beds and 273 approved beds. SD 7-2 's community nursing homes averaged 83.30 percent during the six months ending June 30, 2023

Quality of Care

- The applicant provided a detailed description of its ability to provide quality care
- PruittHealth's five Florida nursing homes had seven substantiated complaints for the three-year period ending January 17, 2024

Financial Feasibility/Availability of Funds

- Funding for the project is in question
- 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 submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria
- The cost estimate 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 a significant impact on either construction costs or the proposed completion schedule
- The applicant does not explicitly recognize disaster preparedness requirements, but compliance with these requirements is implied

Medicaid/Charity Care

- The applicant states PruittHealth affiliated facilities provided 2,041,694 patient days or 68.4 percent of their total annual patient days to Medicaid patients in FY 2023
- Medicaid is projected to consist of 55.7 percent of year one and 59.6 of year two total annual patient days

G. RECOMMENDATION:

Approve CON #10760 to transfer CON #10723 from PruittHealth – Windermere, LLC to establish a 120-bed community nursing home in District 7, Subdistrict 2, Orange County. The total project cost is \$41,543,170. The project involves 94,207 GSF of new construction and a construction cost of \$30,034,041.

CONDITIONS:

Programming/Operational Conditions:

1. All 120 patient beds will be in private patient rooms.
2. All patient bathrooms will be handicap accessible.
3. Incorporate four bariatric rooms/beds into the facility design.
4. Implement a program designed to reduce hospital re-admissions; the current program utilized by PruittHealth affiliated facilities is INTERACT 3.0. The program to be implemented will be this program or other similarly designed program based on the most recent quality driven program PruittHealth determines to be available at the time of implementation.
5. Participate in an organization-wide quality assurance/performance improvement initiative that entails quarterly visits in regard to clinical, operational, pharmaceutical and reimbursement areas by corporate consultants to ensure compliance with all local, state and federal laws.
6. Implement electronic medical records (EMR) at the facility and include smart charting or other similar bed side patient charting tool.
7. Implement resident safety technology including Call Guard and WanderGuard into the facility.
8. Implement clinical kiosks in appropriate locations throughout the facility.
9. Assure all staff maintains ongoing training and continuing education credits utilizing Pruitt University and at no cost to the employees.
10. Participate in a company-wide annual quality report to demonstrate transparency in operations and make this quality report available to the public.
11. Adopt the PruittHealth patient model of care including the applicable PerfectPath Programs appropriate for this facility and described in the CON application and supporting documents.
12. Implement PointRight technology (or a future similar technology) in the ongoing operations.
13. In addition to complying with Florida Emergency Management Plans and Operations Center as required by the State of Florida, the Applicant will adopt PruittHealth's policies related to natural disasters and hurricanes, will implement the PruittHealth hurricane response plan and be an active participant in PruittHealth's central command center when severe weather events arise.

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: February 8, 2024



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



Certificate of Need
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