

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

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

HSP Polk County, LLC/CON #10799

101 Sunnyside Rd., Suite 201
Casselberry, Florida 32707

Authorized Representative: Mr. Grey Notermann
(407) 830-5309, Ext. 152

2. Service District/Subdistrict

District 6/Subdistrict 6-5 (Polk County)

B. PUBLIC HEARING

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

Letters of Support

The application's Exhibit 1 includes a letter of support from Dr. Luisa Vega, a Psychiatric Nurse Practitioner.

C. PROJECT SUMMARY

HSP Polk County, LLC (CON application #10799), also referenced as HSP or the applicant, proposes to construct a new 120-bed community nursing home in Subdistrict 6-5 (Polk County). HSP states it is affiliated with the Sovereign Group which includes 42 separately organized limited liability companies, each operating a skilled nursing facility (SNF). Thirty of these are in Florida with the remainder located in Georgia (2) and North Carolina (10). The Sovereign Group also includes Southern HealthCare Management (SHCM), which will manage the proposed facility.

HSP Polk County, LLC indicates that the project will be licensed in December 2026 and begin service in January 2027.

The project involves 82,752 gross square feet (GSF) of new construction and a total construction cost of \$31,445,760. The facility is planned to have 46 private and 37 semi-private rooms.

Total project cost is \$47,510,748, and includes land, building, equipment, project development and financing costs.

The applicant does not propose any conditions on the project.

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, Gregory Keeter, analyzed the application with consultation from Financial Analyst Derron Hillmon 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, and Chapters 59C-1 and 59C-2, Florida Administrative Code.

1. Fixed Need Pool

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

In Volume 50, Number 63 of the Florida Administrative Register dated March 29, 2024, a fixed need pool (FNP) of 120 community nursing home beds was published for Subdistrict 6-5 for the January 2027 planning horizon. The applicant's project is in response to the published need.

As of February 9, 2024, Subdistrict 6-5 has 26 community nursing homes with 3,192 licensed beds. There are no CON approved community nursing home beds pending licensure. Subdistrict 6-5 nursing homes reported 85.62 percent occupancy in the six months, and 84.88 percent occupancy during the 12 months ending December 31, 2023.

The proposed single-story 120-bed facility includes 82,752 GSF with 46 private and 37 semi-private rooms. The facility will consist of a center unit and two nursing wings. It will also feature indoor and outdoor therapy areas for patients rehabilitating following a hospital stay, community room with state-of-the-art video and audio equipment, a beautifully landscaped courtyards, multiple activity areas, living rooms, beauty salon, and other amenities. Each patient room will include a flat screen television and window views for each resident, wireless internet, and Americans with Disabilities Act compliant bathroom with shower.

HSP notes Polk County's senior population is substantial, comprising 170,876 residents aged 65 and older and accounts for 21.6 percent of the total population of 791,685. The elderly population is projected to grow faster than the younger age cohorts over the next five years, with an expected increase of 29,726 persons, representing a growth rate of 17.4 percent. This outpaces the growth of the senior population in District 6 and Florida. By 2028, seniors are expected to comprise nearly 23.2

percent of Polk County's population. The applicant's Table 1-1 includes Polk County and Florida population estimates by age cohorts in support of its statement.

HSP's analysis reveals that Polk County's senior population is expected to increase across all areas, with Lakeland exhibiting the highest concentration of seniors and growth rate. Lakeland is projected to add 9,046 seniors aged 65 and older, with a growth rate of 16 percent over the next five years. Winter Haven is expected to experience the fastest growth rate among the three locations, adding 5,167 seniors at a five-year growth rate of 17.1 percent.

According to the 2023 Polk County Health Profile, 29 percent of the population is Hispanic. To ensure access and quality service to minority populations, Southern HealthCare Management has policies and procedures in place to provide person-centered care. SHCM has multilingual staff and facility information printed in Spanish at all its facilities. The applicant states that one-third of the staff at Hunters Creek Nursing and Rehab Center in Orlando are Hispanic and speak Spanish as their first language. Other languages available at various SHCM locations include French, German, Italian, Polish, Creole, Filipino, and others.

As of February 9, 2024, there were 26 skilled nursing facilities in Polk County with a total of 3,192 community nursing home beds, which accounts for 34.6 percent of the 9,220 beds in District 6. According to the current bed supply, there are 19 beds per thousand seniors available in Polk County. However, due to projected population growth over the next five years, the number of beds per thousand seniors is expected to decrease to 16 without the proposed project. Even with the proposed 120-bed nursing home becoming licensed, Polk County's bed availability would level off at 17 beds per thousand seniors. Without the project, the availability of beds in subdistrict 6-5 would decrease significantly (calculated to be from 16.51 per 1,000 to 15.91 per thousand). HSP provides a chart of current (2023) and projected (2028) community bed availability on page 1-8, table 1-3 that illustrates this point.

The applicant notes that nursing home utilization in District 6 is trending upward, recovering from the impact of the COVID-19 pandemic. Prior to the pandemic, Polk County had a strong and stable occupancy rate, matching that of District 6 and the state. Notably, Subdistrict 6-5 had the highest average occupancy rate among all subdistricts at 84.88 percent for the most recent year ending December 31, 2023.

HSP's Table 1-4, displays community nursing home beds, patient days, and occupancy rates for District 6 by subdistrict for the most recent five years ending December 31, 2023. The data shows that Subdistrict 6-5, Polk County had consistently high occupancy rates throughout the period, with a range of 74.46 percent to 84.88 percent.

Table 1-5 presents community patient days and occupancy rates for subdistrict 6-5, District 6, and Florida for the most recent 12-month period, CY 2023. For the last six months of 2023, Subdistrict 6-5 experienced an average occupancy rate exceeding 85 percent in its community beds, surpassing District 6 and statewide averages for each period shown. The data indicates a steady rise in occupancy rates from quarter to quarter for Subdistrict 6-5, which suggests a growing demand for skilled nursing beds in the region. Subdistrict 6-5's average occupancy rate increased to 85.50 percent in the third quarter and to 85.75 percent in the fourth quarter of 2023.

The applicant next presents data on the discharge of adult Polk County residents to skilled nursing facilities for the period from July 1, 2022, to June 30, 2023. A total of 9,196 adults were discharged from Florida hospitals, including acute, comprehensive medical rehabilitation (CMR) and long-term care hospitals (LTCHs). Many of these discharges, 7,692, occurred from hospitals within Polk County, accounting for 83.6 percent of all discharges to nursing homes for Polk County residents. The applicant examines the top ten hospitals with the highest percentage of discharges to Polk County nursing homes, as depicted in Figure 1-4 on page 1-11. After Polk County, Osceola County Hospitals discharged the second-largest share of patients to Polk County nursing homes, amounting to 6.0 percent of total discharges. Orange and Highlands Counties also contributed significantly, with 1.3 percent and 0.7 percent of total discharges, while 8.4 percent of the discharges were attributed to other counties. See Table 1-6 on page 1-12.

HSP suggests that the Polk County nursing home utilization rate can be used to validate projected need. Polk County nursing facilities reported a total of 988,970 patient days of care in CY 2023, which translates to an average daily census of 2,710 and an average occupancy rate of 84.88 percent. The applicant's Table 1-7 supports this assertion.

HSP concludes its need discussion by stating it establish consistency with the subdistrict need to meet the growing demand, strong age 65 and older growth exerts pressure on existing SNFs, and locating its facility proximate to Polk County's acute care hospitals will ensure residents continued access to SNF "care into the future as projected demand is soon to exceed supply".

2. Agency Rule Preferences

**Does the project respond to preferences stated in Agency rules?
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.

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 patterns, patient characteristics, expected average length of stay, ancillary services, patient assessment tools, admission policies and discharge policies.

The applicant indicates that Southern HealthCare Management, LLC aims to provide a comprehensive range of programs and services designed to exceed patient expectations during their recovery from surgery, illness, or long-term care. SHCM's services include short-term rehabilitation, management of complex medical conditions, and long-term care. The applicant lists 13 specialized programs it offers.

The facility's proposed short-term rehabilitation services include a comprehensive range of therapies to address various aspects of patient function and independence. The services are provided by licensed professionals, including physical therapists, occupational therapists, and speech therapists. SHCM facilities offer advanced sub-acute care services that provide a higher level of services for patients referred by local hospitals. The applicant lists physical, speech, occupational therapy and other services.

HSP states that the facility will provide all listed services, except for complex tracheotomy care and ventilator dependent patients. Operational admission patterns and needs will be evaluated for establishing additional advanced services at the facility.

The applicant also discusses dietary services, end of life care to be provided by SHCM staff. Exhibit 4 of the application includes SHCM's 'Guidelines for Palliative Care'. Enhanced cultural outcomes are addressed with HSP stating SMCM "continually embrace the opportunity for positive cultural change by providing a resident centered experience".

SHCM SNF's provide a range of enteral care products to meet the nutritional and medication needs of patients requiring G-Tube therapy. Registered dietitians assess G-tube patients at admission and conduct monthly follow-ups throughout their stay. Infusion therapy services are detailed with HSP stating SHCM provides these services to patients with cancer related pain, cellulitis, congestive heart failure and 13 other diagnosis.

The facility will offer outpatient rehabilitation services will be provided to patients who have been discharged from an inpatient SNF or hospital stay. HSP will provide the same range of physical, occupational and speech/language therapy services to both inpatients and outpatients.

Pulmonary Acute Cardiac Episode Recovery (PACER) Care will also be provided to patients who have experienced a cardiac event, including coronary artery bypass grafting (CABG), congestive heart failure (CHF), myocardial infarction (MI), cerebrovascular accident (CVA), and stroke. Patients with valve and stint replacements, pacemaker insertions, and angioplasty procedures, often accompanied by 12 listed co-morbidities such as diabetes, lung disease, syncope, etc.

The PACER program is for patients who are often referred to SNFs from partnering hospitals through discharge support programs. The program is designed to ensure patients with recent cardiac events related to the conditions listed above have the best opportunity to recover and thrive.

SHCM's respiratory therapy services are detailed and the applicant indicates patients with respiratory issues will be admitted. These patients typically are diagnosed with asthma, bronchitis, chronic obstructive pulmonary disease, cystic fibrosis, idiopathic pulmonary fibrosis, interstitial lung disease, or sarcoidosis.

SHCM SNFs also offer respite care for patients whose primary caregivers need a temporary break. These respite care services provide short-term inpatient care, typically lasting about one week.

Southern Healthcare's restorative care program is stated to be continuous services provided by restorative care aides to patients who can benefit from ongoing interventions and motivation but does not necessitate intensive physical or occupational therapy by a licensed therapist. Upon completion of their therapy services, long-term patients may benefit from regular restorative sessions (i.e. reaching/stretching exercises, ADL self-care reminders and assistance with walking) with a certified nursing assistant who has received specialized training in restorative care.

SHCM’s in-house social services department establishes connections with the community for each patient, ensuring a seamless transition after discharge. Social workers collaborate with the interdisciplinary care team to identify and coordinate resources that meet each patient's unique needs.

SHCM SNFs provide specialized care to patients who have experienced a cardiovascular event related to CABG, CHF, MI, CVA or stroke. This care can also be provided to patients with valve and stent replacement, pacemaker insertion, angioplasty with co-morbidities, such as diabetes, lung disease, syncope, etc. (the applicant lists nine others).

SHCM facilities have a wound care team and S.W.A.T. (special wound aggressive treatment) approach that prioritizes the proactive healing process of patient wounds. Many of these patients are admitted to our facilities from partnering hospitals through identified discharge support programs. HSP’s Exhibit 5 contains further information on the programs and services offered including brochures from SHCM affiliates.

The applicant indicates its facility will have short-term and long-term patients and an average length of stay of 31.7 days. The reviewer condensed portions of HSP’s Table 1-9 and Schedule 5 below.

**Projected Utilization for the 120-Bed Facility
First Two Years of Operation**

	Patient Days	Occupancy	ADC
Year One	21,780	49.73%	60
Year Two	37,531	85.45%	103

Source: CON application 10799, Page 1-14, Table 1-9, Schedule 5

HSP’s Schedule 6 indicates CY 2027 will have 83 full-time equivalents (FTE), and CY 2028 will have 128.2 FTEs. The medical director FTE is stated to be a contracted position.

To determine the level of care required by nursing home residents, the applicant conducted an analysis of hospital discharge data for adult residents of Polk County, focusing on those aged 65 and over. The analysis examined all Major Diagnostic Categories (MDCs) to identify the types of conditions and disorders that would necessitate nursing home admissions. The results are presented in Table 2-2 on page 2-12, which shows the number of cases and prevalence by MDC for Polk County adult residents discharged from acute, rehabilitation, and long-term care hospitals to skilled nursing facilities during the 12-month period ending June 30, 2023.

The top conditions for admissions to skilled nursing facilities from July 1, 2022, to June 30, 2023, were analyzed and sorted by MDC to identify the most common types of conditions expected for the new facility. This information informs the types of services necessary to meet the needs of residents.

The top five MDCs account for 70.61 percent of discharges to Polk County residents to nursing homes. HSP discusses the top three - musculoskeletal system diagnosis (MDC 8) is the highest category (1,340 cases) and includes conditions such as fractures, hip and knee replacements, and other musculoskeletal disorders. To address these conditions, the facility will provide a range of therapies, including weight-bearing exercises to restore mobility, flexibility, stability, lateral balance, and strength. Physical and occupational therapists will guide residents through progressive therapeutic activities to enhance flexibility in joints, legs, and back, as well as core or abdominal strengthening.

The second-ranked MDC is infectious & parasitic diseases (MDC 18), accounts for 1,048 discharges. To manage this condition, the facility will employ isolation protocols to limit exposure to persons with infectious diseases. The facility is designed with 46 private rooms and 37 semi-private rooms, allowing for private rooms to be converted to semi-private capacity as needed. Private rooms will also enable the facility to accommodate patients with contagious conditions or those requiring isolation.

The third-ranked MDC (1,013 cases) is circulatory system (MDC 5) represents 13.96 percent of total discharges to nursing homes. Conditions within this group include heart failure, heart attacks, and pacemaker implantation, which directly or indirectly affect the heart. The facility will employ therapies to improve cardiac and circulatory functions through physical and occupational therapies.

The applicant's table below identifies the top five categories of discharges for the 65 and over age cohort, but the table is labeled for Brevard County rather than Polk County. A condensed version of the table is presented below.

**Polk+ County Hospital Patients Aged 65 and over
Discharges to SNFs by MDC
July 1, 2022—June 30, 2023**

Major Diagnostic Category	Cases	Percent
08 Diseases & Disorders – Musculoskeletal & Connective Tissue	1,340	18.46%
18 Infectious & Parasitic Diseases, Systemic or Unspecified Site	1,048	14.44%
05 Diseases & Disorders of the Circulatory System	1,013	13.96%
11 Diseases & Disorders of the Kidney & Urinary Tract	891	12.28%
04 Diseases & Disorders of the Respiratory System	833	11.48%
All Others	2,992	29.38%
Total	7,258	100.0%

Source: CON application #10799, Page 2-12, Table 2-2 from AHCA Hospital Discharge Database.

Note: The table is labeled for Brevard County, but it is unknown whether this is a labeling error with data about Polk County or data from Brevard County.

The facility's comprehensive care approach will involve assessing each individual during the admission process to develop a plan of care with specific goals identified and prescribed services tailored to restore, normalize, and achieve functional capabilities.

The pre-admission clinical screening process is conducted to assess the needs and requirements of each prospective resident, enabling the facility to determine the appropriate level of care and services for the patient. Financial screening is also performed to gather financial information and determine the appropriate classification for payment. Upon admission, each resident receives an admission packet that outlines the agreement between the facility representative and the resident, their legal representative, or other responsible party. This document serves as a comprehensive guide outlining the terms and conditions of care, including the services to be provided and the responsibilities of all parties involved.

SHCM's approach to patient and family education begins at the onset of admission, where a staff member welcomes the patient and their family, if available, and escorts them to their assigned room. Within the first 48 hours, key facility department heads introduce themselves to the new patient, fostering a sense of familiarity and establishing a connection. SHCM social workers and case managers serve as a crucial liaison between the patient, facility staff, physicians, and hospitals to ensure a seamless transition from hospitalization to facility care and ultimately to home discharge. By adopting an interdisciplinary approach, discharge planning and patient education commence prior to admission, guaranteeing the establishment and implementation of a tailored discharge plan.

Florida's Long-Term Care Ombudsman Program and resident rights is discussed with HSP stating that upon admission, residents are provided with program information outlining their rights at the facility. Staff members receive training on nursing home federal requirements for

resident rights to ensure they can provide residents with dignity, courtesy, and care. The application's Exhibit 6 includes a copy of the resident rights information, including contact information for filing complaints.

SHCM develops and implements a baseline care plan for each resident within 48 hours of admission, in collaboration with the resident, their family, and health care team. This plan ensures comprehensive care that meets professional standards. The care plan includes measurable objectives and timelines to address medical, nursing, mental, and psychosocial needs, as well as ongoing assessment information provided by point click care, the preferred resident assessment instrument. Social service assessment is also conducted to identify factors impacting psychosocial well-being and functioning.

Behavioral health care and services are provided to promote physical, mental, and psychosocial well-being in accordance with the comprehensive assessment and plan of care. Culturally competent, trauma-informed care is prioritized for trauma survivors, considering their experiences and preferences to minimize triggers and re-traumatization. The application's Exhibit 4 includes policies and patient assessment tools related to care planning.

As part of the discharge process, social workers and case managers coordinate meetings with patients' support teams to reinforce post-acute education and ensure a safe transition to their next location. These meetings may involve discussing medication self-administration, physician limitations on home activities, home visits for safety inspections, and coordination of post-discharge appointments and follow-up visits with physicians. SHCM facilities also conduct post-discharge follow-up calls, or "Sunshine Calls," to monitor patients' adjustment to their home life. A written follow-up is also conducted 30 days after discharge. Patients or their families can contact the facility's clinical or therapy team at any time after discharge to ask questions about their home care and ongoing wellness program. The application's Exhibit 4 contains samples of care planning, admission, and discharge policies and procedures in place at SHCM facilities.

- 2. Quality of Care. In assessing the applicant's ability to provide quality of care pursuant to 408.035(3), 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.**

HSP Polk County, LLC and SHCM have not had a nursing facility licensed denied, revoked, or suspended.

- 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.**

HSP Polk County, LLC, and SHCM have not had a nursing facility 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.**

HSP Polk County, LLC, states it will provide the required data to the Health Council of West Central Florida, Inc. that services Health

Planning District 6 and to the Agency. Data will include the above-cited utilization reports and required licensure and financial requirements. HSP discusses Health Care Access Criteria in Rule 59C-1.030, Florida Administrative Code on the application's pages 3-9 through 3-12.

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)(5), Florida Statutes.

As of February 9, 2024, Subdistrict 6-5 had 26 community nursing homes with 3,192 licensed beds. The subdistrict's nursing homes reported 85.62 percent total occupancy during the six-month period ending December 31, 2023, and 84.88 percent for CY 2023. As previously stated, an FNP for 120 community nursing home beds in Subdistrict 6-5 was published in Volume 50, Number 63 of the Florida Administrative Register.

HSP states that "availability is defined as how much of a resource exists. The fixed need pool published on March 29, 2024, indicates a need for 120 community nursing home beds for Nursing Home Subdistrict 6-5, Polk County." HSP notes Polk County has 26 skilled nursing facilities with a total of 3,192 beds and the subdistrict's occupancy rates stated above. HSP's Table 1-3 on page 1-8, shows that Subdistrict 6-5 has 19 beds per thousand residents aged 65 and over. However, given the expected growth over the next five years the number of beds per thousand for Polk County drops to 16 without the proposed 120-bed project and to 17 beds per thousand with the project. HSP concludes that the project is "positive and increases the supply in an area of the county with a high concentration and growth rate for the elderly population where bed supply is limited."

Quality of care is addressed with HSP stating it is affiliated with the Sovereign Group and Southern HealthCare Management, LLC, which operates 30 nursing homes in Florida. The applicant emphasizes that its affiliation means that the project, "benefits from an experienced team of having the knowledge, tools, and expertise to continuously maintain high quality nursing home standards." HSP next addresses access as it relates to geographic impediments, distance, time to travel, and eligibility criteria for qualifying for the service and considerations such as financial cost and methods of reimbursement from third parties. The applicant

states it will participate in Medicare and Medicaid and will seek contracts with managed care providers and commercial insurance companies to ensure a variety of payment options maximizing access.

HSP analyzed Polk County residents age 65 and over hospital discharges during the 12 months ending June 30, 2023. Of the 7,258 - 1,340 (18.5 percent) were MDC 8 (musculoskeletal system), 1,048 (14.4 percent) were MDC 18 (Infectious disease), 1,013 (12.3 percent) were cardiac patients, 891 (12.3 percent) were associated with kidney disease, and 833 (11.5 percent) were respiratory illness. The remainder were all below 10 percent. HSP contends that infectious disease drives the case for more private rooms, which is addressed with its project.

HSP notes that Polk County nursing homes' CY 2023 utilization rate of 84.88 percent was above the average for the district, and it expects the rate to increase steadily returning to pre-pandemic levels. The applicant's Figure 3-2 on page 3-7 presents District 6 and District 6 subdistricts occupancy rates for CYs 2019 – 2023. HSP contends the demand appears to increase as occupancy rates trend upward and its 120-bed project is expected to increase utilization. The applicant's Table 3-2 on page 3-8 shows Polk County nursing homes CY 2023 total and Medicaid utilization. Fifteen of the 26 facilities total utilization exceeded 85 percent and seven exceeded 90 percent.

HSP Polk County addresses the project's conformity with Rule 59C-1.030 Health Care Access Criteria on the application's pages 3-9 through 3-12.

- 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)(10), Florida Statutes.**

HSP is an affiliate of Sovereign Group which includes 42 separately organized limited liability companies, each operating an SNF. The applicant's Exhibit 2 lists these facilities which include 30 Florida SNFs. As previously stated SHCM is part of the Sovereign Group and provides management services to all Sovereign Group affiliates.

In October 2023, SHCM marked a significant milestone, celebrating its 20th anniversary. Throughout its history, the organization has consistently demonstrated a commitment to excellence, as reflected in its high ratings on licensing and certification surveys. Many of its facilities have achieved outstanding ratings, including Hunters Creek Nursing and Rehab Center and Metro West Nursing and Rehab Center in adjacent Orange County. The applicant states ratings are a testament to the

organization's dedication to providing high-quality care. The application's Exhibit 9 includes a list of SHCM's most recent nursing home ratings. The applicant presents the following achievements at SHCM facilities:

- All 30 Florida SNFs are accredited by The Joint Commission, a recognized leader in health care accreditation.
- Eight Florida SNFs have earned the Governor's Gold Seal by meeting state and/or regional scores based on inspections conducted between July 1, 2021, and December 31, 2023¹.
- John Mangine, COO, was awarded the Walter M. Johnson, Jr. Circle of Excellence Award in 2023.
 - This award is the highest honor given by FHCA to recognize leadership in the Association and dedication to enhancing the long-term care profession.
- Newsweek nursing home rankings. Top Nursing Homes – Florida
 - Braden River Rehabilitation Center Ranked number 7

HSP Polk County states that SHCM is dedicated to promoting and directing high quality nursing care and rehabilitative services to meet the physical, emotional and social needs of those they serve. The organization lists three core programs –Guardian Angel, Essential Piece, Customer Service. Additional details on each of these core programs are found in Exhibit 10 of the application.

HSP next addresses Quality Assessment and Performance Improvement listing the 12 CMS QAPI action steps to establish the foundation for quality assurance and performance improvement in nursing homes. Additional information is provided on the application's pages 4-4 and 4-5 and Exhibit 11. The applicant notes it will employ a fully integrated electronic medical record (EMR) platform providing bedside access to the patient record for immediate response and reporting requirements. The use of EMR applications enhances quality and efficiency in managing patient outcomes. HSP addresses resident patient rights and includes these in the application's Exhibit 6. Each SHCM facility establishes a resident council to provide a formal, organized means of resident input into facility operations. The application's Exhibit 12 contained a SHCM sample resident council document.

SHCM programs and services that enhance care are stated to include enhancing cultural outcomes, guardian angel program, telehealth, dietary services, activities programming and plans for a "Bucket Wish

¹ The reviewer notes none of these facilities were listed as Gold Seal Facilities on the Agency's HealthFinder.gov website as of July 22, 2024.

List” program. A sample activities calendar is provided in Exhibit 12 of the application.

The reviewer notes that SHCM affiliated nursing homes had 135 substantiated complaints during the period of 36 months ending June 19, 2024. A substantiated complaint can encompass multiple complaint categories. See the table below.

**HSP Polk County, LLC – SHCM Affiliates
Substantiated Complaints Categories
June 19, 2021 – June 19, 2024**

Complaint Category	Number Substantiated
Administration/Personnel	3
Admission, Transfer & Discharge Rights	6
Billing/Refunds	1
Dietary Services	1
Elopement	1
Falsification of Records/Reports	2
Infection Control	1
Life Safety Code	1
Physical Environment	4
Quality of Care/Treatment	48
Quality of Life	1
Resident/Patient/Client Abuse	4
Resident/Patient/Client Neglect	3
Resident/Patient/Client Rights	10
Restraints/Seclusion General	1
Total	135

Source: Agency for Health Care Administration complaint data.

- c. What resources, including health personnel, management personnel and funds for capital and operating expenditures are available for project accomplishments and operations? 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 with only \$250,000 in cash, with no operations. The applicant indicated that funding will be provided by cash on hand and a third-party interest.

Capital Requirements and Funding:

The applicant indicates on Schedule 2 capital projects totaling \$47,510,748, which includes this project only. In addition to the capital costs, the applicant will have to finance a projected year one operating loss of \$2,274,400.

The applicant indicates on Schedule 3 of its application that funding for the project will be provided by cash on hand (\$210,665) and non-related company financing (\$47,300,083). The applicant provided a letter of interest, dated June 12, 2024, from Berkadia stating their interest in providing construction financing. A letter of interest is not considered a firm commitment to lend.

Given that the funding is supported by a letter of interest, we have no basis to conclude that funding will be available for this project.

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	17,279,300	460	1,471	506	373
Total Expenses	16,909,300	451	2,391	513	351
Operating Income	370,000	10	161	-9	-969
Operating Margin	2.14%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	37,531	85.45%	91.56%	71.88%	7.29%
Medicaid	13,136	35.00%	44.85%	38.95%	25.04%
Medicare	20,642	55.00%	61.14%	26.99%	2.06%

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, & profit falls 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(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 suggests 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 applicant did not specify the Florida Building Code or National Fire Protection Association (NFPA) construction types, but the narrative did provide sufficient information to make an informed inference. 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 is required before the commencement of any construction.

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

HSP Polk County is a developmental stage enterprise with no operations. The applicant's Table 9-1 on page 9-2 includes SHCM's four District 6 facilities Medicaid occupancy during CYs 2019-2023.

HSP's Table 9-2 on the application's Page 9-3 indicates Medicaid HMO patients will comprise 35 percent of facility's total annual year one (CY 2027) and year two (CY 2028) patient days.

F. SUMMARY

HSP Polk County, LLC (CON application #10799) proposes to construct a 120-bed community nursing home in Subdistrict 6-5 (Polk County). HSP indicates the project will be licensed in December 2026 and begin service in January 2027.

The project involves 82,752 GSF of new construction and will have 46 private and 37 semi-private rooms. Total project cost is \$47,510,748.

HSP Polk County, LLC does not propose any conditions on the project.

Need:

- The application was filed in response to the published need.
- The applicant's major need justifications include:
 - The 65 and over Polk County population growth, which is expected to represent 21.6 percent of the total population.
 - Polk County presently has 19 nursing home beds per 1,000 persons aged 65 and older, which is projected to decrease to 16 beds per 1,000 seniors without or 17 with this project. The contends that the project will ensure sufficient supply of available beds.

Quality of Care:

- The applicant provided a detailed description of the ability to provide quality care
- During the 36 months ending June 19, 2024, the 30 affiliated SHCM nursing homes had 135 substantiated complaints with 15 categories cited

Financial Feasibility/Availability of Funds:

- Funding for this 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 applicant did not specify the Florida Building Code or National Fire Protection Association (NFPA) construction types, but the narrative did provide sufficient information to make an informed inference
- 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 significant impact on either construction costs or the proposed completion schedule.

Medicaid/Indigent Care:

- The applicant projects Medicaid HMO residents will comprise 35 percent of year one and year two total annual patient days.

G. RECOMMENDATION

Approve CON #10799 establish a new 120-bed community nursing home in District 6, Subdistrict 5, Polk County. The total project cost is \$47,510,748. The project involves 82,752 GSF of new construction and a total construction cost of \$31,445,760.

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 9, 2024



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Certificate of Need



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