

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION:

1. Applicant/CON Action No.

Community Supports, Inc. d/b/a Lakeview Terrace/CON #10226
1890 State Road 436, Suite 300
Winter Park, Florida 32792-2285

Authorized Representative: Mr. Kenneth Schultz, CPA
President and CEO
(407) 645-3211

2. Service District/Subdistrict

District 3/Subdistrict 3-7 (Lake and Sumter Counties)

B. PUBLIC HEARING:

No public hearing was held or requested regarding the proposed project. The application includes three signed letters of support dated February 28, 2014 to March 3, 2014.

Glen Irby, City Manager, City of Umatilla, states that Lakeview Terrace is at the northern boundary of Umatilla and within the city limits. He states that the City of Umatilla views Lakeview Terrace as “a tremendous asset for our community”.

Leo Blatz, President, Lakeview Terrace Residents’ Association states that he speaks for “approximately 300 residents in expressing unqualified support” for the project. He states that residents find the quality of skilled nursing at Lakeview Terrace “to be excellent” and that this conclusion “is amply supported by the results of regular inspections by the State of Florida”. Mr. Blatz indicates that skilled nursing beds are not always available when needed and “the expansion of Lakeview Terrace that is currently in process will only make the situation worse”.

David Ottati, Chief Executive Officer, Florida Hospital Waterman, cites “the excellent reputation Lakeview Terrace enjoys in our community”. He also states that he “looks forward to a working relationship with Lakeview Terrace toward our mutual goal of providing excellent and cost efficient healthcare for our community”.

C. PROJECT SUMMARY

Community Supports, Inc. d/b/a Lakeview Terrace (CON application #10226), a Florida not-for-profit corporation and owner of Lakeview Terrace, proposes to establish a 20-bed sheltered nursing facility as part of its continuing care retirement community (CCRC), in Lake County, Florida (District 3, Subdistrict 7). Currently, a subsidiary of Lakeview Terrace, Lakeview Terrace Health Care Center, LLC¹, has 20 community nursing home beds and provides the nursing care for life care contract holders at Lakeview Terrace. This subsidiary also provides assisted living for life care contract holders. The proposed site and subsidiary are located in zip code 32702.

Lakeview Terrace has 217 residential units, with an additional 54 units planned. The total independent living units would be 271. The 20-sheltered bed proposal is well within the 68 sheltered bed allocation allowed. Section 651.118 (4), Florida Statutes, directs the Agency to approve one sheltered nursing home bed for every four proposed residential units, including those that are licensed under Part I, Chapter 429, in a continuing care facility, unless the provider demonstrates the need for a lesser number of sheltered nursing home beds based on actual utilization and demand by current residents.

The applicant proposes no conditions on its Schedule C. This is typical of sheltered nursing beds for the following reasons:

- they are a part of a CCRC
- they are regulated by the Department of Financial Services, which ensures that contracts with CCRC residents are met; and
- they are used primarily to provide care to CCRC residents.

¹ Lakeview Terrace Skilled Nursing Facility is a 20-bed community nursing home located at 110 Lodge Terrace Drive, Altoona, Florida 32702. Lakeview Terrace Health Care Center, LLC, a not for profit entity, has owned the facility since January 3, 2003.

Total project cost is \$5,257,700. The project involves 20,642 gross square feet (GSF) of new construction (no renovation), with a total construction cost of \$4,178,000. Total project cost includes the following: land; building; equipment, project development and financing costs.

Community Supports, Inc. anticipates the project to be licensed and operational in January 2016.

Pursuant to Florida Statutes 408.0435 (1), the Florida Legislature extended a moratorium, until Medicaid managed care is implemented statewide pursuant to Sections 409.961-409.985, Florida Statutes, or October 1, 2016, whichever is earlier, on the issuance of any certificate of need (CON) for increases in the number of community nursing home beds around the state. However, pursuant to Section 408.0435 (3) Florida Statutes:

“This moratorium on certificates of need shall not apply to sheltered nursing home beds in a continuing care retirement community certified by the former Department of Insurance or by the Office of Insurance Regulation pursuant to chapter 651.”

The application was filed pursuant to Rule 59C-1.004(2) (a), Florida Administrative Code, which allows applications for sheltered nursing home beds to be reviewed as expedited applications rather than competitive batch review applications.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes and 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 (subdistrict), applications are comparatively reviewed to determine which applicant(s) best meet(s) 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(s).

The consultant, Steve Love, analyzed the application, with analysis of financial data from financial analyst Felton Bradley of the Bureau of Central Services and Said Baniahmad 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 pages indicate the level of conformity of the proposed project with the review criteria and application content requirements found in Sections 408.035, and 408.037, Florida Statutes; and Chapters 59C-1 and 59C-2, Florida Administrative Code. Sheltered nursing homes are regulated under Chapter 651, Florida Statutes.

Pursuant to s. 651.118 (2), Florida Statutes: *The Agency for Health Care Administration shall issue a certificate of need to any holder of a provisional certificate of authority pursuant to s. 651.022 to construct nursing home beds for the exclusive use of the prospective residents of the proposed continuing care facility if the holder of the provisional certificate of authority meets the Agency's applicable review criteria, utilizing the bed need provisions of subsection (4).*

Subsection (4) contains the following language: *The Agency for Health Care Administration shall approve one sheltered nursing home bed for every four proposed residential units, including those that are licensed under part III of chapter 400, in the continuing care facility unless the provider demonstrates the need for a lesser number of sheltered nursing home beds based on proposed utilization by prospective residents or demonstrates the need for additional sheltered nursing home beds based on actual utilization and demand by current residents.*

1. Fixed Need Pool

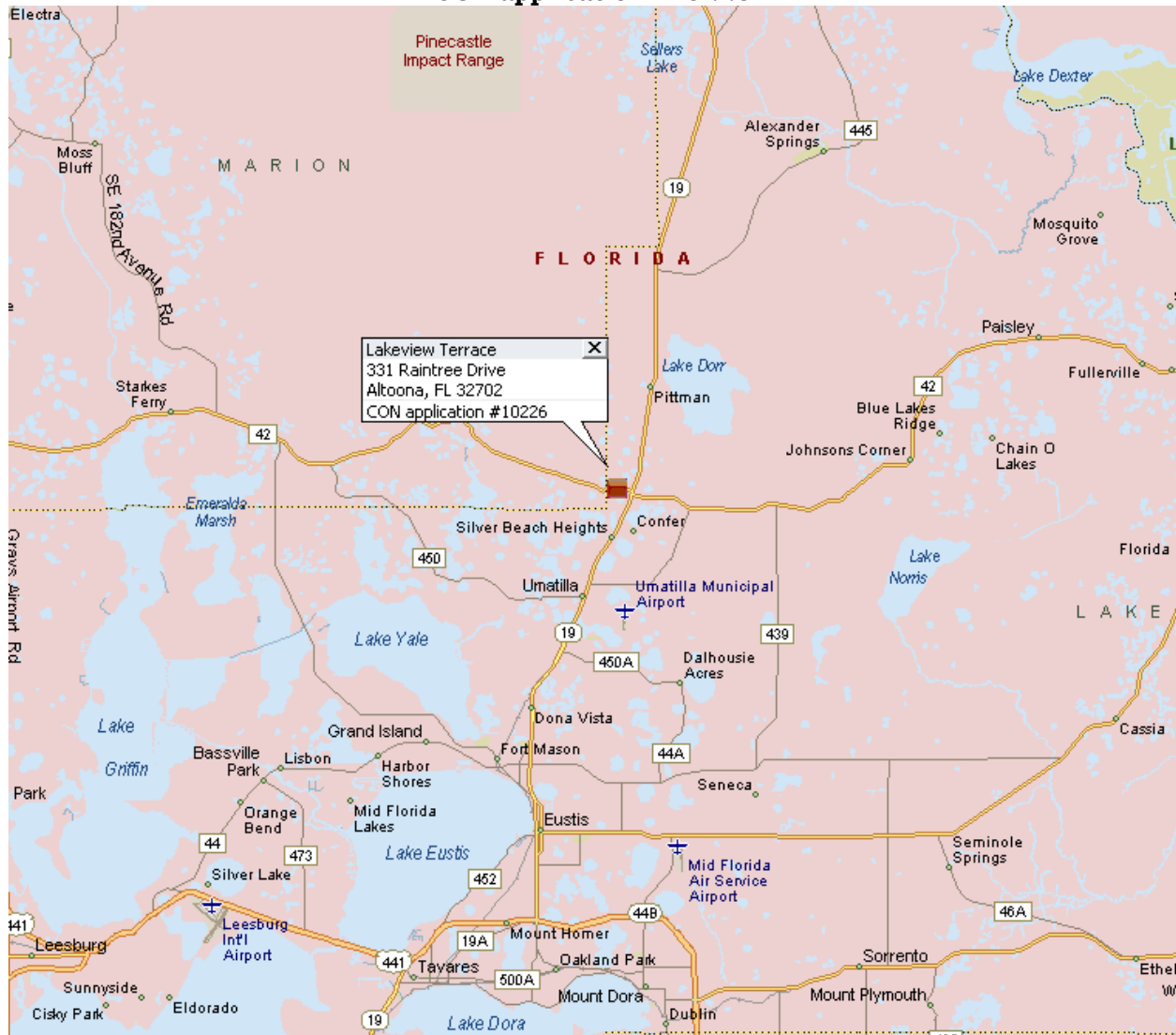
a. Does the project proposed respond to need as published by a fixed need pool? Ch. 59C-1.008(2), Florida Administrative Code.

As noted above, this project is being reviewed under Rule 59C-1.004(2) (a), Florida Administrative Code. Expedited reviews may be submitted at any time and do not respond to fixed need pool publications.

Per the applicant, effective October 1, 2012, Lakeview Terrace Retirement Services, LLLP (Limited liability limited partnership) merged into Community Supports, Inc.² Per the applicant, the project will be located at Lakeview Terrace, 331 Raintree Drive, Altoona, Florida 32702. This location is east of The Villages, approximately 40 miles southeast of Ocala, 45 miles north of Orlando and 45 miles west of Daytona Beach. See the map below.

² The LLLP is a relatively new modification of the limited partnership (LP) form of business entity recognized under U.S. commercial law. The traditional LP requires the general partners to be jointly and severally liable for the LPs debts and obligations; whereas in an LLLP, the general partners are afforded limited liability for the debts and obligations that arise during the period the LLLP election is in place. Source: <http://en.wikipedia.org>.

**Community Supports, Inc. d/b/a Lakeview Terrace
CON application #10226**



Source: Microsoft MapPoint 2013®.

Community Supports, Inc. indicates that the majority of its residents will originate from 10 Lake County zip codes and zip code 32195 in Marion County (see the table below).

Primary Service Area Zip Codes

32159	32735	32778
32195 (Marion)	32736	32784
32702	32767	34788
32726	32776	

Source: CON application #10266, page 1-8.

The reviewer confirms that per the United States Postal Service website at <https://tools.usps.com/go/ZipLookupAction!input.action>, the zip codes shown in the table above are located in Lake and Marion Counties.

2. Agency Rule Preferences

- a. Use of Sheltered Nursing Home Beds.** Under subsection 651.118(7), Florida Statutes, sheltered nursing home beds may be used for persons who are not residents of the continuing care facility, and who are not a party to a continuing care contract, for a period of up to five years from the date of issuance of the initial nursing home license for sheltered beds constructed in conjunction with the non-nursing home portion of the continuing care facility. Applicants applying at a later time for additional sheltered nursing home beds without increasing the number of residential units shall restrict the use of the additional sheltered beds to continuing care residents. Applicants who are adding additional residential units shall be allowed to apply for additional sheltered nursing home beds not exceeding a ratio of one nursing home bed per four residential units. Nursing home beds approved under this condition may be used for community residents for a period of up to five years from the date of issuance of the initial license of these beds.

The applicant states that the purpose of the proposed project is to create a sheltered nursing home for residents of Lakeview Terrace who are life care contract holders. Community Supports, Inc. indicates that an affiliated entity, Lakeview Terrace Health Care Center, presently provides nursing home services to contract holders in the 20-bed community nursing home. The applicant also states that rising occupancy of Lakeview Terrace Health Care Center places pressure on Lakeview Terrace to assure that contract holders have space when it is needed.

- b. Criteria and Standards.** In addition to meeting the applicable review criteria in Section 408.035, Florida Statutes, and the provisions in this rule, applicants for certificates of need for sheltered nursing home beds shall comply with the criteria and standards outlined under Section 651.118, Florida Statutes.

Community Supports, Inc. indicates that the project's conformance with review criteria of s. 408.035, Florida Statutes and certain criteria and standards of s. 651.118, Florida Statutes is demonstrated throughout the application. See Item E. 3. for the applicant's responses to the review criteria in s. 408.035 Florida Statutes.

- c. **Data Collection and Reporting Procedures. Continuing care providers shall submit to the Agency, or its designated Agency, semi-annual bed utilization reports for the purpose of determining community and sheltered nursing home bed utilization based on historical use by residents and non-residents of the continuing care facility. Bed utilization data shall be reported on July 30 for the period of January 1 through June 30, and on January 30 for the period of July 1 through December 31 of each calendar year. Bed utilization data shall include:**
- (a) **Total number of resident admissions during the six-month reporting period.**
 - (b) **Total number of non-resident admissions during the six-month reporting period.**
 - (c) **Total admissions for the six-month reporting period.**
 - (d) **Total resident patient days for the six-month reporting period.**
 - (e) **Total non-resident patient days for the six-month reporting period.**
 - (f) **Total patient days for the six-month reporting period.**

Community Supports, Inc. states that “Lakeview Terrace will comply with the data requirements of this section”.

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) (a) and (b), Florida Statutes.**

Community Supports, Inc. d/b/a Lakeview Terrace seeks to establish a new 20-bed skilled nursing facility within the larger Lakeview Terrace Retirement Community campus, in Altoona, Florida. The applicant notes that Subdistrict 3-7 has 13 community nursing homes and two CCRCs with sheltered nursing home beds, with a total of 1,667 community beds and 82 sheltered beds. Community Supports, Inc. also indicates that there are three CCRCs “all located in Lake County”, as follows:

- Lakeview Terrace with no sheltered nursing home beds
- Lake Harris Health Center, with 10 sheltered beds; and
- Freedom Pointe at The Villages, with 72 sheltered beds.

However, the reviewer notes that per the Agency’s *Florida Nursing Home Utilization by District and Subdistrict July 2012-June 2013* publication, issued September 27, 2013, nursing home Subdistrict 3-7 has 15

community nursing homes and two CCRCs, with a total of 1,727 community beds and 82 sheltered beds. The community nursing home facility count includes Lake Harris Health Center as the facility has 110 community nursing home beds and 10 sheltered nursing home beds. Per Community Supports, Inc. states that “to compare the availability of skilled nursing beds, the nursing home beds to the elderly population aged 65 years and older were calculated with and without the 20 sheltered beds sought in the application”. See the table below.

**Total Nursing Home Beds per 1,000 Population Age 65 Years and Older with the Effect of the Proposed Project Modeled on Current Supply
July 1, 2012 through June 30, 2013**

Area	Licensed Beds	2013 65+ Population	Beds per 1,000 Persons 65+	With 20 Sheltered Beds
15-Mile Radius	614	43,241	14	15
Subdistrict 3-7	1,809	120,906	15	15
District 3	7,682	388,210	20	20
Florida	83,347	3,462,588	24	24

Source: CON application #10266, page 3-2, Table 3-1.

Note: For the 15-mile radius, Nielsen Claritas population estimates are used. The January 1, 2013 subdistrict, district and Florida population estimates are from the *Florida Population Estimates & Projections by AHCA* District publication of September 2013.

The reviewer confirms that Subdistrict 3-7, District 3 and Florida licensed bed totals and corresponding 2013 age 65 and over population totals are correct, as depicted in the table above, per the Agency’s *Florida Nursing Home Utilization by District and Subdistrict July 2012-June 2013* publication, issued September 27, 2013 and the January 1, 2013 age 65 and over population totals, per the Agency’s *Population Estimates* publication, issued September 2013, respectively.

Community Supports, Inc. states that based on the above table, the project “will increase availability only slightly, by one bed per 1,000 elderly within the service area”. The applicant further contends that the addition has no effect on the availability of nursing home beds in the subdistrict, the district or the state but has “a positive impact and improves availability to an area with strong demand and growth”.

See Item E. 3. b. of this report for a discussion of quality of care.

Community Supports, Inc. indicates the proposed project will be within the existing CCRC’s boundaries. The applicant states that Nielsen Claritas population estimates indicate that its 11 zip code primary service area (the area within a 15-mile radius of its proposed project) has a 2013 age 65 and over population of 43,241 residents, which is expected to increase by an additional 5,296 residents by 2018. Excluding its affiliate (Lakeview Terrace Skilled Nursing Facility), Community Supports, Inc. indicates the following five skilled nursing facilities are within a 15-mile radius of its proposed project:

- Avante at Mt. Dora, Inc.
- Bayview Center
- Edgewater at Waterman Village
- Lake Eustis Care Center; and
- Ruleme Center.

The reviewer confirms that through a combination of the Agency's website at <http://www.floridahealthfinder.gov/index.html> and Google Maps at <https://maps.google.com/>, these five facilities are within 15 driving miles of the proposed site. Per the Agency's *Florida Nursing Home Utilization by District and Subdistrict July 2012-June 2013* publication, issued September 27, 2013, for the 12-month period ending June 30, 2013, the highest total occupancy rate among these five facilities was 94.46 percent (at Lake Eustis Care Center) and the lowest total occupancy rate was 86.17 percent (at Bayview Center). Per Community Supports, Inc. the average total occupancy rate for the same period among these five facilities was 90.61 percent. The reviewer found a slightly higher occupancy rate of 90.66 percent as the five facilities reported 193,253 patient days and 213,160 bed days during the reporting period.

Community Supports, Inc. indicates the following four hospitals are within 20 miles of its proposed project:

- Florida Hospital Waterman
- Leesburg Regional Medical Center
- Leesburg Regional Medical Center-North; and
- The Villages Regional Hospital.

The reviewer confirms that per the Agency's website at <http://www.floridahealthfinder.gov/index.html>, these four hospitals are within 20 driving miles of the proposed site.

Ratios established in statute authorize sheltered nursing home beds for a CCRC in order to ensure access to and availability of care. CCRCs are required to ensure care for residents, and should this number of sheltered beds fail to accommodate residents sufficiently, the CCRC is required to ensure care via alternative facilities, such as through a skilled nursing facility (as in this case, the affiliate Lakeview Terrace Skilled Nursing Facility). The proposed 20-bed skilled nursing facility would ensure that residents have access to skilled nursing services upon demand and not exceed the one to four statutory ratio described previously.

District 3, Subdistrict 3-7 (Lake and Sumter Counties) had 1,727 community and 82 sheltered nursing home beds, licensed as of June 30, 2013. During the 12-month reporting period ending June 30, 2013, the subdistrict's 1,727 community nursing home beds averaged 88.82 percent total occupancy compared to 89.32 percent for the district overall and 87.29 percent for the state overall.

Community Supports, Inc. discusses conformity with the Health Care Access Criteria (Tab 3, pages 3-3 through 3-5 of the application).

- b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? Is the applicant a Gold Seal Program nursing facility that is proposing to add beds to an existing nursing home? Section 408.035(1)(c) and (j), Florida Statutes.**

Community Supports, Inc. states it has two subsidiary skilled nursing facilities in Florida - Lakeview Terrace Skilled Nursing Facility (District 3, Subdistrict 3-7/Lake County) and Lisenby on Lake Caroline (District 2, Subdistrict 2-2/Bay County). Combined, these two facilities have a total of 42 licensed community nursing home beds (no sheltered beds).

Community Supports, Inc. notes that Lakeview Terrace Skilled Nursing Facility received a 5-STAR (the highest) overall rating, with a 5-STAR quality of life and administration rating each and a 4-STAR quality of care rating. This is confirmed by the reviewer³.

The reviewer notes that Lisenby on Lake Caroline received a 2-STAR (the next to lowest) overall rating, with a 2-STAR quality of care, quality of life and administration rating each. Community Supports, Inc. provides the following overall Agency inspection ratings for the District 3 facilities with sheltered nursing home beds:

- Lake Harris Health Center (3-STAR)
- Freedom Pointe at The Villages Rehab. & Healthcare Center (4-STAR); and
- Oak Hammock at the University of Florida, Inc. (5-STAR).

Community Supports, Inc. discusses advocating high quality resident care by establishing and supporting a quality improvement plan, which includes a quality assurance committee that meets monthly, though special meetings can be called with 48-hour notice by the medical

³ Per the Agency's website @ FloridaHealthFinder.gov last updated February 2014 for the rating period July 2011 – December 2013, as of a March 12, 2014 run date.

director⁴, health center administrator or when two or more members of the committee make such a request jointly to the health center director. Minutes of meetings are kept and the committee issues recommendations and reports. Per Community Supports, Inc. “when needed, appropriate action will be taken to enhance productivity and service”. The applicant also states that the effectiveness of the quality assurance program will be assessed at least quarterly.

Community Supports, Inc. indicates it will seek Medicare certification. The applicant discusses resident services, care planning, admissions, discharge planning and utilization and staffing (CON application #10226, pages 4-4 to 4-7). Community Supports, Inc. also includes residents rights materials, admission and care planning forms and discharge and post-discharge care planning forms (CON application #10266, Exhibit 4-1).

Agency licensure records indicate that Lakeview Terrace Skilled Nursing Facility had no substantiated complaints during the three-year period ending March 11, 2014. Lisenby on Lake Caroline had one substantiated complaint citing administration/personnel, quality of care/treatment and resident/patient/client neglect. A single complaint can encompass multiple complaint categories.

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(1)(d), Florida Statutes.

The financial impact of the project will include the project cost of \$5,257,700 and year two’s operating costs of \$1,779,000.

The applicant submitted audited financial statements for the periods ending December 31, 2012 and 2011. The Bureau of Central Services analyzed the audited financial statements to evaluate the applicant’s ability to provide the capital and operational funding necessary to implement this project.

⁴ The reviewer notes that Schedule 6 does not state any physician FTEs. Notes to the schedule do not address any contractual arrangements for physician services.

Short-Term Position:

The applicant's current ratio of 1.4 is below average and indicates current assets are slightly under one and a half times current liabilities, a slightly weak position. The ratio of cash flow to current liabilities of 1.9 is above average and a strong position. The working capital (current assets less current liabilities) of \$658,451 is a measure of excess liquidity that could be used to fund capital projects. Overall, the applicant has an adequate short-term position (see Table 1 below).

Long-Term Position:

The ratio of long-term debt to net assets of 3.8 is well below average and indicates that long-term debt is greater than equity. This is a weak position and may impair the applicant's ability to acquire future long-term debt at reasonable rates. The most recent year had excess revenues over expenses of \$1.9 million, which resulted in a total margin of 11.9 percent. Overall, the applicant has a moderately weak long-term position (see Table 1 below).

It should be noted that the Office of Insurance Regulation requires CCRCs to maintain a minimum liquid reserve in an amount equal to the aggregate amount of all principal and interest payments due during the fiscal year on any mortgage loan or other long-term financing of the facility, including taxes and insurance.

Capital Requirements:

Schedule 2 listed capital projects totaling \$43.9 million, which includes \$5.3 million for the CON subject to this review.

Available Capital:

The audited financial statements for the most recent year ended December 31, 2012, show cash and current investment of \$1.1 million, with \$658,451 in working capital. The audit also indicated that operating cash flow was \$2.1 million, with revenues in excess of expenses of \$1.9 million with an operating margin of 11.9 percent.

In support of its ability to acquire funding, the applicant provided a letter of interest from Regions Bank, not to exceed \$5,200,000, to finance construction of the 20-bed skilled nursing sheltered beds. This letter expressly states it is a letter of interest and not a commitment to lend. The applicant indicated on Schedule 3 that Management has \$250,000 in cash on hand, as indicated on the December 31, 2012 audit report to fund the remaining balance.

Section 651.118(5), Florida Statutes, requires a certificate of authority prior to construction of a sheltered bed. The applicant currently has a certificate of authority dated October 26, 2012, which will allow them to

market and take reservation deposits. The financial filing requirements for a certificate of authority are more expansive and restrictive than for a CON review and construction of this project will not be permitted unless the applicant obtains a certificate of authority from the Office of Insurance Regulation.

Staffing:

Section 400.23(3)(a)1., Florida Statutes, specifies a minimum certified nursing assistant staffing of 2.5 hours of direct care per resident per day and a minimum licensed nursing staffing of 1.0 hour of direct resident care per resident day. Section 400.23 (3)(a)1. a., Florida Statutes, states that there must be a minimum weekly average of certified nursing assistant and licensed nurse staffing of 3.6 combined hours of direct care per resident per day. Based on the information provided in Schedule 6, the applicant's projected certified and licensed nursing staffing complies with the minimum levels required for year one and year two.

The chart below contains the applicant's projected FTEs for years one and two, ending December 31, 2016 and December 31, 2017, respectively.

Community Supports, Inc. d/b/a Lakeview Terrace	Total Number of FTEs	
Administration	Year One	Year Two
Administrator	0.3	0.4
Director of Nursing	0.5	0.6
Secretary	0.5	0.6
Other: Marketing	0.5	0.6
Other: Nursing Admin	0.5	0.6
Nursing		
RNs	2.1	2.5
LPNs	4.3	5.1
Nurses' Aides	8.9	10.7
Ancillary		
Physical Therapist	0.7	0.8
Speech Therapist	0.5	0.6
Occupational Therapist	0.8	1.0
Dietary		
Dietary Supervisor	0.5	0.6
Cooks	0.5	0.6
Dietary Aides (including servers)	2.0	2.4
Social Services		
Activity Director	0.5	0.6
Housekeeping		
Housekeepers	1.4	1.7
Laundry		
Laundry Aides	0.5	0.6
Plant Maintenance		
Maintenance Assistance	0.5	0.6
TOTAL NUMBER of FTEs	25.5	30.5*

Source: CON application #10226, Schedule 6.

*The reviewer notes that the correct arithmetic total is 30.6.

Notes to Schedule 6 indicate that staffing patterns and the number of FTEs are based on the experience of management. In addition, certain administrative and dietary staffing, such as secretary, marketing director, dietary supervisor and cooks, will be shared with the other campus components, allowing minimal incremental staffing.

The reviewer notes that Community Supports, Inc. previously discussed that part of the quality improvement plan is a quality assurance committee, one of its members being a medical director. However, Schedule 6 indicates no physician FTEs and notes to the schedule do not state any contractual arrangements for physician services.

Conclusion:

Funding for this project is dependent on the applicant's ability to obtain its proposed debt financing. It should be noted that the Office of Insurance Regulation will not allow this project to move forward without proof of sufficient capital reserves.

Table 1 CON application #10226 - Community Supports d/b/a Lakeview Terrace Retirement Community		
Parent	12/31/12	12/31/11
Current Assets	\$2,498,944	\$2,537,397
Cash and Current Investment	\$1,129,917	\$1,046,751
Total Assets	\$40,776,444	\$28,121,033
Current Liabilities	\$1,840,493	\$2,940,584
Total Liabilities	\$32,731,053	\$22,196,660
Net Assets	\$8,045,391	\$5,924,373
Total Revenues	\$16,011,049	\$15,206,881
Interest Expense	\$598,478	\$567,193
Excess of Revenues Over Expenses	\$1,912,384	\$1,328,218
Cash Flow from Operations	\$3,507,652	\$4,488,023
Working Capital	\$658,451	(\$403,187)
FINANCIAL RATIOS		
	12/31/12	12/31/11
Current Ratio (CA/CL)	1.4	0.9
Cash Flow to Current Liabilities (CFO/CL)	1.9	1.5
Long-Term Debt to Net Assets (TL-CL/NA)	3.8	3.3
Times Interest Earned (ER+Int/Int)	4.2	3.3
Net Assets to Total Assets (NA/TA)	19.7%	21.1%
Total Margin (ER/TR)	11.9%	8.7%
Return on Assets (ER/TA)	4.7%	4.7%
Operating Cash Flow to Assets (CFO/TA)	8.6%	16.0%

d. What is the immediate and long-term financial feasibility of the proposal? Section 408.035(1)(f), Florida Statutes.

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Comparative data was derived from skilled nursing facilities that submitted Medicaid cost reports in fiscal year 2011 and 2012. The Bureau of Central Services selected 10 skilled nursing facilities with low Medicaid utilization. The average price adjustment factor used was 2.9 percent per year based on the new CMS Market Basket Price Index as published in the 4th Quarter 2013 Health Care Cost Review.

Projected net revenue per patient day (NRPD) of \$288 in year two falls between the control group median and low values of \$751 and \$204. With net revenues between the median and low values in the control group, the facility is expected to consume health care resources in proportion to the services provided (see Table 2 below). Projected revenues appear to be reasonable.

Anticipated costs per patient day (CPD) of \$271 in year two is below the lowest value of \$279. The lowest level in the group is generally viewed as the practical lower limit on cost-efficiency. With CAPD falling below the lowest in the peer group, the low cost-efficiency may not be attainable (see Table 2 below).

The year two operating profit for the skilled nursing facility of \$113,000 computes to an operating margin per patient day of \$17, which is between the control group median and lowest values of \$35 and negative \$71. Operating income appears reasonable.

Section 400.23(3)(a)(1), Florida Statutes, specifies a minimum weekly average of certified nursing assistant (CNA) and license nurse staffing combined of 3.6 hours of direct care per resident per day. In addition, a minimum CNA staffing of 2.5 hours of direct care per resident per day, with a minimum of one CNA per 20 residents is required.

For licensed nurses, a minimum licensed nurse staffing of 1.0 hour of direct resident care per resident day, with a minimum of one licensed nurse per 40 residents must be maintained.

Based on the information provided in Schedule 6, the applicant's projected certified nurse assistants and licensed nurse staffing that exceeds the minimum levels required for year one and year two (see Tables 2 and 3 below).

Conclusion:

Assuming the applicant is able to acquire the financing needed for construction and working capital, this project appears to be financially feasible.

TABLE 2

CON application #10226

SELECT FY 2011/2012

COST REPORT DATA

	Dec-16 YEAR 1	YEAR 1 ACTIVITY	VALUES ADJUSTED FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER PAT. DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	1,557,000	282	308	263	239
ANCILLARY SERVICES	58,000	10	621	-94	-277
OTHER OPERATING REVENUE	0	0	1,471	234	-38
GROSS REVENUE	<u>1,615,000</u>	<u>292</u>	<u>1,471</u>	<u>485</u>	<u>2</u>

DEDUCTIONS FROM REVENUE

NET REVENUES

	58,000	10	0	0	0
	<u>1,557,000</u>	<u>282</u>	<u>1,846</u>	<u>730</u>	<u>198</u>

EXPENSES

ADMINISTRATIVE	412,800	75	418	190	33
ANCILLARY	82,200	15			
PATIENT CARE	593,700	107	390	220	138
PROPERTY	451,000	82	510	118	9
OTHERS	8,200	1			
TOTAL EXPENSES	<u>1,547,900</u>	<u>280</u>	<u>1,606</u>	<u>677</u>	<u>271</u>

OPERATING INCOME

9,100

2

231

35

-71

0.6%

PATIENT DAYS

5,525

VALUES NOT ADJUSTED

TOTAL BED DAYS AVAILABLE

7,300

FOR INFLATION

TOTAL NUMBER OF BEDS

20

Highest Median Lowest

PERCENT OCCUPANCY

75.68%

96.8% 87.6% 73.2%

PAYER TYPE

PATIENT DAYS

% TOTAL

SELF PAY

3,057

55.3%

MEDICAID

634

11.5%

26.0%

20.5%

3.9%

MEDICARE

950

17.2%

66.0%

17.6%

11.1%

INSURANCE

0

0.0%

HMO/PPO

0

0.0%

OTHER

884

16.0%

TOTAL

5,525

100.0%

TABLE 3

CON application #10226

SELECT FY 2011/2012

COST REPORT DATA

	Dec-17 YEAR 2	YEAR 2 ACTIVITY PER PAT. DAY	VALUES ADJUSTED FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER PAT. DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	1,893,000	288	316	271	246
ANCILLARY SERVICES	70,000	11	638	-97	-285
OTHER OPERATING REVENUE	0	0	1,513	241	-39
GROSS REVENUE	<u>1,963,000</u>	<u>299</u>	<u>1,513</u>	<u>499</u>	<u>2</u>

DEDUCTIONS FROM REVENUE

NET REVENUES

	71,000	11	0	0	0
	<u>1,892,000</u>	<u>288</u>	<u>1,899</u>	<u>751</u>	<u>204</u>

EXPENSES

ADMINISTRATIVE	493,200	75	430	196	33
ANCILLARY	100,600	15			
PATIENT CARE	727,000	111	402	226	142
PROPERTY	448,200	68	525	121	9
OTHERS	10,000	2			
TOTAL EXPENSES	<u>1,779,000</u>	<u>271</u>	<u>1,652</u>	<u>696</u>	<u>279</u>

OPERATING INCOME

113,000

17
6.0%

231

35

-71

PATIENT DAYS

6,570

VALUES NOT ADJUSTED

TOTAL BED DAYS AVAILABLE

7,320

FOR INFLATION

TOTAL NUMBER OF BEDS

20

Highest Median Lowest

PERCENT OCCUPANCY

89.75%

96.8% 87.6% 73.2%

PAYER TYPE

PATIENT DAYS

% TOTAL

SELF PAY

3,635

55.3%

MEDICAID

754

11.5%

26.0%

20.5%

3.9%

MEDICARE

1,130

17.2%

66.0%

17.6%

11.1%

INSURANCE

0

0.0%

HMO/PPO

0

0.0%

OTHER

1,051

16.0%

TOTAL

6,570

100.0%

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

Pursuant to Section 651.118(7), Florida Statutes, at the discretion of the continuing care provider, sheltered nursing home beds may be used for persons who are not residents of the continuing care facility and who are not parties to a continuing care contract for a period of up to five years after the date of issuance of the initial nursing home license.

A provider whose five-year period has expired or is expiring may request the Agency for Health Care Administration for an extension, not to exceed 30 percent of the total sheltered nursing home beds, if the utilization by residents of the nursing home facility in the sheltered beds will not generate sufficient income to cover nursing home facility expenses. Since the applicant is anticipating a profit in year two, the five-year extension may not apply.

Conclusion:

The applicant's ability to offer the proposed beds to those without a CCRC contract is limited to five years. Therefore, increased competition is not likely to be realized.

f. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? Section 408.035(1)(h), Florida Statutes; Ch. 59A-4, Florida Administrative Code.

The proposed project is a new facility that will include, in phase one of construction, a cluster home building (13,582 SF), core building (6,287 SF) and connecting corridor. The master plan includes four phases of construction.

The plans and project narrative indicate the proposed facility will be a one story building and fully sprinklered. The construction type is not listed but building materials are described as non-combustible and comply with the requirements of the applicable codes. The site for phase one is approximately 1.6 acres; however, it should be indicated that the occupied resident areas must be a minimum of two feet above the category 3 storm surge and 100-year flood elevations, as required by the Florida Building Code.

In keeping with the culture change design, the facility will be organized with a central support area and a dining room and living room that would be open to the corridor. The dining room will have an open kitchen and will have direct access to a patio with the view of a landscaped courtyard. All other required functional spaces have been provided and are adequately sized, plus there is a central bathing/spa. All beds will be located in private rooms, with attached private toilet/shower rooms. The new resident rooms exceed the minimum area requirements. However, 50 percent of resident bathrooms are required to meet Florida Building Code - accessibility standards.

The plan does not indicate that the facility will be divided into smoke compartments as required by the Florida Building Code and the Life Safety Code. Facilities that are I-2 occupancy (Florida Building Code) and health care occupancy National Fire Protection Association (NFPA) 101 are required to be sub-divided into smoke compartments by one-hour fire resistant smoke barriers. This allows staff to relocate patients into an adjacent smoke compartment without having to evacuate the building.

The architectural narrative provides a partial list of applicable codes. A complete listing of applicable codes and dates of the codes including NFPA Life Safety Code will be required for future submissions. All exterior doors and windows must be impact resistance and comply with the Florida Building Code, exterior unit standards.

Overall, the proposed project, as submitted is designed to be functional and efficient and does not indicate any major impediments that would prevent the design and construction of a code compliant facility. Some minor changes to the design of the toilet/shower rooms may be required to comply with accessibility requirements.

The schedule for the construction of the project appears to be appropriate. The cost projections are consistent with recent cost data and appear reasonable.

The plans submitted with this application were schematic in detail with the expectation that they will necessarily be revised and refined during the Design Development (Preliminary) and Contract Document Stages. The architectural review of the 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 owner.

- g. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? Section 408.035(1)(i), Florida Statutes.**

Community Supports, Inc. emphasizes that Lakeview Terrace Skilled Nursing Facility, has all community nursing home beds, no sheltered beds and that the facility “serves only residents of the CCRC”. Demand is stated to usually exceed supply. Community Supports, Inc. expects that, pursuant to this proposed project, “some residents will spend down assets and become Medicaid recipients”. The applicant indicates that between calendar years 2009 and 2012 (a four-year period), Lakeview Terrace Skilled Nursing Facility realized its highest annual Medicaid day total of 1,759 in CY 2010 and its lowest annual Medicaid day total of 763 in CY 2011 (CON application #10266, page 9-1, Table 9-1). The reviewer confirms the stated annual Medicaid patient day totals for the years specified, through the Agency’s *Florida Nursing Home Utilization by District and Subdistrict* publications, for the years indicated.

Community Supports, Inc. states that its experience indicates that “Medicaid reimbursement will be a necessity for some life care contract holders”. The applicant previously stated plans to seek Medicare certification. The table below shows the expected utilization by payer. The reviewer confirms the table is consistent with the applicant’s Schedule 7.

**Community Supports, Inc. d/b/a Lakeview Terrace
20-Bed Sheltered Nursing Facility**

	Year One: Ending December 31, 2016			Year Two: Ending December 31, 2017		
Payer	Admits	Days	Percent (Days)	Admits	Days	Percent (Days)
Life Care	12	884	16.0%	14	1,051	16.0%
Private Pay	39	3,057	55.3%	46	3,635	55.3%
Medicare	32	950	17.2%	38	1,130	17.2%
Medicaid	4	634	11.5%	4	754	11.5%
Total	87	5,525	100.0%	102	6,570	100.0%

Source: CON application #10266, page 9-2, Table 9-2.

F. SUMMARY

Community Supports, Inc. d/b/a Lakeview Terrace (CON application #10226), a Florida not-for-profit corporation and owner of Lakeview Terrace, proposes to establish a 20-bed sheltered nursing facility as part of its CCRC in Lake County, Florida (District 3, Subdistrict 7). The proposed site is located in zip code 32702. Lakeview Terrace has 217

residential units, with an additional 54 such units planned. The total independent living units would be 271. The 20-sheltered bed proposal is well within the 68-sheltered bed allocation allowed.

The applicant proposes no conditions on its Schedule C.

Total project cost is \$5,257,700. The project involves 20,642 GSF of new construction with a total construction cost of \$4,178,000.

Need:

The proposed project is not submitted in response to the fixed need pool and is subject to expedited review in accordance with 59C-1.004(2)(a), Florida Administrative Code. Pursuant to Section 408.0435(3), Florida Statutes, the current moratorium on community nursing home beds does not apply to sheltered nursing home beds in a continuing care retirement community.

The applicant states that major reasons for the proposal are to satisfy the growing elderly population in its 11 zip code primary service area, to increase bed availability per 1,000 elderly population within the service area and to establish a sheltered nursing home specifically for CCRC residents.

Quality of Care:

Community Supports, Inc. indicates it has two subsidiary community nursing facilities—Lakeview Terrace Skilled Nursing Facility and Lisenby on Lake Caroline.

Community Supports, Inc. notes that Lakeview Terrace Skilled Nursing Facility received a 5-STAR (the highest) overall rating and Lisenby on Lake Caroline received a 2-STAR (the next to lowest) overall rating for the most recent Agency inspection reports.

Agency licensure records indicate that Lakeview Terrace Skilled Nursing Facility had no substantiated complaints and Lisenby on Lake Caroline had one substantiated complaint during the three year period ending March 11, 2014.

The applicant demonstrates the ability to provide quality care.

Cost/Financial Analysis:

Funding for this project is dependent on the applicant's ability to obtain its proposed debt financing. It should be noted that the Office of Insurance Regulation will not allow this project to move forward without proof of sufficient capital reserves.

Assuming the applicant is able to acquire the financing needed for construction and working capital, this project appears to be financially feasible.

With the applicant's ability to offer the proposed beds to those without a CCRC contract being limited to five years, increased competition is not likely to be realized.

Medicaid/Indigent Charity Care Commitment:

The applicant proposes no conditions for this project. Community Supports, Inc. projects the 20-bed facility will provide a total of 634 Medicaid patient days in year one (CY 2016) and 754 Medicaid patient days in year two (CY 2017). The applicant has an expectation that some residents of its CCRC will spend down assets and become Medicaid recipients, based on its prior experience.

Architectural Analysis:

The architectural narrative provides a partial listing of applicable codes. A complete listing of applicable codes and dates of the codes including NFPA Life Safety Code will be required for future submissions.

Overall, the proposed project, as submitted does not indicate any major impediments that would prevent the design and construction of a code compliant facility.

The schedule for the construction of the project appears to be appropriate. The cost projections are consistent with recent cost data and appear reasonable.

G. RECOMMENDATION

Approve CON #10226 to establish a 20-bed sheltered nursing home. The total project cost is \$5,257,700. The project involves 20,642 GSF of new construction and a total construction cost of \$4,178,000.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

James B. McLemore
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffrey N. Gregg
Director, Florida Center for Health Information and Policy Analysis