

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION:

1. Applicant/CON Action No.

Oak Hammock at the University of Florida, Inc./CON #10227

4250 Lakeside Drive, Suite 214
Jacksonville, Florida 32210

Authorized Representative: Jonathan A. Corbin
Executive Vice President
Praxeis, LLC
(904) 381-0431

2. Service District/Subdistrict

District 3/Subdistrict 2 (Alachua, Bradford, Dixie, Gilchrist, Lafayette,
Levy, and Union Counties)

B. PUBLIC HEARING:

No public hearing was held or requested regarding the proposed project.

CON application #10227 includes three letters of support, dated during
February 4, 2014 through March 10, 2014.

Hari Parvataneni, MD, Chief and Associate Professor, Orthopaedic
Surgery, Department of Orthopaedics and Rehabilitation, University of
Florida College of Medicine, an orthopedic surgeon at Shands/UF Health,
states that he refers many of his patients to Oak Hammock's
"outstanding skilled nursing facility for their post-operative
rehabilitation". He also states that due to the limited number of skilled
nursing beds at Oak Hammock "some of my patients" as well as others
have been unable to access care there. Dr. Parvataneni concludes that
the addition of beds at Oak Hammock "will offer more placement options
and services for seniors in this area and facilitate them getting the high
quality healthcare they deserve".

Tim Bowen, President, Haven Hospice, states his organization has been involved with Oak Hammock since it opened in 2004 and has “maintained an outstanding relationship with Oak Hammock staff, management and members”. Per Mr. Bowen “due to the small size of the skilled facility, it is often very difficult to get patients admitted for end-of-life care”. He states that “the community and our patients would definitely benefit from additional beds in this world class facility”.

G. T. Mallini, President, Oak Hammock Board of Directors, states that “based on recent actuarial projections, the projected resident utilization of skilled nursing will exceed the current 42-bed capacity, beginning in 2015”. Mr. Mallini cites Oak Hammock’s quality care and concludes that an expansion “is critical to meet the needs of both current and future residents of the community” The reviewer notes that Mr. Mallini’s projected utilization statement is consistent with CON application #10227, page 1-12, Table 1-3 which is discussed in Item E. 1. a. of this report.

C. PROJECT SUMMARY

Oak Hammock at the University of Florida, Inc. (CON application #10227) (also referenced as Oak Hammock), a Florida not-for-profit corporation, developed and managed by Praxeis, LLC, proposes to add 31 sheltered nursing home beds to its existing 42 sheltered nursing home bed facility located at 2660 S. W. 53rd Lane, Gainesville, Florida 32608.

The applicant received its certificate of authority from the Department of Financial Services to operate a continuing care retirement community (CCRC) in Florida, regulated under Chapter 651, Florida Statutes, on October 17, 2002. Oak Hammock includes its certificate of authority in Exhibit 1-1, Tab 1 of CON application #10227. The CCRC presently consists of 269 independent units, 70 licensed assisted living facility (ALF) beds and 42 sheltered nursing home beds.

In total, the existing 42 sheltered beds and the proposed 31 sheltered bed addition are well within the one sheltered nursing home bed per four residential unit ratio in statute.

Oak Hammock expects the project will be licensed effective June 15, 2016 with the initiation of service on July 1, 2016. The applicant anticipates a 33-bed addition in total; this is 31 additional sheltered beds sought in the proposed project and “two existing beds displaced in the reconfiguration of the existing structure to connect to the addition”.

The applicant proposes no conditions on its Schedule C.

Total project cost is \$5,610,600. The project involves 14,865 gross square feet (GSF) of new construction and 1,430 GSF of renovation. Total construction cost is \$3,150,000. Total project cost includes: land; building; equipment; project development and financing costs.

In 2011, the Florida Legislature extended the moratorium on the issuance of certificates of need for additional community nursing beds until Medicaid managed care is implemented statewide pursuant to Sections 409.961-409.985, Florida Statutes, or October 2016, whichever is earlier. 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 in accordance to 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 applicable rules of the State of Florida Chapters 59C-1 and 59C-2, Florida Administrative Code. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

Applications are analyzed to identify strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district (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).

As part of the fact-finding, the consultant Steve Love analyzed the application with consultation from the financial analyst, Eric West of the Bureau of Central Services, who reviewed the financial data 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. Section 651.118 gives instruction to the Agency for review of any proposal for sheltered nursing beds.

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 I of chapter 429, 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. The applicant proposes to add 31 sheltered nursing home beds to its existing 42-bed (no community and 42 sheltered beds) nursing home.

Pursuant to Rule 59C-1.037(1)(b), Florida Administrative Code, based on the applicant's 269 independent units and 70 licensed ALF beds, the CCRC qualifies for 85 sheltered nursing home beds. With the current 42 licensed sheltered bed complement, the applicant may request approval for up to 43 additional sheltered beds but is requesting 31.

Oak Hammock begins its proposed project need justification by indicating that since opening in 2004, occupancy rates for CCRC members (at Oak Hammock) have steadily increased, with total occupancy now at 86 percent for the most recent 12-month period ending June 30, 2013. Oak Hammock states that the facility reached an occupancy rate of "nearly" 74 percent in its second year (2005), with an average daily census (ADC) of four members and 31 non-members and has "remained at around 90 percent thereafter". The applicant provides the skilled nursing facility's (SNF's) ADC for 2004 through 2013. See the table below.

Oak Hammock Utilization of 42 Sheltered Beds 2004-2013

Year	Average Daily Census		Percent Occupancy
	CCRC Members	Total	
2004	3	14	33.33%
2005	4	31	73.81%
2006	8	38	90.48%
2007	11	39	92.86%
2008	15	38	90.48%
2009	19	37	88.10%
2010	20	35	83.33%
2011	28	37	88.10%
2012	27	38	90.48%
2013	27	36	85.71%

Source: CON application #10227, page 1-9, Table 1-1.

Note: The CON reviewer calculated the Percent Occupancy. The facility was initially licensed 9/21/04.

Per Oak Hammock, currently 261 of 269 (97.0 percent) of the independent units and 57 of 61 (93.4 percent) of the ALF units are occupied. The applicant states the facility’s average resident age is 82.2 years and the average entry age is 76 years. The applicant maintains that given the aging population, increasing capacity of the nursing facility is needed. Oak Hammock indicates that for the three-year period ending December 31, 2013, three out of four of its skilled nursing facility beds were utilized by its CCRC residents and in the last quarter of 2013 “that number surged” to five-to-one as CCRC resident need increased.

Oak Hammock notes that as persons age, the average length of stay (ALOS) increases, impacting census levels. Oak Hammock states that during the six-month period ending December 31, 2013, SNF patient days for CCRC residents rose from 552 to 615 and the ALOS rose from 66 to 136 (CON application #10227, page 1-11, Table 1-2).

Oak Hammock indicates that per A. V. Powell & Associates, LLC, the applicant’s projected nursing home census for life care residents will reach a likely minimum of 46, and average of 53 and a likely maximum of 60 by 2027. See the table below.

Oak Hammock Projected Nursing Home Census by Life Care Residents

Fiscal Year	Likely Minimum	Average	Likely Maximum
2013	30	32	33
2014	34	38	42
2015	37	43	48
2016	40	46	52
2017	42	48	55
2018	43	50	57
2019	43	51	57
2020	44	52	58
2021	45	53	60
2022	43	53	60
2023	45	54	62
2024	46	53	60
2025	46	53	60
2026	47	53	60
2027	46	53	60

Source: CON application #10227, page 1-12, Table 1-3.

Oak Hammock stresses that it will likely exceed the 42-bed nursing capacity to meet expected contract holder needs during 2015. The applicant estimates that with 73 beds (42 existing beds plus the 31 submitted in this proposal) the maximum 10-year occupancy would be 85 percent. Oak Hammock expects its existing 42 beds to be fully utilized by residents of the CCRC and the proposed 31-bed project will allow the applicant to accept community based residents in accordance with s. 651.118, Florida Statutes.

Oak Hammond cites its close proximity and access to UF Health Shands Hospital and points out that it is the only CCRC within nursing home Subdistrict 3-2 (Alachua, Bradford, Dixie, Gilchrist, Lafayette, Levy and Union Counties), offering a full continuum of care including active independent living, assisted living, memory care and skilled nursing care. As such, the applicant concludes that Oak Hammond will continue to have a wide draw from beyond Alachua County.

Oak Hammock states that using the Agency’s *Population Estimates 2010-2030* publication, issued September 2013, Alachua County will realize a total incremental age 65 and older population increase of 7,931 residents and a corresponding 26.8 percent population growth rate and 4.9 percent CAGR (compound annual growth rate) for this age cohort. Oak Hammock also offers incremental population growth, a growth rate and CAGR for the age 75 and older population, for the same area and same time frame. See the table below.

**Five-Year Population Growth for Subdistrict 3-2
by County, District 3 and Florida
January 1, 2013 to January 1, 2018**

Planning Area	5-Year Increase in Population			5-Year Growth Rate			CAGR		
	65+	75+	Total	65+	75+	Total	65+	75+	Total
Alachua	7,931	2,236	13,366	26.8%	17.7%	5.4%	4.9%	3.3%	1.1%
Bradford	902	362	2,339	21.2%	19.9%	8.8%	3.9%	3.7%	1.7%
Dixie	663	229	1,534	19.9%	18.3%	9.4%	3.7%	3.4%	1.8%
Gilchrist	727	293	1,196	23.7%	23.1%	7.0%	4.3%	4.2%	1.4%
Lafayette	168	71	440	14.7%	14.9%	5.1%	2.8%	2.8%	1.0%
Levy	1,494	575	3,063	18.2%	17.6%	7.6%	3.4%	3.3%	1.5%
Union	343	115	628	20.4%	20.5%	4.0%	3.8%	3.8%	0.8%
Subdistrict 3-2	12,228	3,881	22,566	23.8%	18.2%	6.1%	4.4%	3.4%	1.2%
District 3	75,301	34,268	154,356	19.4%	20.2%	9.5%	3.6%	3.8%	1.8%
Florida	555,289	186,806	1,306,038	16.2%	11.7%	6.8%	3.0%	2.2%	1.3%

Source: CON application #10227, page 1-17, Table 1-5.

Per Oak Hammock, “the strong sustained growth in the elderly population, with an elderly growth rate of nearly five percent, per year for Alachua County, provides evidence that demand for nursing home beds will increase proportionately, necessitating planning for the future”.

As of June 30, 2013, Subdistrict 3-2 had 1,615 licensed community nursing home beds in 14 facilities, plus the 42 sheltered beds at Oak Hammock. The applicant states this results in 32 beds per 1,000 elderly (age 65 and older) residents in the subdistrict, as of January 1, 2013.

According to the applicant, with the proposed 31 additional beds, the supply would be 33 beds per 1,000 elderly residents and considering incremental population estimates (described earlier), the supply would be 27 beds per 1,000 elderly residents, by January 1, 2018. Oak Hammock notes that the Subdistrict 3-2 total occupancy rate was 90.85 percent, with 10 of the 14 community nursing homes having occupancy rates over 90 percent and half of those having occupancy rates exceeding 95 percent.

CON application #10227, page 1-18, Table 1-6 indicates community nursing homes by facility name, county, licensed bed days, patient days and occupancy rates for District 3 facilities (Alachua County and Subdistrict 3-2 nursing homes). For the 12-month period ending June 30, 2013, Alachua County’s seven community nursing homes had a total occupancy rate of 91.91 percent, whereas Subdistrict 3-2’s overall was 90.85 percent and District 3’s overall was 89.32 percent.

Oak Hammock also indicates that given the total patient days and using the age 65 and older CAGR of 4.37 percent and age 75 and older CAGR of 3.41 percent, nursing home occupancy rates would exceed 100 percent by June 2015 and June 2016, respectively (CON application #10227, page 1-19, Table 1-7).

The applicant offers projected utilization for the first two years of operation, with the project approved and then with a total facility compliment (73-beds). See the table below.

**Projected Utilization at the Oak Hammock
First Two Years of Operation for the 31-Bed Addition**

Year	31-Bed Addition			Total Facility (N=73)		
	Patient Days	Occupancy Rate	ADC	Patient Days	Occupancy Rate	ADC
Year 1 (07/16-06/17)	4,234	37.42%	11.6	17,877	66.91%	49.0
Year 2 (07/17-06/18)	9,430	83.34%	25.8	23,074	86.60%	63.2

Source: CON application #10227, page 1-21, Table 1-8.

Oak Hammock also provides forecasted admissions and patient days by payer for the first two years of operation. See the table below.

Forecasted Admissions and Patient Days by Payer, First Two Years of Operation

31-BED ADDITION						
Payer	Year One: 07/01/16 - 06/30/17			Year Two: 07/01/17 - 06/30/18		
	Admissions	Patient Days	Percent of Days	Admissions	Patient Days	Percent of Days
Self-Pay	6	296	7.0%	13	660	7.0%
Medicare	78	1,702	40.2%	173	3,791	40.2%
LifeCare	43	2,236	52.8%	96	4,979	52.8%
Total	127	4,234	100.0%	282	9,430	100.0%
TOTAL FACILITY (73 BEDS)						
Payer	Year One: 07/01/16 - 06/30/17			Year Two: 07/01/17 - 06/30/18		
	Admissions	Patient Days	Percent of Days	Admissions	Patient Days	Percent of Days
Self-Pay	25	1,250	7.0%	32	1,614	7.0%
Medicare	292	6,387	35.7%	387	8,476	36.7%
LifeCare	197	10,240	57.3%	250	12,984	56.3%
Total	514	17,877	100.0%	669	23,074	100.0%

Source: CON application #10227, page 1-21, Table 1-9.

Per the applicant, the proposed 31-bed addition will have a total of 127 admissions/4,234 patient days in the 12 months ending June 30, 2017 and 282 admissions/9,430 patient days in the 12 months ending June 30, 2018. Oak Hammock projects the ALOS for Medicare patients to be “just under 22 days”, with self-pay and life care stays “just under 52 days”.

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.**

Oak Hammock has 269 independent units, 70 licensed ALF beds and 42 sheltered nursing home beds. This would allow for up to 85 sheltered nursing home beds. The applicant's existing 42 beds plus the 31 proposed bed addition (73 SNF beds in all) is well within the one sheltered nursing home bed per four residential unit ratio in statute. Oak Hammock states that members of the public may be admitted (in the additional beds) during the first five years from opening. Per the applicant "this helps assure financial viability for the nursing facility's expansion". However, use of the new beds by non-CCRC residents violates Rule 59C-1.037(1)(b) Florida Administrative.

Oak Hammock reiterates that the proposed project is based (in part) on projected need of life care residents, considering that demand of life care residents will exceed capacity of the existing 42 beds during 2015. The applicant's projections indicate that the majority of its beds will continue to be utilized by CCRC residents.

- 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.**

The applicant holds a certificate of authority #02-59-3562098 dated October 17, 2002. A copy was provided in CON application #10227 in Tab 1, Exhibit 1-1.

- 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.**

Oak Hammock states that it reports timely and will continue to comply with data reporting requirements.

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.**

As previously discussed, Oak Hammock holds a certificate of authority from the Department of Financial Services to operate a CCRC in Florida, regulated under Chapter 651, Florida Statutes. Based on its existing 339 residential units (269 independent living and 70 ALF units), the applicant is eligible for 85 sheltered nursing home beds. Oak Hammock is presently licensed for and operates 42 sheltered nursing home beds and is seeking approval for an additional 31 sheltered nursing home beds. If the project is approved, the total licensed and approved sheltered nursing home bed compliment would total 73. Ratios established in statute authorize sheltered nursing home beds for a CCRC in order to assure access to and availability of care (for continuing care contract holders). The project is consistent with the statutory ratio.

The applicant has previously stated that the need for the project is evidenced by:

- CCRC member ADC growth (from 14 in 2004 to 36 in 2013) at Oak Hammock's existing 42-bed SNF
- An estimated 43 ADC by 2015 and a 51 ADC by 2019
- A higher age 65 and older population growth rate and a higher age 65 and older resident population count in Alachua County over the next five years, compared to Subdistrict 3-2 overall
- A higher age 65 and older population growth rate in Subdistrict 3-2 than District 3 overall and Florida overall, over the next five years
- Higher SNF utilization rates in Alachua County (91.91 percent) compared to Subdistrict 3-2 overall (90.85 percent) and District 3 overall (89.32 percent) for the 12-month period ending June 30, 2013.

The applicant also discusses need in the context of availability, quality of care, accessibility and extent of utilization of existing health care facilities.

- 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.**

The applicant states that it has a history of providing quality care to its residents. Oak Hammock provides an Agency-issued nursing home license for 42 SNF beds (CON application #10227, Tab 4, Exhibit 4-1).

As stated previously, Oak Hammock was developed by and is managed by Praxeis, LLC, which also developed and manages The Glenridge on Palmer Ranch, Inc. (a CCRC in Subdistrict 8-6/Sarasota County, with 20 community and 41 sheltered nursing home beds). Oak Hammock received an overall five-star inspection quality rating, according to the Agency's *Florida HealthFinder.gov* website¹. In addition, from the same source and update period², The Glenridge on Palmer Ranch, Inc. received an overall four-star inspection quality rating. The Agency issues quality ratings of one to five stars, with five being the highest. Oak Hammock's overall five-star inspection rating was drawn from the following ratings: quality of care (four stars) and quality of life and administration (five stars each). The Glenridge on Palmer Ranch, Inc.'s overall four-star inspection rating was drawn from the following ratings: quality of life (five stars) and quality of care and administration (four stars each).

¹ Source: Per

<http://www.floridahealthfinder.gov/CompareCare/CompareFacilities.aspx?NHIR=165504> the facility's rating was last updated February 2014.

² <http://www.floridahealthfinder.gov/CompareCare/CompareFacilities.aspx?NHIR=157303>.

Oak Hammock received inspection component ratings of five of five stars each on nutrition and hydration, restraints and abuse, pressure ulcers and decline and dignity. The Glenridge on Palmer Ranch, Inc. received inspection component ratings as follows: dignity, pressure ulcers and restraints and abuse (five stars each), decline (three stars) and nutrition and hydration (one star).

Neither of Praxeis, LLC's Florida SNFs are designated as a Gold Seal facility.

Agency licensure records indicate that Oak Hammock had one substantiated complaint in one complaint category (quality of care/treatment) and Praxeis, LLC's other facility, Glenridge on Palmer Ranch, Inc. had one substantiated complaint in one complaint category (resident/patient/client rights) during the three-year period ending May 6, 2014.

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 \$5,610,600 and incremental operating costs in year two of \$2,245,400.

Oak Hammock, a Florida not-for-profit corporation, provided audited financial statements for the periods ending December 31, 2012 and 2011. These statements were analyzed for the purpose of evaluating the applicant's and parent's ability to provide the capital and operational funding necessary to implement the project.

Short-Term Position:

The audited financial statements do not separate current assets and current liabilities from total assets and total liabilities. The Agency estimated current liabilities and assets for the purpose of determining the short-term position of the applicant. The applicant's current ratio of 2.9 is above average and indicates current assets are approximately 2.9 times current liabilities, a good position. The working capital (current assets less current liabilities) of \$6,847,137 is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of -1.3 is below average and a weak position. Overall, the parent has an adequate short-term position (see Table 1 below).

Long-Term Position:

The ratio of long-term debt to net assets of negative 2.6 indicates the applicant has 2.6 times more long-term liabilities than net assets, a weak position. A negative long-term debt to net assets ratio also indicates that total liabilities exceeds total assets, a weak position. The ratio of cash flow to assets of negative 4.5 percent indicates that there was a net cash outflow from operations and is a weak position. The most recent year had an operating loss of \$1,139,432 which resulted in a negative 4.6 percent operating margin. Overall, the applicant has a weak long-term position (see Table 1 below).

Capital Requirements:

Schedule 2 indicates total capital projects of \$7,005,000 which consist of the CON subject to this review and renovations of an existing skilled nursing facility.

Available Capital:

The applicant indicates that funding for this project will be provided through long-term debt. In support of its ability to finance the project, the applicant provided a letter from Hancock Bank expressing “interest” in providing funding for construction and operating funds for the project. A letter of interest is not a firm commitment to lend. Therefore, the available funding is in question.

TABLE 1		
CON application #10227 - Oak Hammock at the University of Florida, Inc.		
Applicant	12/31/12	12/31/11
Current Assets	\$10,516,968	\$15,094,103
Cash and Current Investment	\$1,843,654	\$3,689,077
Total Assets	\$107,067,912	\$115,250,119
Current Liabilities	\$3,669,831	\$3,277,273
Total Liabilities	\$170,490,618	\$172,502,815
Net Assets	(\$63,422,706)	(\$57,252,696)
Total Revenues	\$25,040,568	\$25,706,980
Interest Expense	\$4,150,136	\$3,767,864
Excess of Revenues Over Expenses	(\$1,139,432)	\$294,869
Cash Flow from Operations	(\$4,830,410)	\$3,154,667
Working Capital	\$6,847,137	\$11,816,830
FINANCIAL RATIOS		
	12/31/12	12/31/11
Current Ratio (CA/CL)	2.9	4.6
Cash Flow to Current Liabilities (CFO/CL)	-1.3	1.0
Long-Term Debt to Net Assets (TL-CL/NA)	-2.6	-3.0
Times Interest Earned (ER+Int/Int)	0.7	1.1
Net Assets to Total Assets (NA/TA)	-59.2%	-49.7%
Total Margin (ER/TR)	-4.6%	1.1%
Return on Assets (ER/TA)	-1.1%	0.3%
Operating Cash Flow to Assets (CFO/TA)	-4.5%	2.7%

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. Based on the information provided in Schedule 6A, the applicant's projected certified and licensed nursing staffing exceed the minimum levels required for year one and year two.

Projected Nurse Staffing

FTE Nurses/Aides	Minimum Requirements	1st Year YE 06/30/17	2nd Year YE 06/30/18
Nurses	1.0 hour of direct care per resident	1.40 hours	1.39 hours
Aides	2.5 hours of direct care per resident	3.16 hours	3.15 hours

Source: CON application #10227, Schedule 6A.

Oak Hammock projects 12.71 (0.30 IT/PR/HR, 0.58 MDS coordinator, 0.61 RN, 2.44 LPN, 6.93 nurse’s aides, 0.23 cook, 0.46 dietary aide, 0.30 activity director, 0.16 housekeeper, 0.26 laundry aide and 0.43 maintenance assistant) incremental FTEs (the reviewer notes an incremental count of 12.70 FTEs) in year one ending June 30, 2017. The applicant further projects 27.47 (0.68 IT/PR/HR, 1.29 MDS coordinator, 1.31 RN, 5.22 LPN, 14.85 nurse’s aides, 0.51 cook, 1.02 dietary aide, 0.68 activity director, 0.36 housekeeper, 0.58 laundry aide and 0.96 maintenance assistant) incremental FTEs (the reviewer notes an incremental count of 27.46) in year two ending June 30, 2018.

The applicant’s Schedule 6A shows the facility has 43.32 FTEs which will increase to 56.00 in year one to 70.70 in your two of the proposed project.

Conclusion:

Funding for this project is dependent on obtaining debt financing. Without a firm commitment to lend and independent documentation supporting the ability to fund the equity portion of this project, funding for this project is in question.

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 2012 and 2013. The Agency selected 10 skilled nursing facilities with the lowest Medicaid utilization. Per diem rates are projected to increase by an average of 2.9 percent per year. The price adjustment factor used was 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 \$252 in year one and \$259 in year two is between the control group lowest and median values of \$205 and \$607 in year one and \$205 and \$609 in year two. With net revenues between the lowest and median values in the control group, the facility is expected to consume health care resources in proportion to the services provided (see Tables 2 and 3 below). Projected revenues appear to be reasonable.

Anticipated costs per patient day (CPD) of \$245 in year one and \$236 in year two are below the control group lowest values of \$294 in year one and \$295 and in year two. With costs per patient day below the lowest values in the control group, projected costs may not be feasible (see Tables 2 and 3 below). The cost per patient day decreases by 3.8 percent as economies of scale are realized. Overall, the costs may not be reasonable.

Section 400.23(3)(a)(2), 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. Based on the information provided in Schedule 6, the applicant's projected licensed nursing staffing and direct care exceeds the minimum level required in year one and two. Furthermore, the applicant's certified nursing assistant staffing exceeds the minimum required by statute in years one and two.

The year two operating profit for the skilled nursing facility of \$532,100 computes to an operating margin per patient day of \$23 which is between the control group median and lowest values of \$31 and negative \$81. Overall profitability appears achievable.

TABLE 2

CON application #10227 SELECT FY 2011/2012 COST REPORT DATA	Jun-17	YEAR 1	VALUES ADJUSTED		
	YEAR 1	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER PAT. DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	4,498,000	252	333	278	248
ANCILLARY SERVICES	653,000	37	300	124	56
OTHER OPERATING REVENUE	0	0	1,526	261	-82
GROSS REVENUE	5,151,000	288	1,976	756	334
DEDUCTIONS FROM REVENUE	646,000	36	84	150	130
NET REVENUES	4,505,000	252	1,892	607	205
EXPENSES					
ADMINISTRATIVE	429,400	24	459	161	69
PATIENT CARE	3,070,600	172	431	214	118
PROPERTY	842,600	47	542	78	22
OTHER	34,100	2	0	0	0
TOTAL EXPENSES	4,376,700	245	1,810	565	294
OPERATING INCOME	128,300	7 2.8%	87	31	-81
PATIENT DAYS	17,877		VALUES NOT ADJUSTED		
TOTAL BED DAYS AVAILABLE	26,645		FOR INFLATION		
TOTAL NUMBER OF BEDS	73		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	67.09%		97.5%	89.9%	77.1%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	1,250	7.0%			
MEDICAID	0	0.0%	38.4%	20.9%	2.4%
MEDICARE	6,387	35.7%	64.2%	19.1%	11.7%
INSURANCE	10,240	57.3%			
HMO/PPO	0	0.0%			
OTHER	0	0.0%			
TOTAL	17,877	100.0%			

TABLE 3

CON application #10227	Jun-18	YEAR 2	VALUES ADJUSTED		
SELECT FY 2011/2012	YEAR 2	ACTIVITY	FOR INFLATION		
COST REPORT DATA	<u>ACTIVITY</u>	<u>PER PAT. DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	5,967,000	259	334	279	248
ANCILLARY SERVICES	875,000	38	301	125	56
OTHER OPERATING REVENUE	0	0	1,530	261	-82
GROSS REVENUE	<u>6,842,000</u>	<u>297</u>	<u>1,982</u>	<u>759</u>	<u>335</u>
DEDUCTIONS FROM REVENUE	865,000	37	85	150	130
NET REVENUES	<u>5,977,000</u>	<u>259</u>	<u>1,897</u>	<u>609</u>	<u>205</u>
EXPENSES					
ADMINISTRATIVE	593,400	26	460	161	69
PATIENT CARE	3,932,400	170	432	215	118
PROPERTY	874,700	38	543	79	22
OTHER	44,400	2	0	0	0
TOTAL EXPENSES	<u>5,444,900</u>	<u>236</u>	<u>1,815</u>	<u>566</u>	<u>295</u>
OPERATING INCOME	532,100	23	87	31	-81
		8.9%			
PATIENT DAYS	23,074		VALUES NOT ADJUSTED		
TOTAL BED DAYS AVAILABLE	26,645		FOR INFLATION		
TOTAL NUMBER OF BEDS	73		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	86.60%		97.5%	89.9%	77.1%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	1,614	7.0%			
MEDICAID	0	0.0%	38.4%	20.9%	2.4%
MEDICARE	8,476	36.7%	64.2%	19.1%	11.7%
INSURANCE	12,984	56.3%			
HMO/PPO	0	0.0%			
OTHER	0	0.0%			
TOTAL	<u>23,074</u>	<u>100.0%</u>			

Conclusion:

This project appears to be financially feasible.

- 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 an extension, not to exceed 30 percent of the total sheltered nursing home beds or 30 beds, whichever is greater, 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. Oak Hammock presently has a 30 sheltered bed extension that is to expire November 11, 2016. Since Oak Hammock is anticipating a profit in your two, another five-year extension may not apply.

Conclusion:

The applicant's ability to offer the proposed beds to those without a CCRC contract is prohibited by Rule 59C-1.037(1)(b) Florida Administrative Code. 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 plans and project narrative indicate the proposed facility will be a one-story building and fully sprinklered. The construction type is listed as Florida Building Code (FBC) type IIB; the construction type is sufficient for the occupancy, and building size and is allowable under the FBC area modification increase.

Oak Hammock is constructing a 33-bed addition to include 31 new beds and two that will be relocated from the existing structure where the new wing connects. All beds will be located in private rooms, with attached private toilet/shower rooms. The new resident rooms exceed the minimum area requirements of the FBC. All rooms appear to be designed to meet accessibility standards.

A new country kitchen and dining room will also be added to accommodate the new wing; the dining room will have direct access to a patio with the view of a landscaped courtyard.

The facility will feature a household design, which would be organized into communities. Each community would have a kitchen, dining, activity and living room that would be open to the corridors. Architectural plans show a sunroom at the end of each wing for residents sitting and gathering. All other required functional spaces have been provided and are adequately sized and located.

According to the architectural narrative, the entire building will comply with all new codes and standards; including all exterior units and the emergency generator system. The proposed addition will be divided into smoke compartments as required by the applicable codes.

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.

Based on the analysis of actual cost data of a similar project, the estimated construction costs appear to be within the expected range. The schedule for construction from the time of building permit to final inspection is 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.**

The applicant states the provision of skilled nursing services as part of continuing care contracts and participation in the Medicare Program. However, Oak Hammock indicates that, as an insurance product, life care contract holders do not require coverage under the Medicaid Program. As stated earlier, the applicant proposes no conditions. See Item E. 1. a. of this report for the applicant's table (CON application #10227, page 1-21, Table 1-9) that provides forecasted admissions and patient days by payer for year one and year two of the proposed project and the total facility estimates.

F. SUMMARY

Oak Hammock at the University of Florida, Inc. (CON application #10227), a Florida not-for-profit corporation, developed and managed by Praxeis, LLC, proposes to add 31 sheltered nursing home beds to its existing 42-bed sheltered nursing home at 2660 S. W. 53rd Lane, Gainesville, Florida 32608.

The applicant proposes no conditions on its Schedule C.

Total project cost is \$5,610,600. The project involves 14,865 GSF of new construction and 1,430 GSF of renovation. Total construction cost is \$3,150,000.

After weighing and balancing all relevant criteria, the following issues are presented:

Need:

The proposed project is not submitted in response to the fixed need pool. By adding 31 sheltered nursing home beds to the CCRC's current 42, the applicant seeks to meet the current and future needs of its life care contracted residents and to ensure that these residents will have access to skilled nursing services on their own campus when and if needed.

Oak Hammock indicates the need for the proposed project is evidenced by:

- CCRC member ADC growth (from 14 in 2004 to 36 in 2013)
- An estimated 43 CCRC resident ADC by 2015 and a 51 ADC by 2019
- A higher age 65 and older population growth rate and a higher age 65 and older resident population count in Alachua County over the next five years, compared to Subdistrict 3-2 overall
- A higher age 65 and older population growth rate in Subdistrict 3-2 than District 3 overall and Florida overall, over the next five years
- Higher SNF utilization rates in Alachua County (91.91 percent) compared to Subdistrict 3-2 overall (90.85 percent) and District 3 overall (89.32 percent) for the 12-month period ending June 30, 2013.

Quality of Care:

Oak Hammond received a five out of five star overall inspection quality rating, according to the Agency's *Florida HealthFinder.gov* website (last updated February 2014), with its parent's other facility, The Glendridge on Palmer Ranch, Inc., receiving a four out of five overall inspection quality rating.

Agency licensure records indicate that Oak Hammock had one substantiated complaint in one complaint category (quality of care/treatment) and Praxeis, LLC's other facility, Glenridge on Palmer Ranch, Inc. had one substantiated complaint in one complaint category (resident/patient/client rights) during the three-year period ending May 6, 2014.

The applicant demonstrates the ability to provide quality care.

Cost/Financial Analysis:

Funding for this project is dependent on obtaining debt financing. Without a firm commitment to lend and independent documentation supporting the ability to fund the equity portion of this project, funding for this project is in question.

This project appears to be financially feasible.

The applicant's ability to offer the proposed beds to those without a CCRC contract is prohibited by administrative rule. Therefore, increased competition is not likely to be realized.

Medicaid/Indigent Care:

Oak Hammock expects that self-pay, Medicare and life care contract patient days will comprise 100 percent of the proposed project and total facility patient days for year one and year two of the proposed project.

Architectural Analysis:

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.

The estimated construction costs appear to be within the expected range.

The construction schedule is reasonable.

G. RECOMMENDATION

Approve CON #10227 to add 31 sheltered nursing home beds to the existing 42 sheltered nursing home bed facility located at 2660 S.W. 53rd Lane, Gainesville, Florida 32608. The total project cost is \$5,610,600 and involves 14,865 GSF of new construction, 1,430 GSF of renovation and a total construction cost of \$3,150,000.

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