

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Ridgecrest NH, L.L.C.
d/b/a Ridgecrest Nursing and Rehabilitation Center/CON #10236
4042 Park Oaks Blvd., Suite 300
Tampa, Florida 33610

Authorized Representative: Ronald J. Swartz
Vice President and CFO
(813) 675-2341

2. Service District/Subdistrict

District 4/Subdistrict 4 (Flagler and Volusia Counties)

B. PUBLIC HEARING

A public hearing was not held or requested on the proposed project to add 20 community nursing home beds through delicensure of 20 beds in Volusia County.

C. PROJECT SUMMARY

Ridgecrest NH, L.L.C. (CON application #10236) proposes to add 20 community nursing home beds to Ridgecrest Nursing and Rehabilitation Center through the delicensure of 20 community nursing home beds at Good Samaritan Society – Daytona. Upon approval of the proposed project, Good Samaritan Society – Daytona agrees to voluntarily relinquish 20 beds. Both facilities are located in District 4, Subdistrict 4. Therefore, no new beds would be added to the subdistrict upon implementation of this project.

Ridgecrest is a 130-bed skilled nursing facility (SNF) managed by Greystone Healthcare Management Corporation and part of the Greystone Health Network. The applicant states that Greystone Health Networks owns and operates 27 SNFs and two assisted living facilities in Florida and one SNF in Ohio. The reviewer notes Greystone recently acquired eight licenses through change of ownership applications and also obtained an initial license for a facility in July 2012. With 17 existing facilities previous to these additions, Greystone owns 26 SNFs in Florida.

Total project cost is \$690,050. The applicant states no new construction or renovation is necessary to accommodate the 20 additional beds. Total project costs include: equipment, project development and financing costs.

The applicant proposes no conditions on its Schedule C.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes (F.S.); and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code (F.A.C). These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

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

Rule 59C-1.010(3)(b), F.A.C., prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant.

As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, the consultant, Lucy Villafrate analyzed the application in its entirety with consultation from the financial analyst, Eric West, Bureau of Central Services, who evaluated 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 indicate the level of conformity of the proposed project with the criteria and application content requirements found in F.S., sections 408.035 and 408.037 and applicable rules of the State of Florida, Chapter 59C-1 and 59C-2, F.A.C.

1. Fixed Need Pool

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

Ridgecrest proposes to add 20 community nursing home beds to Ridgecrest Nursing and Rehabilitation Center through the delicensure of 20 community nursing home beds at Good Samaritan Society – Daytona (both located in District 4, Subdistrict 4).

Section 408.036(2)(c), F.S., provides for the:

“Relocation of a portion of the nursing home’s licensed beds to a facility within the same district, if the location is within a 30-mile radius of the existing facility and the total number of nursing home beds in the district does not increase.”

The reviewer confirms that the facilities are located within 30 miles of each other and the total number of nursing homes in the district does not increase. In CON application #10236, Exhibit 1-1, the applicant provides a notarized letter from the authorized licensee of the facility from which the beds are being relocated, certifying that the beds will be delicensed should the CON be awarded to the applicant.

Expedited reviews may be submitted at any time and do not respond to fixed need pool publications.

2. Agency Rule Preferences

The following Florida Administrative Rule criteria applies to the project.

- a. **Relocation of a portion of the nursing home's licensed beds to a licensed facility within the same district, if the relocation is within a 30-mile radius of the existing facility and the total number of nursing home beds in the district does not increase. (Rule 59C-1.004 (2) (d) F.A.C.)**

The applicant indicates the facilities are within a 30-mile radius of each other and are both located in District 4, Subdistrict 4. Ridgecrest Nursing and Rehabilitation Center is located at 1200 North Stone Street, Deland, Florida 32720 and Good Samaritan Society – Daytona at 325 Seagrave Street, Daytona Beach, Florida 32114. These District 4 facilities are separated by an approximate 20.9 mile drive, per the Agency's FloridaHealthFinder.gov website.

- b. **Applications submitted under this paragraph must be submitted by the licensed nursing home proposing to add the beds. Notarized letter from the facility from which the beds are being relocated must be submitted certifying that beds will be delicensed should the CON be awarded to the applicant. (Rule 59C-1.004 (2) (d) 1. F.A.C.)**

A notarized letter from Mr. Thomas A. Syverson, authorized representative of Evangelical Lutheran Good Samaritan Society, the licensee of Good Samaritan Society - Daytona, agreeing to delicense 20 community nursing home beds, should the proposed project be approved, is included in Exhibit 1-1 of CON application #10236.

- c. **The relocation of beds under this paragraph shall be limited to a portion of beds such that the occupancy rate of the remaining licensed beds of the facility from which beds are being relocated does not exceed 94 percent. (Rule 59C-1.004 (2) (d) 2. F.A.C.)**

For the most recent quarter reported to the Health Planning Council of N.E. Florida, Inc. ending June 30, 2014, Good Samaritan Society – Daytona had 7,477 patient days with a resulting occupancy rate of 68.5 percent. The reviewer confirmed this data through the *Florida Nursing Home Bed Need Projections by District and Subdistrict*, published October 3, 2014. Ridgecrest states that if the 120 bed compliment at Good Samaritan Society – Daytona were to be reduced to 100 beds, the resulting bed days of 9,100 would yield an occupancy rate of 82.16 percent. Therefore the applicant is in compliance with this rule.

- d. **Utilization Reports. Within 45 days after the end of each calendar quarter, facilities with nursing facility beds licensed under Chapter 400, F.S. shall report to the agency, or its designee, the total number of patient days which occurred in each month of the quarter and the number of such days which were Medicaid patients. (Rule 59C-1.035 (5) F.A.C.)**

Ridgecrest indicates that it will provide the required data to the Health Planning Council of North East Florida and to the Agency.

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? ss. 408.035 (1)(b) and (e), F.S.**

Availability and Accessibility

Ridgecrest states relocating 20 beds within Subdistrict 4-4 will have a positive effect on bed availability, as the beds will “move” from an area of high availability, Daytona Beach, to one with lower availability, Deland.

The applicant asserts the effect of moving the beds will be positive within the subdistrict and that the overall impact of relocating these beds will have no effect on the number of beds per 1,000 population age 65 and older. Please see the chart below.

Availability of SNF Beds in Subdistrict 4-4, District 4 and Florida

Subdistrict	County	BEFORE BED RELOCATION			AFTER BED RELOCATION		
		July 2014 Pop 65+	Community Beds Dec. 2013	Beds per 1,000	July 2015 Pop 65+	Community Beds July 2014	Beds Per 1,000
4-4	Volusia	164,510	3,204	19.5	167,773	3,252	19.4
	District 4	471,775	9,355	19.8	488,094	9,500	19.5
	Florida	5,230,334	80,074	15.3	5,369,698	81,324	15.1

Applicant's Note: "On July 1, 2014 the community bed moratorium was lifted and the 2015 projections allow for this fact. July 2015 projected 1,250 new beds of total 3,750 new beds allowed statewide through June 30, 2017. Allocated District 4 and Subdistrict 4-4 new beds based on current percentages against current statewide bed total."

Source: CON application #10236, page 3-2.

Ridgecrest notes that Volusia County has a higher proportion of its population in older age cohorts than District 4 as a whole. Persons aged 65 and older make up 32.4 percent of the total population in Volusia County while this same cohort makes up 23.2 percent of the total population in District 4. More importantly, persons aged 65 and older make up 14.3 percent of the population in Daytona Beach (Volusia County Zip Code 32114), while the same cohort makes up over 19.2

percent of the total population in Deland (Volusia County Zip Code 32720). Therefore, the applicant asserts that the proposed project will redistribute beds to an area of greater need. Please see the chart below.

2014 Population Estimates for Elderly Age Cohorts by County

Subdistrict	County	Percent of total population 65+	Percent of total population 75+	Total
4-2	Baker	11.8%	4.4%	16.3%
4-2	Clay	13.2%	5.0%	18.2%
4-1,2,3	Duval	12.5%	5.2%	17.7%
4-4	Flagler	25.3%	10.5%	35.8%
4-1	Nassau	18.1%	6.6%	24.7%
4-3	St. Johns	17.0%	6.9%	23.9%
4-4	Volusia	22.1%	10.3%	32.4%
	District 4	16.3%	6.9%	23.2%

Source: CON application #10236, page 3-5.

The applicant concludes the proposed project will improve access by:

- Relocating beds to an area with fewer available beds per 1,000 elderly
- Relocating beds to a facility where the larger portion of seniors within the subdistrict can easily have access
- Access for quality rehabilitation services will be improved as the additional beds will provide increased availability to rehab therapists to return the patient home and reduce re-hospitalizations

Quality of Care

The applicant contends quality improvement for residents of Subdistrict 4-4 will occur through improved availability of local beds and better access to quality care for residents. Ridgecrest currently has 52 private rooms and 39 semi-private rooms totaling 130 beds. After implementation of the proposed project of 20 additional beds, the facility will have 32 private rooms and 59 semi-private rooms—totaling 150 beds.

Extent of Utilization

In reference to utilization, the applicant discusses the twelve-month period ending December 31, 2013, noting that Volusia County (Subdistrict 4-4) nursing homes averaged 84.85 percent utilization in 3,204 community nursing home beds. Ridgecrest indicates that a third of the facilities reported occupancy rates exceeding 92 percent, which the reviewer confirms. The reviewer notes that for the twelve-month period ending June 30, 2014, Volusia County (Subdistrict 4-4) nursing homes averaged 84.84 percent utilization as published in the October 2014 *Nursing Home Bed Need Projections by District and Subdistrict* publication.

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

The applicant indicates their facility is managed by an experienced nursing home operator, as parent company Greystone currently runs 26 successful nursing facilities in Florida. Ridgecrest received the Bronze Award for Outstanding Quality of Care in 2011 from the American Health Care Association and National Center for Assisted Living. The applicant notes nine other Greystone facilities received this award in 2012.

The applicant states that it has taken advantage of the Florida Health Care Association (FHCA) Quality Credentialing Program. The FHCA's credentialing process includes an internal and external review process of quality issues, which the applicant discusses in "Quality of Care" CON application #10236, pages 4-7 to 4-11. Copies of Greystone's Quality Improvement Programs, Risk Management/Quality Assurance Standards and Guidelines and Quarterly Systems Review Forms are included in Exhibit 4-3 of CON application #10236. The applicant also discusses the role of the resident council to address concerns and topics of interest and provides a sample activities calendar.

Although Ridgecrest states that it achieved an overall inspection score of five-stars, the highest level, on their most recent Agency inspection, FloridaHealthFinder.gov indicates that the facility actually received a three-star rating. The Agency's Nursing Home Guide was last updated August 2014. Ridgecrest is not a Gold Seal Program nor is it on the Nursing Home Watch List.

The applicant provides inspection results from Medicare.gov in CON application #10236, Exhibit 4-1, indicating a five-star overall rating. According to the Medicare.gov website, this rating is based on data collected from July 1, 2013 through June 30, 2014 for short-stay residents and from October 1, 2013 to June 30, 2014 for long-stay residents. The data comes from the CMS Health Inspection Database and the Minimum Data Set as reported by the nursing homes, themselves, to federal nursing home inspectors.

The applicant also explains its commitment to voluntary quality improvement programs that guide Greystone facilities now and into the future. Greystone is committed to a Quality Assurance and Performance Improvement Plan (QAPI). When fully implemented, the QAPI should address clinical care, quality of life, resident choice, and care transitions.

Agency data indicates that Ridgecrest had one substantiated complaint during the three-year period ending October 3, 2014 in the one category of physical environment.

Greystone owns and operates 26 SNFs in Florida. Agency complaint records indicate, for the three-year period ending October 3, 2014, Greystone affiliated SNFs had 58 substantiated complaints at 17 facilities. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

Greystone Healthcare Management Corporation Complaints	
13 Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Physical Environment	7
Quality of Care/Treatment	37
Resident/Patient/Client Rights	7
Resident/Patient/Client Assessment	5
Resident/Patient/Client Abuse	2
Dietary Services	1
Admission, Transfer & Discharge Rights	4
Administration/Personnel	3
Nursing Services	3
Infection Control	4
Unqualified Personnel	2
Physician Services	1
Falsification of Records/Reports	1

Source: Florida Agency for Health Care Administration Complaint Records.

- c. What resources, including health manpower, management personnel and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035 (1)(d), F.S.**

The audited financial statements of Greystone Tribeca Acquisition, LLC (the parent) for the periods ending December 31, 2012 and December 31, 2013 were analyzed for the purpose of evaluating the applicant's ability to provide operational funding necessary to implement the project.

Short-Term Position:

The applicant's current ratio of 0.4 is below average and indicates current assets are approximately 0.4 times current liabilities, a weak position. The ratio of cash flow to current liabilities of 0.16 is below average, a weak position. Working capital (current assets less current liabilities) of negative \$33.4 million is a measure of excess liquidity that could be used to fund capital projects. Since this number is negative, the Parent does not appear to have excess liquidity. Overall, the applicant has a weak short-term position (see Table 1).

Long-Term Position:

The ratio of long-term debt to net assets of negative 1.3 is below average and indicates that long-term debt exceeds net assets, a weak position. The ratio of cash flow to total assets of 12.7 percent is above average, an adequate position. The most recent year had \$4.9 million of revenues in excess of expenses, which resulted in a total margin of 3.9 percent. Overall, the applicant has a weak long-term position (see Table 1).

Capital Requirements:

On Schedule 2, the applicant indicates capital projects totaling \$690,050, which consist of expenditures related to this project. The applicant is projecting a year one operating gain of \$1,617,469.

Available Capital:

The applicant indicates on Schedule 3 of its application that funding for the project will be provided by \$690,050 in cash-on-hand as reported in the audit report for the year ending December 31, 2013.

TABLE 1		
Ridgecrest NH, LLC d/b/a Ridgecrest Nursing and Rehabilitation Center		
CON #10236		
	12/31/13	12/31/12
Current Assets	\$24,283,673	\$65,026,985
Cash and Current Investment	\$9,206,787	\$5,651,447
Total Assets	\$73,221,699	\$134,586,519
Current Liabilities	\$57,759,171	\$52,268,033
Total Liabilities	\$121,535,660	\$117,591,612
Net Assets	(\$48,313,961)	\$16,994,907
Total Revenues	\$124,896,182	\$122,450,342
Interest Expense	\$1,808,864	\$2,128,093
Excess of Revenues Over Expenses	\$4,899,056	\$6,436,330
Cash Flow from Operations	\$9,298,457	\$1,904,516
Working Capital	(\$33,475,498)	\$12,758,952
FINANCIAL RATIOS		
	12/31/13	12/31/12
Current Ratio (CA/CL)	0.4	1.2
Cash Flow to Current Liabilities (CFO/CL)	0.16	0.04
Long-Term Debt to Net Assets (TL-CL/NA)	-1.3	3.8
Times Interest Earned (ER+Int/Int)	3.7	4.0
Net Assets to Total Assets (NA/TA)	-66.0%	12.6%
Total Margin (ER/TR)	3.9%	5.3%
Return on Assets (ER/TA)	6.7%	4.8%
Operating Cash Flow to Assets (CFO/TA)	12.7%	1.4%

Staffing:

Section 400.23(3)(a)(2), F.S., 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. The applicant's certified nursing assistant staffing meets the minimum required by statute in year one assuming staff is not afforded leave of any kind. The applicant does not meet the certified nursing assistant staffing requirements in the second year. However, the applicant lists 20 "other" nursing personnel in both years one and two. If these are certified nursing assistants, then the applicant easily meets the statutory requirements. Since no description of these employees was provided, no final determination can be made as to meeting statutory requirements.

Conclusion:

The project will be funded by cash on hand from the Parent company. Cash should be available to fund the project, however the Parent has overall weak short-term and long-term financial positions.

d. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035 (1) (f), F.S.

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. We selected 24 skilled nursing facilities with similar 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 2nd Quarter 2014, Health Care Cost Review.

Projected net revenue per patient day (NRPD) of \$321 in year one and \$322 in year two is equal to the median value of \$321 in year one and between the median and lowest values of \$331 and \$227 in year two. With net revenues at or between the median and lowest 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). Projected revenues appear to be reasonable.

Anticipated costs per patient day (CPD) of \$289 in year one and \$290 in year two are between the control group median and lowest values of \$322 and \$199 in year one and \$332 and \$204 in year two. With costs falling between the median and lowest values in the control group, projected costs are considered reasonable (see Tables 2 and 3). The applicant is projecting an increase in CPD between years one and year two of approximately 0.3 percent. Overall, costs appear to be reasonable.

The year two operating profit for the skilled nursing facility of \$1,685,835 computes to an operating margin per patient day of \$33, which is between the control group median and highest values of \$7 and \$83. Overall profitability appears achievable.

Conclusion:

The project appears to be financially feasible.

TABLE 2

SELECT FY 2012/2013 COST REPORT DATA	Dec-15	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	15,888,173	317	439	262	209
ANCILLARY SERVICES	195,319	4	193	116	5
OTHER OPERATING REVENUE	0	0	72	1	-1
GROSS REVENUE	16,083,492	321	565	398	221
DEDUCTIONS FROM REVENUE	0	0	0	0	0
NET REVENUES	16,083,492	321	404	321	221
EXPENSES					
ADMINISTRATIVE	4,648,953	93	124	81	66
ANCILLARY	2,700,314				
PATIENT CARE	5,925,404	118	216	129	103
PROPERTY	1,061,220	21	56	31	4
OTHER	130,132	3	0	0	0
TOTAL EXPENSES	14,466,023	289	394	322	199
OPERATING INCOME	1,617,469	32	83	7	-108
		10.1%			
PATIENT DAYS	50,140		VALUES NOT ADJUSTED		
TOTAL BED DAYS AVAILABLE	54,750		FOR INFLATION		
TOTAL NUMBER OF BEDS	150		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	91.58%		96.6%	91.7%	71.3%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	2,190	4.4%			
MEDICAID	23,975	47.8%	48.2%	47.5%	46.0%
MEDICARE	13,390	26.7%	47.7%	30.6%	0.0%
INSURANCE	0	0.0%			
HMO/PPO	8,395	16.7%			
OTHER	2,190	4.4%	54.0%	22.6%	4.8%
TOTAL	50,140	100.0%			

TABLE 3

SELECT FY 2012/2013 COST REPORT DATA	Dec-16	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER PAT. DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	16,324,973	319	452	270	215
ANCILLARY SERVICES	199,226	4	198	119	5
OTHER OPERATING REVENUE	0	0	74	1	-1
GROSS REVENUE	16,524,199	322	581	409	227
DEDUCTIONS FROM REVENUE	0	0	0	0	0
NET REVENUES	16,524,199	322	416	331	227
EXPENSES					
ADMINISTRATIVE	4,816,103	94	128	84	68
ANCILLARY	2,754,321				
PATIENT CARE	6,043,912	118	223	133	106
PROPERTY	1,091,293	21	58	32	4
OTHER	132,735	3	0	0	0
TOTAL EXPENSES	14,838,364	290	406	332	204
OPERATING INCOME	1,685,835	33	83	7	-108
		10.2%			
PATIENT DAYS	51,240		VALUES NOT ADJUSTED		
TOTAL BED DAYS AVAILABLE	54,900		FOR INFLATION		
TOTAL NUMBER OF BEDS	150		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	93.33%		96.6%	91.7%	71.3%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	2,196	4.3%			
MEDICAID	24,522	47.9%	48.2%	47.5%	46.0%
MEDICARE	13,908	27.1%	47.7%	30.6%	0.0%
INSURANCE	0	0.0%			
HMO/PPO	8,418	16.4%			
OTHER	2,196	4.3%	54.0%	22.6%	4.8%
TOTAL	51,240	100.0%			

- e. **Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035 (1)(e) and (g), F.S.**

Competition to promote quality and cost-effectiveness is driven primarily by the best combination of high quality and fair price. Competition forces health care facilities to increase quality and reduce charges/costs in order to remain viable in the market. In this case, the applicant is applying to delicense 20 beds from a facility in the district to expand this facility by 20 beds. Therefore, this project will not result in new beds to the service area and will not have a material impact on competition.

Conclusion:

The project is not likely to have a material impact on competition between skilled nursing facilities.

- f. **Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035 (1) (h), F.S.; Ch. 59A-4, F.A.C.**

To implement the proposed project, 20 private rooms will be converted to semi-private rooms. The architectural plans indicate that there are five room types (1, 2, 3, 4, 5), which will be converted from private to semi-private. According to the narrative, no renovation is required to accommodate the 20 community nursing home beds. However dimensions on the plans indicate room type “4” and type “5” do not meet the required clearance at the foot of the bed. A minimum of 3 feet 8 inches must be provided to comply with Florida Building Code (FBC), chapter 420 requirements.

In addition, the architectural plans and narrative do not indicate existing resident living areas such as dining, recreation, and lounge, will be sufficient for the additional 20 beds. Additional space will need to be allocated for resident living requirement of 35 square feet of space per resident, which is required by FBC, chapter 420 requirements.

The design as presented has some deficiencies, and modifications will be needed to meet current code requirements. The reviewer notes that the applicant will need to go through the Office of Plans and Construction for review of the proposed project, as with any nursing home facility bed addition, before getting the proposed project licensed through the Long Term Care Unit at the Agency.

The estimated construction costs and project completion forecast should be adjusted to reflect the necessary modifications.

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 and propose the provision of health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035 (1) (i), F.S.**

The applicant provides the most recent five year total Medicaid utilization compared with Subdistrict 4-4, District 4, and Florida. Ridgecrest notes their occupancy rates are generally lower than that of the subdistrict due to their proximity to Florida Hospital – Deland, demand and the referral patterns for short term rehabilitation. The applicant asserts that it has historically provided skilled services to Medicaid recipients with rates running in excess of 50 percent. Please see the table below.

**Medicaid Patient Days & Medicaid Occupancy Rates
Ridgecrest Nursing and Rehabilitation Center
Subdistrict 4-4, District 4, and Florida
Calendar Years 2009-2013**

Medicaid Patient Days					
Facility/Area	2009	2010	2011	2012	2013
Ridgecrest	34,905	33,955	29,651	24,085	25,926
Subdistrict 4-4	656,659	669,298	672,506	671,078	659,763
District 4	7,819,012	1,897,118	1,890,978	1,869,824	1,839,586
Florida	15,411,373	15,530,575	15,612,015	15,733,318	15,700,197
Medicaid Occupancy					
Facility/Area	2009	2010	2011	2012	2013
Ridgecrest	62.99%	61.54%	56.64%	49.64%	53.19%
Subdistrict 4-4	61.41%	62.48%	62.59%	62.98%	61.89%
District 4	61.98%	61.82%	61.93%	61.76%	61.09%
Florida	61.26%	61.33%	61.56%	61.85%	61.66%

Source: CON application #10236, page 9-1 and 9-2.

The applicant states that a proportionately higher increase in Medicare will occur because the 20 additional beds are primarily intended for rehabilitative care. Therefore, the proportionate amount of Medicaid will go down slightly, but actual utilization for Medicaid is expected to rise slightly.

The applicant provides the forecasted admissions and patient days by payer for years one and two for the proposed 150-bed facility below.

Forecasted Patient Days for Ridgecrest Nursing and Rehabilitation Center First Two Years with the 20-Bed Addition (Total Facility of 150 Beds)

Payer	Year 1: CY 2015		Year 2: CY 2016	
	Patient Days	Percent of Total Days	Patient Days	Percent of Total Days
Medicare	13,390	27.72%	13,908	27.14%
Medicaid	23,975	47.81%	24,522	47.85%
Managed Care	8,385	16.74%	8,413	16.41%
Private Pay	2,190	4.36%	2,196	4.28%
Other	2,190	4.36%	2,196	4.28%
Total	50,140	100.00%	51,240	100.00%

Source: CON application #10236, page 9-3.

As shown in the table above, the applicant projects Medicaid will comprise 47.81 percent and 47.85 percent of the facility's total year one and year two patient days, respectively. Ridgecrest states the facility will have all 150-beds Medicare and Medicaid certified. The applicant proposes no conditions for the project.

F. SUMMARY

Ridgecrest NH L.L.C. (CON application #10236) proposes to add 20 community nursing home beds to Ridgecrest Nursing and Rehabilitation Center through the delicensure of 20 community nursing home beds at Good Samaritan Society – Daytona (both located in District 4, Subdistrict 4).

Total project cost is \$690,050. The applicant states no new construction or renovation is necessary to accommodate the 20 additional beds. Total project costs include: equipment, project development and financing costs.

The applicant proposes no conditions to the approval of the proposed project.

Need

The proposed project is not submitted in response to the fixed need pool.

Ridgecrest provides population and inventory data that supports the project will improve access by relocating beds from an area of high availability, Daytona Beach, to one with lower availability, Deland.

The applicant concludes the proposed project will improve access by:

- Relocating beds to an area with fewer available beds per 1,000 population age 65 and older
- Relocating beds to a facility where the larger portion of seniors within the subdistrict can easily have access
- Access for quality rehabilitation services will be improved as the additional beds will provide increased availability to rehab therapists to return the patient home and reduce re-hospitalizations

Quality of Care

Ridgecrest stated that it achieved an overall inspection score of five-star, the highest level, on their most recent Agency inspection. The reviewer notes that FloridaHealthFinder.gov indicates the facility received a three-star rating. The Agency's Nursing Home Guide was last updated August 2014. Ridgecrest is not a Gold Seal Program nor is it on the Nursing Home Watch List.

Ridgecrest had one substantiated complaint during the three-year period ending October 3, 2014. Greystone had 58 substantiated complaints at 17 of its Florida SNFs during the same three-year period.

The applicant demonstrated the ability to provide quality care.

Financial Feasibility/Availability of Funds

The project will be funded by cash-on-hand from the parent company. Cash should be available to fund the project, however the parent company has overall weak short-term and long-term financial positions.

This project appears to be financially feasible.

The project is not likely to have a material impact on competition between skilled nursing facilities.

Medicaid/Charity Care

The applicant proposes no conditions on its Schedule C.

Ridgecrest states the facility's 150 beds will be dually Medicaid-Medicare certified. The facility's existing 130 beds are dually certified.

The applicant states they have historically provided skilled services to Medicaid recipients with rates running in excess of 50 percent.

Ridgecrest projects Medicaid will comprise 47.81 percent and 47.85 percent of the 150-bed facility's total year one (calendar year 2015) and year two patient days, respectively.

Architectural:

The cost and time schedule of construction estimated for this proposed project have some deficiencies, and modifications will be needed before licensure to meet current code requirements. The estimated construction cost and project completion forecast should be adjusted to reflect these necessary modifications.

G. RECOMMENDATION

Approve CON #10236 to add 20 community nursing home beds to Ridgecrest Nursing and Rehabilitation Center through the delicensure of 20 community nursing home beds at Good Samaritan Society – Daytona in District 4, Subdistrict 4. The total project cost is \$690,050. The project involves no new construction or renovation.

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: _____

Marisol Fitch
Health Services and Facilities Consultant Supervisor
Certificate of Need