

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Surrey Place of Bradenton, LLC
d/b/a Surrey Place Healthcare and Rehabilitation/CON #10237
2123 Centre Pointe Boulevard
Tallahassee, Florida 32308

Authorized Representative: Mr. Joseph D. Mitchell, C.P.A.
(850) 386-2522

2. Service District/Subdistrict

District 6/Subdistrict 2 (Manatee County)

B. PUBLIC HEARING

A public hearing was not held or requested on the proposed project to add five community nursing home beds through delicensure of five beds in a geographically contiguous district within a 30-mile radius.

C. PROJECT SUMMARY

Surrey Place of Bradenton, LLC d/b/a Surrey Place Healthcare and Rehabilitation (CON application #10237) proposes to add five community nursing home beds to Surrey Place in District 6, Subdistrict 6-2 (Manatee County), through the delicensure of five community nursing home beds at Benderson Family Skilled Nursing and Rehabilitation Center in District 8, Subdistrict 8-6, Sarasota County. Upon approval of the proposed project, Benderson Family Skilled Nursing and Rehabilitation Center agrees to voluntarily relinquish five beds. The facilities are located in contiguous districts, therefore five new

beds would be added to the Subdistrict 6-2 total and five beds would be subtracted from the Subdistrict 8-6 total upon implementation of this project.

Surrey Place Healthcare and Rehabilitation is a 60-bed skilled nursing facility (SNF) operated under the parent company Summit Care with 11 SNFs in Florida. The applicant states that Summit Care II, Inc., the current management company for Surrey Place will provide funding for the project.

The project involves 1,465 gross square feet (GSF) of renovation. The renovation cost is \$5,000. Total project cost is \$82,573. Project cost includes: building, equipment and project development costs.

The applicant proposes no conditions on its Schedule C. Surrey Place Healthcare and Rehabilitation (CON application #4717) has a condition to provide a minimum of 27.46 percent of the 60-bed facility's total annual patient days to Medicaid patients. The reviewer notes that Benderson Family Skilled Nursing and Rehabilitation Center (CON application #10047) currently has a condition that a minimum of 21.75 percent of the 50-bed facility's total annual patient days shall be provided to Medicaid patients.

D. REVIEW PROCEDURE

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

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

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

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

As part of the fact-finding, the consultant, Marisol Fitch analyzed the application in its entirety with consultation from the financial analyst, Felton Bradley, 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 Florida Statutes, sections 408.035 and 408.037; applicable rules of the State of Florida, Chapter 59C-1 and 59C-2, Florida Administrative Code.

1. Fixed Need Pool

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

Surrey Place in Subdistrict 6-2 (Manatee County), proposes to add five community nursing home beds through the delicensure of five community nursing home beds at Benderson Family Skilled Nursing and Rehabilitation Center in Subdistrict 8-6 (Sarasota County).

Section 408.036(2)(d), Florida Statutes, provides for the:

“Relocation of a portion of the nursing home’s licensed beds to another facility or to establish a new facility within the same district or within a geographically contiguous district, if the relocation is within a 30-mile radius of the existing facility and the total number of nursing home beds in the state 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 state does not increase. In CON application #10237, Exhibit 1-1, the applicant provides a notarized letter from the authorized representative of the 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, with Surrey Place located in Subdistrict 6-2 (Manatee County) and Benderson Family Skilled Nursing and Rehabilitation Center located in Subdistrict 8-6 (Sarasota County). Surrey Place is located at 5525 West 21st Avenue, Bradenton, Florida 34209 and Benderson Family Skilled Nursing and Rehabilitation Center is located 1959 North Honore Avenue, Sarasota, Florida 34235. These facilities are separated by approximately 12.85 miles, 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.)**

Surrey Place of Bradenton, LLC is the licensee for the facility which will be adding beds. A notarized letter from Ms. Heidi Brown, authorized representative of Sarasota Manatee Jewish Housing Council, Inc., the licensee of Benderson Family Skilled Nursing and Rehabilitation Center, agreeing to delicense five community nursing home beds, should this CON be approved is included in Exhibit 1-1 of CON application #10237.

- 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 12-month period ending June 30, 2014, Benderson Family Skilled Nursing and Rehabilitation Center reported 14,249 patient days and 18,250 bed days with a resulting occupancy rate of 68.46 percent. If the current 50 beds were reduced to 45 beds, the resulting bed days of 16,425 would yield an occupancy rate of 86.75 percent. The applicant is in compliance with this criterion.

- 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.)**

Surrey Place states that it will continue to provide the required data to the Health Council of West Central Florida, Inc. and 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), Florida Statutes.**

Availability and Accessibility

Surrey Place indicates that relocating five beds from Subdistrict 8-6 to Subdistrict 6-2 will have a positive effect on bed availability, as the beds will be moved from an area of high availability, Sarasota County, to one with lower availability, Manatee County.

The applicant maintains that in addition to the Agency's utilization calculation, nursing homes—particularly older facilities with limited space, often utilize multi-bed wards as semi-private or private rooms. Surrey Place contends that because of facilities utilizing semi-private rooms for private, the actual number of beds in service and available for use is unknown. The applicant states that reported occupancy rates below 90 percent in Subdistrict 6-2 do not necessarily indicate a lack of need or licensed beds, but rather could be associated with a lack of available beds. Surrey Place indicates that it will be converting private rooms to semi-private rooms to implement the proposed project—but that it will continue to provide a premium number of private rooms, with only 15 percent being semi-private after implementation of the proposed project.

Surrey Place asserts that there will still be a low number of available beds per 1,000 elderly in Manatee County after implementation of the project, but that the five-bed increase will have some positive effect on availability. See the table below.

Availability of SNF Beds in Subdistricts 6-2 and 8-6, District 6 and Florida

County	BEFORE BED RELOCATION			AFTER BED RELOCATION		
	Community Beds 1/1/2014	Jan. 1 2014 Pop 65+	Beds per 1,000	Community Beds 1/1/2019	Jan. 1 2019 Pop 65+	Beds Per 1,000
Subdistrict 6-2, Manatee	1,360	81,471	17	1,384	95,806	14
District 6	8,768	398,830	22	8,773	471,006	19
Subdistrict 8-6	2,978	124,940	24	2,973	143,296	21
Florida	80,074	3,548,756	23	80,458	4,153,269	19

Source: CON application #10237, page 1-5.

The applicant indicates that residents of Sarasota, where the beds are currently located, have access to a greater number of skilled nursing facilities and beds (24 beds per 1,000 age 65 and over) compared to resident of Manatee County (17 beds per 1,000 persons age 65 and over). Surrey Place notes that the 2014 Manatee County population age 65 and over represents 24 percent of the population, adding five beds to Surrey Place—a highly utilized facility—will directly improve access. Surrey Place experienced 91.70 utilization (20,082 patient days) during the July 1, 2013 – June 30, 2014 reporting period.

Surrey Place states that it is located within 600 yards of Blake Medical Center which provides a major source of referrals. The applicant indicates that as a small facility, with currently only 60 beds, the facility is vulnerable to seasonal fluctuations in discharges from local hospitals that particularly impact demand for short-term rehabilitation. Surrey Place maintains that the proposed project is an opportunity to increase capacity and increase admissions to meet the local demand.

Quality of Care.

The applicant contends quality improvement for residents of Subdistrict 6-2 will occur through improved availability of beds at Surrey Place, a highly occupied facility—recognized by the community for its rehabilitation services. Surrey Place indicates that it is part of the Summit Care affiliates, a long-term provider in Florida. Summit Care’s 11 facilities are listed below.

Summit Care Facilities, Locations and Quality Ratings					
Facility Name	District	County	City	Beds	Quality Star Rating
Century Health and Rehabilitation Center	1	Escambia	Century	88	5
Sandy Ridge Health and Rehabilitation	1	Santa Rosa	Milton	60	3
Santa Rosa Health and Rehabilitation Center	1	Santa Rosa	Milton	110	4
Madison Health and Rehabilitation Center	2	Madison	Madison	60	4
Seven Hills Health and Rehabilitation Center	2	Leon	Tallahassee	156	2
Diamond Ridge Health and Rehabilitation Center	3	Citrus	Lecanto	120	3
The Springs at Boca Ciega Bay	5	Pinellas	South Pasadena	109	3
Surrey Place Healthcare and Rehabilitation	6	Manatee	Bradenton	60	4
Valencia Hills Health and Rehabilitation Center	6	Polk	Lakeland	300	5
Ybor City Healthcare and Rehabilitation Center	6	Hillsborough	Tampa	80	4
The Springs at Lake Pointe Woods	8	Sarasota	Sarasota	119	4

Source: CON application #10237, page 3-3.

Surrey Place asserts that it is a four star rated facility so quality of care of the proposed project will be assured. See quality of care discussion below.

Extent of Utilization

In reference to utilization the applicant discusses the twelve-month period ending December 31, 2013, noting that Manatee County (Subdistrict 6-2) nursing homes averaged 83.89 percent utilization in 1,360 community nursing home beds. Surrey place maintains that the number of available beds or beds in service is difficult to predict as older facilities have taken beds temporarily out of service to provide residents with private rooms in order to compete with newer facilities. The applicant contends that this artificially lowers the occupancy rate and the measure of need. Surrey Place indicates that it will be converting private rooms to semi-private rooms to implement the proposed project.

The reviewer notes that for the twelve-month period ending June 30, 2014, Manatee County (Subdistrict 6-2) nursing homes averaged 83.39 percent utilization.

- 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), Florida Statutes.**

The applicant indicates that Surrey Place Healthcare and Rehabilitation is managed by an experienced nursing home operator, as an affiliate of Summit Care which currently owns 11 (1,262 beds) nursing facilities in Florida. Summit Care was founded by Joseph D. Mitchell and C. Guy Farmer in 1996. Currently, Mr. Mitchell is on the Board of Directors of the Florida Health Care Association (FHCA). Surrey Place maintains that as members of FHCA, it actively participates in quality initiatives developed by FHCA and the state to ensure quality improvement.

Surrey Place notes that Summit Care has a quality award program to recognize excellence with the organization for the top three facilities. To receive the award in quality care a facility must have excellent survey results defined as “no harm or greater citations” and fewer than the state average number of citations in the year. The applicant indicates that it has received Summit Care’s award four times.

The applicant states that Summit Care also maintains a toll-free help line number which may be accessed 24 hours a day by to report concerns or comments they may have. Posters for this help line are in prominent areas where they may be easily seen by residents, family members, visitors and employees. The help line is monitored frequently by the Corporate Compliance Officer or designee.

Surrey Place states that Summit Care has office and field staff well familiar with protocols necessary for the quality management and operations of a community nursing home in the state of Florida. The applicant notes that management strives to improve and provide quality, cost-effective care by utilizing a standardized Quality Improvement Program. Surrey Place maintains that its Quality Improvement Program includes the departments, services, committees and teams that are involved in resident/patient care.

The applicant notes that Surrey Place Healthcare and Rehabilitation achieved an overall inspection score of four-stars on its most recent Agency inspection. The reviewer confirmed this at FloridaHealthFinder.gov. The Agency’s Nursing Home Guide was last updated August 2014. The reviewer notes that the applicant is not on the Nursing Home Watch List, nor is the facility recognized as a Gold Seal facility.

Surrey Place had one substantiated complaint during the three-year period ending October 8, 2014 in two categories: administration/personnel and resident/patient/client rights.

Summit Care has 11 SNFs in Florida with a total of 1,262 beds. Agency complaint records indicate, for the three-year period ending October 8, 2014, Summit Care affiliated SNFs had 17 substantiated complaints at their 11 facilities. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

Summit Care Complaints	
Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Quality of Care/Treatment	9
Admission, Transfer & Discharge Rights	4
Administration/Personnel	2
Resident/Patient/Client Rights	2
Resident/Patient/Client Assessment	2
Dietary Services	1
Nursing Services	1

Source: Florida Agency for Healthcare 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), Florida Statutes.**

The financial impact of the project will include the total project cost of \$82,573 and the year two operating costs of \$8,905,587.

The parent company (Summit Care Group) submitted financial statements for the periods ending December 31, 2013 and 2012. As a part of those financial statements, the balance sheet and income statement were provided for the management company (Summit Care II, Inc.). We analyzed the statements of the parent and information on the management company in the consolidated schedules to evaluate their ability to fund the applicant and provide the capital and operational funding necessary to implement this project. It should be noted that the 2013 financial statements for the parent carried a qualified opinion based on the ability or inability of the stockholders to repay the outstanding balance on certain advancements.

Short-Term Position:

Parent: The Parent's current ratio of 1.7 is below average and indicates current assets are 1.7 times current liabilities, an adequate position. The ratio of cash flow to current liabilities of approximately 0.5 is below average and a slightly weak position. The working capital (current assets less current liabilities) of \$8,176,447 is a measure of excess liquidity that could be used to fund capital projects. Overall, the parent has a slightly weak short-term position (see Table 2).

Management Company: The Management Company's current ratio of 1.2 is below average and indicates current assets are 1.2 times current liabilities, an adequate position. The ratio of cash flow to current liabilities could not be determined since the consolidated schedules of the management company do not include a cash flow statement. The working capital (current assets less current liabilities) of \$381,099 is a measure of excess liquidity that could be used to fund capital projects. Overall, the management company has a slightly weak short-term position (see Table 2).

Long-Term Position:

Parent: The ratio of long-term debt to net assets of 4.1 is well above average and indicates that long-term debt exceeds equity. This is a weak position and may impair the parent's ability to acquire future long-term debt at reasonable rates. The most recent year of the parent had revenues in excess of expenses of \$6.3 million which resulted in a 5.6 percent operating margin. Overall, the parent has an adequate long-term position (see Table 2),

Management Company: The ratio of long-term debt to net assets of 7.8 is well above average and indicates that long-term debt is greater than equity. This is a weak position and may impair the management company's ability to acquire future long-term debt at reasonable rates. Overall, the management company has a weak long-term position (see Table 2).

TABLE 2		
Surrey Place Healthcare and Rehabilitation		
	12/31/13	12/31/13
	Parent	Summit Care II
Current Assets	\$20,564,346	\$2,117,180
Cash and Cash Equivalents	\$5,698,966	\$154,767
Total Assets	\$34,624,391	\$6,347,210
Current Liabilities	\$12,387,899	\$1,736,081
Total Liabilities	\$30,295,781	\$5,823,481
Net Assets	\$4,328,610	\$523,729
Total Revenues	\$111,509,339	\$4,896,013
Interest Expense	\$797,290	\$106,076
Excess of Revenues Over Expenses	\$6,260,304	\$426,500
Cash Flow from Operations	\$5,896,808	\$0
Working Capital	\$8,176,447	\$381,099
FINANCIAL RATIOS		
	12/31/13	12/31/13
Current Ratio (CA/CL)	1.7	1.2
Cash Flow to Current Liabilities (CFO/CL)	0.48	0.00
Long-Term Debt to Net Assets (TL-CL/NA)	4.1	7.8
Times Interest Earned (ER+Int/Int)	8.9	5.0
Net Assets to Total Assets (NA/TA)	12.5%	8.3%
Total Margin (ER/TR)	5.6%	8.7%
Return on Assets (ER/TA)	18.1%	6.7%
Operating Cash Flow to Assets (CFO/TA)	17.0%	0.0%

Capital Requirements:

Schedule 2 indicates the applicant has capital projects totaling \$148,878 which includes the CON subject to this review.

Available Capital:

The applicant states that the funding for this project will come from cash from the existing operations of the management company (Summit Care II, Inc.). A letter from the management company's President & CEO in support of the related company financing was included. The audited financial statements of the parent company for the most recent year show cash and cash equivalents of \$5.7 million with an operating income of \$6.3 million and a working capital of 8.2 million. The management company's financial statements for the most recent year show cash and cash equivalents of \$154,767 with an operating income of \$426,500 and working capital of \$381,099.

As mentioned above, funding for this project will be funded by operating cash flows of the management company operations. Although there are concerns about the short and long-term financial position of the management company, the management company's financial statements have an adequate working capital reserve and/or support from its parent to help fund this project if necessary. Based on the above, funding for this project should be available as needed.

Staffing:

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 1 licensed nurse per 40 residents must be maintained.

Based on the information provided in Schedule 6, the applicant projected certified nurse assistants and licensed nurse staffing that exceeds the minimum levels required for year one and year two (see Table 1).

Table 1

Staffing Requirements:			Year 1	Staffing Requirements:			Year 1
<u>Direct Care Licensed Nursing Staff</u>				<u>Direct Care Nursing Assistant Staffing</u>			
CHART 1				CHART 2			
Direct Care	FTE	Total Hours		Direct Care	FTE	Total Hours	
RN	6.67	266.8		Nurse's Aides	34.35	1,374.0	
LPN	15.18	607.2		Other	0	-	
Total	21.9	874.0		Total	0	1,374.0	
Total Per Day		<u>124.9</u>		Total Per Day		<u>196.3</u>	
Average Residents per Day		59		Average Patient Per Day		59	
Direct Care Hours per Resident per Day		2.1		Direct Care Hours Per Patient		3.3	
Does Staffing Meet Minimum		YES		Does Staffing Meet Minimum		YES	
Staffing Requirements:			Year 2	Staffing Requirements:			Year 2
<u>Direct Care Licensed Nursing Staff</u>				<u>Direct Care Nursing Assistant Staffing</u>			
Direct Care	FTE	Total Hours		Direct Care	FTE	Total Hours	
RN	6.74	269.6		Nurse's Aides	34.7	1,388.0	
LPN	15.34	613.6		Other	0	-	
Total	22.08	883.2		Total	0	1,388.0	
Total Per Day		<u>126.2</u>		Total Per Day		<u>198.3</u>	
Average Residents per Day		59		Average Patient Per Day		59	
Direct Care Hours per Resident per Day		2.1		Direct Care Hours Per Patient		3.40	
Does Staffing Meet Minimum		YES		Does Staffing Meet Minimum		YES	

Conclusion:

The project will be funded by cash on hand from the management company. Although there are concerns about the weak short-term and long-term financial position of the management company, funding for this project should be available as needed.

d. What is the immediate and long-term financial feasibility of the proposal? ss. 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 were derived from skilled nursing facilities that submitted Medicaid cost reports in fiscal year 2012 and 2013. We selected 29 skilled nursing facilities with low Medicaid utilization to approximate the applicant's projected Medicaid days. Per Diem rates are projected to increase by an average of 2.9 percent per year through December 2016. 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 adjusted patient day (NRAPD) of \$412 in year one and \$420 in year two is between the control group median and highest values of \$381 and \$927 in year one and \$392 and \$954 in year two. NRAPD appears to be reasonable (see Tables 3 and 4).

Anticipated costs per patient day (CPD) of \$404 in year one and \$410 in year two are between the control group median and the highest values of \$370 and \$1,025 in year one and \$380 and \$1,055 in year two. With CPD approximating the group median value, cost appear reasonable (see Tables 3 and 4).

The year two projected operating income for the skilled nursing facility of \$227,180 computes to an operating margin per adjusted patient day of \$10 or 2.5 percent which is between the control group's lowest and median values of negative \$89 and \$13. With operating margin between the control group's lowest and median values, operating margin appears reasonable (see Table 4).

TABLE 3

	Jun-16 YEAR 1	YEAR 1 ACTIVITY	VALUES ADJUSTED FOR INFLATION		
COST REPORT DATA	<u>ACTIVITY</u>	<u>PER PAT. DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	6,138,409	285	544	316	228
ANCILLARY SERVICES	5,331,803	248	446	159	45
OTHER OPERATING REVENUE	20,615	1	541	1	0
GROSS REVENUE	11,490,827	534	1,029	479	374
DEDUCTIONS FROM REVENUE	2,616,265	122	0	0	0
NET REVENUES	8,874,562	412	927	381	262
EXPENSES					
ADMINISTRATIVE	2,009,235	93	259	99	71
ANCILLARY	1,877,088				
PATIENT CARE	3,883,560	180	207	142	110
PROPERTY	840,479	39	290	31	9
OTHER	76,044	4	0	0	0
TOTAL EXPENSES	8,686,406	404	1,025	370	286
OPERATING INCOME	188,156	9	112	13	-89
		2.1%			
PATIENT DAYS	21,527		VALUES NOT ADJUSTED		
TOTAL BED DAYS AVAILABLE	23,790		FOR INFLATION		
TOTAL NUMBER OF BEDS	65		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	90.49%		99.0%	92.0%	68.5%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	792	3.7%			
MEDICAID	8,180	38.0%	40.9%	38.5%	37.0%
MEDICARE	11,415	53.0%	62.1%	35.9%	5.3%
INSURANCE	304	1.4%			
HMO/PPO	62	0.3%			
OTHER	774	3.6%	57.5%	24.0%	0.4%
TOTAL	21,527	100.0%			

TABLE 4

	Dec-17	YEAR 2	VALUES ADJUSTED		
	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	5,049,929	232	560	325	235
ANCILLARY SERVICES	5,464,941	251	459	163	47
OTHER OPERATING REVENUE	21,329	1	556	1	0
GROSS REVENUE	10,536,199	485	1,059	492	385
DEDUCTIONS FROM REVENUE	1,403,432	65	0	0	0
NET REVENUES	9,132,767	420	954	392	270
EXPENSES					
ADMINISTRATIVE	2,061,403	95	267	102	73
ANCILLARY	1,924,409				
PATIENT CARE	4,007,540	184	213	146	113
PROPERTY	834,195	38	298	32	9
OTHER	78,040	4	0	0	0
TOTAL EXPENSES	8,905,587	410	1,055	380	295
OPERATING INCOME	227,180	10	112	13	-89
		2.5%			
PATIENT DAYS	21,745		VALUES NOT ADJUSTED		
TOTAL BED DAYS AVAILABLE	23,725		FOR INFLATION		
TOTAL NUMBER OF BEDS	65		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	91.65%		99.0%	92.0%	68.5%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	792	3.6%			
MEDICAID	8,398	38.6%	40.9%	38.5%	37.0%
MEDICARE	11,415	52.5%	62.1%	35.9%	5.3%
INSURANCE	304	1.4%			
HMO/PPO	62	0.3%			
OTHER	774	3.6%	57.5%	24.0%	0.4%
TOTAL	21,745	100.0%			

Conclusion:

The project appears to be financially feasible.

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

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. The health care industry has several factors that limit the impact competition has on promoting quality and cost-effectiveness. These factors include a “disconnect” between the payer and the end user of health care services, and a lack of consumer friendly quality measures and information. These factors make it difficult to measure the impact this project will have on competition to promote quality and cost-effectiveness. However, we can measure the potential for competition to exist in a couple of areas.

Provider-Based Competition:

This application is for a transfer of five skilled nursing facility beds from District 8 to District 6. 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/cost in order to remain viable in the market. While this project is not offering a new choice of provider, it may create some competition with other facilities as the applicant seeks to fill those beds. As there are currently 7,156 licensed nursing home beds in District 6, an additional five beds is not likely to have a material impact on competition.

Price-Based Competition:

The impact of the price of services on consumer choice is limited to the payer type. The impact of price-based competition would be limited to payers that negotiate price for services, namely managed care organizations and increasingly individual health care consumers. Therefore, price competition is limited to the share of patient days that are under managed care plans and self-pay patients. The applicant is projecting nine percent of its patient days from managed care and self-pay payers. Therefore, the potential for price based competition exists among only nine percent of the applicant’s projected patient days.

Conclusion:

This project is not likely to have a material impact on provider based competition.

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

To implement the project, five private rooms in the west wing will be converted to semi-private rooms. With the five-bed addition, the facility will have 45 private rooms and 10 semi-private rooms for a total bed complement of 65 beds.

The architectural narrative indicates that the five existing rooms are 293 gross square feet (including the bathroom area) and 216 net square feet. However dimensions on the plan indicate rooms are 257 gross square feet (including the bathroom area) and 192 net square feet. A minimum of 200 net square feet (100 square feet per bed) must be provided to comply with Florida Building Code, chapter 420 requirements.

According to the narrative no renovation is required to accommodate the five community nursing home beds. The toilet rooms associated with the five rooms that will be converted to semi-private accommodations do not require renovations or expansion.

The construction type is not listed on the architectural narrative or the schematic floor plan, but the facility is an existing nursing home so the construction type should meet the minimum requirements. Smoke barriers are identified on the plans to indicate the smoke compartments. The architectural narrative and the project summary on the plan indicate compliance with current codes.

Based on the analysis of actual cost data of a similar project, the estimated construction costs appear to be within the expected range. The information provided in the project completion forecast appears to be 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 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), Florida Statutes.**

Surrey Place indicates that its facility is located within less than 600 yards of Blake Medical Center and therefore, accepts a proportionately high number of short-term rehabilitation patients. The applicant contends that this is the reason for its historically lower than average Medicaid utilization, when compared to other Subdistrict 6-2 facilities. Surrey Place Healthcare and Rehabilitation has a history of compliance with its condition to provide a minimum of 27.46 percent of the 60-bed facility's total annual patient days to Medicaid patients.

The applicant provides the most recent five year total Medicaid utilization compared with Subdistrict 6-2. The reviewer added the state's Medicaid utilization for reference. Please see the table below.

Medicaid Patient Days & Medicaid Occupancy at Surrey Place Healthcare and Rehabilitation, Subdistrict 6-2 and Florida

Medicaid Patient Days					
Facility/Area	2009	2010	2011	2012	2013
Surrey Place	5,228	5,705	5,455	5,894	6,698
Subdistrict 6-2	231,071	241,624	246,146	252,488	248,979
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
Surrey Place	27.78%	29.86%	27.63%	31.17%	32.80%
Subdistrict 6-2	56.38%	57.67%	58.94%	59.21%	59.79%
Florida	61.26%	61.33%	61.56%	61.85%	61.66%

Source: CON application #10237, page 9-2, and AHCA's *Florida Nursing Home Utilization by District and Subdistrict* for the years indicated.

Surrey Place maintains that while its Medicaid occupancy rates are generally lower than that of the subdistrict, it does have a history of providing skilled nursing care to low income Medicaid recipients. The applicant notes that Medicaid occupancy has been increasing over the past five years. Surrey Places states that five Medicaid admissions are projected in both years one and two for the five-bed addition, contributing 1,607 Medicaid patient days in year one and 1,825 Medicaid patient day in year two of the proposed project.

The applicant states that it will continue to care for all patients, regardless of payer source with the proposed project and all of the facility's beds will be both Medicare and Medicaid certified. The applicant provides the forecasted admissions and patient days by payer

for years one and two for the facility with the five-bed addition in the table below.

Forecasted Patient Days for Surrey Place Healthcare and Rehabilitation First Two Years with the Five-Bed Addition (Total Facility of 65 Beds)

Payer	Year 1: Ending June 30, 2016			Year 2: Ending June 30, 2017		
	Admissions	Patient Days	Percent of Total Days	Admissions	Patient Days	Percent of Total Days
Medicare	404	11,415	53.03%	404	11,415	52.49%
Medicaid	6	8,180	38.00%	6	8,398	38.62%
Commercial Insurance	12	304	1.41%	12	304	1.40%
Managed Care	2	62	0.29%	2	62	0.29%
Self-Pay	8	792	3.68%	8	792	3.64%
Other	2	774	3.68%	2	774	3.56%
Total	434	21,527	100.00%	434	21,745	100.00%

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

F. SUMMARY

Surrey Place of Bradenton, LLC d/b/a Surrey Place Healthcare and Rehabilitation (CON application #10237) proposes to add five community nursing home beds to Surrey Place Healthcare and Rehabilitation in Subdistrict 6-2 through the delicensure of five community nursing home beds at Benderson Family Skilled Nursing and Rehabilitation Center located in Subdistrict 8-6.

Total project cost is \$82,573. The project involves 1,465 GSF of renovation with a cost of \$5,000. Total project costs include: building, equipment and project development costs.

The applicant proposes no conditions to the approval of the project. Surrey Place Healthcare and Rehabilitation (CON application #4717) has a condition to provide a minimum of 27.46 percent of the 60-bed facility's total annual patient days to Medicaid patients.

Need

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

The applicant provides population and inventory data that supports the project will improve access by relocating beds from an area of high availability, Sarasota County, to one with lower availability, Manatee County.

Surrey Place states that it is located within 600 yards of Blake Medical Center which provides a major source of referrals. The applicant indicates that the proposed project is an opportunity to increase capacity to continue increasing admissions to meet the local demand.

Quality of Care

Surrey Place received a four out of five star overall inspection quality rating during its most recent rating period. The reviewer notes that the applicant is not on the Nursing Home Watch List, nor is the facility recognized as a Gold Seal facility.

Surrey Place had one substantiated complaint during the three-year period ending October 8, 2014 in two categories: administration/personnel and resident/patient/client rights.

The applicant's parent company has 11 SNFs in Florida with a total of 1,262 beds. Agency complaint records indicate, for the three-year period ending October 8, 2014, Summit Care affiliated SNFs had 17 substantiated complaints.

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 management company. Although there are concerns about the weak short-term and long-term financial position of the management company, funding for this project should be available as needed.

This project appears to be financially feasible.

This project is not likely to have a material impact on provider based competition.

Medicaid/Indigent Care

The applicant does not propose to condition the project to the provision of Medicaid or indigent care.

Surrey Place of Bradenton, LLC states the facility's 65 beds will be dually Medicaid-Medicare certified. The applicant states they have historically provided skilled services to Medicaid recipients, and that Medicaid occupancy has been increasing over the past five years.

Surrey Place Healthcare and Rehabilitation has a history of compliance with its Medicaid condition.

The applicant projects Medicaid will comprise 38 percent and 38.62 percent of the 65-bed facility's total year one and two patient days, respectively.

Architectural:

The project will result in the facility having 45 private rooms and 10 semi-private rooms for a total bed complement of 65 beds.

The architectural review indicated a discrepancy between the narrative and the plan dimensions. The architectural narrative and the project summary on the plan indicate compliance with current codes.

The cost and time schedule of construction estimated for this proposed project appear to be within the expected range. The information provided in the project completion forecast appears to be reasonable.

G. RECOMMENDATION

Approve CON #10237 to add five community nursing home beds to Surrey Place Healthcare and Rehabilitation in District 6, Subdistrict 6-2, Manatee County through the delicensure of five community nursing home beds at Benderson Family Skilled Nursing and Rehabilitation Center in District 8, Subdistrict 8-6, Sarasota County. The total project cost is \$82,573. The project involves 1,465 GSF of renovation and a renovation cost of \$5,000.

AUTHORIZATION FOR AGENCY ACTION

The authorized representative 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