

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Retirement Four, LLC d/b/a Buffalo Crossing Health Care and Retirement Center/CON #10238

20001 Gulf Boulevard, Suite 10
Indian Shores, Florida 33785

Authorized Representative: Mr. William Kelsey
(727) 489-0857

2. Service District/Subdistrict

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

B. PUBLIC HEARING

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

Letters of Support

The applicant included seven unduplicated letters of support. All are signed, individually composed, with six having a Sumter County address and one having a Pinellas County address.

Elliot J. Sussman, MD, MBA, Chairman, The Villages Health System, states that the proposed project “coincides with our vision to expand the post-acute network within our senior living community”. Dr. Sussman also states his organization (of almost 40 primary care physicians) has worked closely with KR Management’s¹ facilities in the area and that The Villages Health “has the highest regard for them, their leadership and their organization”.

¹ The proposed facility is an affiliate of KR Management, LLC.

C. PROJECT SUMMARY

Retirement Four, LLC d/b/a Buffalo Crossing Health Care and Retirement Center (CON application #10238), an affiliate of KR Management, LLC, proposes to establish a new 120-bed community nursing home in a deed-restricted retirement community within The Villages, Sumter County, Florida (District 3, Subdistrict 3-7). The proposed project is a stated addition to the Buffalo Ridge development area.

Total project cost is \$26,975,000. The project involves 78,436 gross square feet (GSF) of new construction. Total construction cost is \$15,000,000. Total project cost includes: land, building, equipment, project development, financing and start-up costs. The expected initiation of service is January 2018.

Retirement Four proposes a condition such that the award is to be located within the boundaries of The Villages in a development referred to as Buffalo Ridge.

The applicant understands that the Agency may impose one or more conditions based upon statements made within this proposal. The applicant will accept any condition or conditions that the Agency may impose.

Should the proposed project be approved, the applicant's conditions would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code. The Agency will not impose conditions on already mandated reporting requirements.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by assessing the responses provided in the application, and independent information gathered by the reviewer.

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

Section 59C-1.010(3)(b), Florida Administrative Code, allows no application amendment information subsequent to the application being deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, the consultant Steve Love analyzed the application in its entirety with consultation from the financial analyst Eric West of the 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 sections 408.035, and 408.037, Florida Statutes, and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code.

1. Fixed Need Pool

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

Retirement Four proposes to establish a new 120-bed community nursing home in a deed-restricted retirement community within The Villages, Sumter County, Florida (District 3, Subdistrict 3-7).

Section 408.036 (2) (e), Florida Statutes, states that if all criteria is met, a provision is available for the:

“new construction of a community nursing home in a retirement community, that is deed-restricted housing for older persons”

The specific criterion contained within 408.036 (2) (e), Florida Statutes, is addressed below.

1. Did the retirement community submit a written request to the Agency for expedited review?

The Agency received a letter from the The Villages, a deed-restricted retirement community, on June 26, 2014 requesting an expedited review. The letter requested that the Agency publish notice for the expedited review on June 30, 2014 with the 125th day following such publication as the date for submittal of the CON application.

A notice of request and approval for expedited review by a qualifying retirement community was published by the Agency in Volume 40, Number 126 of the Florida Administrative Register on June 30, 2014. The deadline for submission of the CON application(s) for the proposed project was set for October 31, 2014.

2. Is the residential use area of the proposed retirement community a deed-restricted community designated for housing for older person as defined in 760.29 (4) (b), Florida Statutes?

A letter was received by the Agency on June 26, 2014 confirming this information.

3. Is the retirement community located in a county in which 25 percent or more of its population is age 65 and older?

A letter was received by the Agency on June 26, 2014 confirming this information.

4. Is the retirement community located in a county that has a rate of no more than 16.1 beds per 1,000 persons age 65 years or older?

A letter was received by the Agency on June 26, 2014 confirming this information.

5. Does the retirement community have a population of at least 8,000 residents within the county, based on a population data source accepted by the Agency?

A letter was received by the Agency on June 26, 2014 confirming this information.

6. **Does the number of proposed community nursing home beds exceed the projected bed need after applying the rate of 16.1 beds per 1,000 persons aged 65 years and older projected for the county three years into the future using the estimates adopted by the Agency reduced by the Agency's most recently published inventory of licensed and approved community nursing home beds in the county?**

No. As of June 26, 2014 when the request for an expedited review was received by the Agency for a new community nursing home within the The Villages, a rate of 4.0 beds per 1,000 person aged 65 years and older existed for the county three years into the future.

This was figured using the January 2017 estimates contained in the *Office of the Governor Florida Population Estimates and Projections by AHCA District* (published September 2013) for Sumter County and the licensed and approved beds for Sumter County from the *Florida Community Nursing Home Bed Need Projections and Service Utilization* (published April 4, 2014). The population estimate was for 59,438 residents age 65 and older with 240 licensed and approved beds.

7. **Will the proposed nursing home be dually certified for participation in the Medicare and Medicaid programs?**

The applicant states that the proposed nursing home will be both Medicare and Medicaid certified.

8. **Is the proposed nursing facility at least one mile, as measured over publicly owned roadways, from an existing approved and licensed community nursing home?**

Retirement Four states that the proposed facility will be located within the boundaries of The Villages in a development referred to as Buffalo Ridge.

The reviewer notes that the application does not offer a precise street address for the proposed project. However, a map included in the application indicates that proximate to the proposed site is 11915 County Road 103, The Villages, Florida 32162. Per the website FloridaHealthFinder.gov, this location is 3.63 driving miles distant to the nearest existing/approved community nursing home (The Club Health and Rehabilitation Center at the Villages). Therefore, the application meets this criterion.

- 9. Did the retirement community make land available to the applicant it deemed to have met its requirements for the construction and operation of a community nursing home?**

A letter was included in the application confirming this information (CON application #10238, Volume 1, Exhibit 1-1, page 1-25).

- 10. Did the applicant identify the intended site for the project within the retirement community and the anticipated costs for the project based on that site? Did the applicant provide written evidence that the retirement community has determined that both the provider submitting the application and the project satisfy its requirements for the proposed project?**

Retirement Four states that the proposed facility will be located within the boundaries of The Villages in a development referred to as Buffalo Ridge.

Total project cost is \$26,975,000. The project involves 78,436 gross square feet (GSF) of new construction. Total construction cost is \$15,000,000. Total project cost includes: land, building, equipment, project development, financing and start-up costs. The expected initiation of service is January 2018.

A letter was included in the application confirming this information (CON application #10238, Volume 1, Exhibit 1-1, page 1-25).

- 11. Is the proposed facility more than 120 community nursing home beds?**

Retirement Four proposes to establish a new 120-bed community nursing home.

The reviewer notes that expedited reviews may be submitted at any time and do not respond to fixed need pool publications.

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

Availability

Retirement Four indicates that Sumter County had 4.8 beds per 1,000 persons aged 65 years of age and older, as of January 2014. The applicant further states 13.5 beds per 1,000 persons for this same age cohort for Subdistrict 3-7 overall, as of July 2014. The reviewer notes that utilizing the same sources, time period and age cohort that the applicant does--if the proposed project is approved, the licensed and approved community nursing home beds per 1,000 ratio in Sumter County would be 7.2 and for Subdistrict 3-7 overall would be 14.8.

Quality of Care

The applicant states that the proposed Buffalo Crossing Health Care and Retirement Center will be managed by William Kelsey and Terry Russell (the principals of KR Management, LLC). The applicant states that Mr. Russell is the manager of Lifestyles 1 Healthcare, LLC d/b/a Wrights Health Care and Rehabilitation Center (Wright's Health Care). Per the website FloridaHealthFinder.gov, Miki Sardoni is the administrator of Lifestyles 1 Healthcare, LLC and the owner of Wright's Health Care. According to Retirement Four, Wright's Health Care is the only nursing home related to the principals.

See Item E.2.b. of this report concerning quality of care at Wright's Health Care.

Accessibility

Per the applicant, the proposed project site poses no geographical access problems and offers improved access to nursing homes within the subdistrict, particularly to those residents west of, and within, The Villages. Retirement Four indicates that the proposed site would be the northernmost community nursing home in Sumter County.

Regarding financial access, the applicant states that the proposed project will have third-party contracts to assure the widest coverage for the community and that the facility will be open to all persons. In addition, Retirement Four asserts that treatments will be available for a variety of

disorders and conditions--addressing the needs of persons for both long-term and short-term care.

Extent of Utilization of Existing Health Care Facilities

The applicant indicates that the overall utilization reported for nursing home Subdistrict 3-7 for calendar year 2013 was 87.1 percent. The reviewer confirms that the 2013 annualized total occupancy rate for the same area was 87.08 percent per the *Florida Nursing Home Utilization by District and Subdistrict January 2013-December 2013* publication, issued April 4, 2014.

b. Does the applicant have a history of providing quality care? Has the applicant demonstrated the ability to provide quality care? ss. 408.035(1)(c), Florida Statutes.

Retirement Four states that the proposed project will employ a systematic program to assure compliance with standards of care, referenced as Quality Assessment and Performance Improvement (QAPI). The applicant indicates that QAPI is in operation at its affiliate--Oak Manor Health Care and Rehabilitation Center (Oak Manor). Per the applicant, Buffalo Crossing Health Care and Retirement Center will utilize policies and procedures from Oak Manor.² The applicant also indicates another affiliate community nursing home--Wrights Health Care and Rehabilitation Center (Pinellas County) a 60-bed facility, also referenced as Wrights Health Care, and an additional 18-bed skilled nursing unit at 150-bed Florida Hospital North Pinellas (Pinellas County). Retirement Four states the following program aspects:

- Clinical evidence-based design to satisfy regulatory requirements of the Affordable Care Act developed in conjunction with the Centers for Medicare and Medicaid Services (CMS), Stratus Health and the University of Minnesota
- Recognition from the Florida Health Care Association as to proven results demonstrated at Oak Manor
- Basis within the QAPI methodology is system and process monitoring rather than individually composed

² The reviewer notes that according to the applicant, Wrights Health Care is the only nursing home related to the principals, it is unclear to the reviewer how Oak Manor is affiliated to the applicant.

Retirement Four provides the following:

- Mission and Purpose Statement (page 4-2)
- Core Values (pages 4-2 and 4-3)
- Quality Assurance Guiding Principles (pages 4-3 and 4-4)

Retirement Four indicates that as an ongoing system of evaluation, the full range of services is incorporated including, but not limited to:

- Post-Acute Care
- Wound Care
- Behavioral Management
- Alzheimer's Care
- Rehabilitation
- Hospice Care
- Psycho-Social Needs
- Nutritional Management
- Environmental Services

Retirement Four provides a variety of quality measurement instruments, including:

- Corporate Level QA Monitoring Forms
- Grievance Policy
- Nutritional Assessment
- Fall Response Flow Chart
- Infection/Antibiotic Care Plan Flow Sheet
- Weekly Pressure Statistics
- Skin Breakdown Risk Evaluation

The reviewer notes that at least some of the quality measurement instruments listed above are utilized by Oak Manor.

Per the FloridaHealthFinder.gov website, 180-bed community nursing home Oak Manor achieved an overall inspection score of five-stars (of a possible five) and from the same source, 60-bed community nursing home Wrights Health Care achieved an overall inspection score of two stars (of a possible five), on their respective most recent Agency inspections. The applicant contends that Wrights Health Care's overall two-star rating "is the result of forcing the distribution into the normal distribution since components rated have four or five stars" (CON application #10238, Volume 1, page 3-4). The Agency's Nursing Home Guide was last updated August 2014. According to Retirement Four, Wrights Health Care is the only nursing home related to the principals.

The reviewer notes that Oak Manor is not on the Nursing Home Watch List. The reviewer cites that Wrights Health Care has been on the Nursing Home Watch List since May 17, 2012 when it met the criteria for a conditional status. Since this time, the facility has had 75 conditional days due to three different deficiencies (these tags were--N0201 cited on February 3, 2014 and N0054 and N0201 cited on March 6, 2014). The applicant does not comment on its Watch List status.

Neither Oak Manor nor Wrights Health Care is recognized as a Gold Seal facility.

Agency licensure records indicate that Oak Manor had no substantiated complaints and Wrights Health Care had one substantiated complaint (quality of care/treatment) during the three-year period ending October 23, 2014.

- 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 applicant submitted audited financial statements for themselves, a development stage company. With cash and equity of \$250,000 each, these statements are not sufficient to conduct a review of the short and long-term strength of the applicant.

Capital Requirements:

On Schedule 2, the applicant indicates capital projects totaling \$26,975,000, which consist of expenditures related to this project. The applicant is projecting a year one operating loss of \$1,740,427. This loss will have to be funded from available capital.

Available Capital:

The development stage audit shows \$250,000 in cash which is insufficient for this project. The applicant indicates on Schedule 3 of its application that funding for the project will be provided by debt. A letter of interest was provided, but a letter of interest is not a commitment.

Staffing:

The applicant estimates a total of 133.8 FTEs for year one, ending December 31, 2018 and a total of 138.7 FTEs for year two, ending December 31, 2019. See the table below.

Retirement Four, LLC d/b/a Buffalo Crossing Healthcare and Rehabilitation Center	Total Number of FTEs	
Administration	Year One	Year Two
Administrator	1.0	1.0
Director of Nursing	1.0	1.0
Admissions Director	2.0	2.0
Bookkeeper	3.0	3.0
Secretary	2.0	2.0
Medical Records Clerk	1.0	1.0
Other: Marketing	1.0	1.0
Physicians		
Medical Director	contract	contract
Nursing		
RNs	8.4	8.4
LPNs	12.6	12.6
Nurses' Aides	50.4	54.6
Other Managers	11.2	11.2
Ancillary		
Physical Therapist	--	--
Speech Therapist	--	--
Occupational Therapist	--	--
Dietary		
Dietary Supervisor	1.4	1.4
Cooks	5.6	5.6
Dietary Aides	6.3	6.3
Social Services		
Social Services Director	3.5	3.5
Activities Director	1.4	1.4
Activities Assistant	2.8	3.5
Other: Central Supply	1.4	1.4
Housekeeping		
Housekeeper Supervisors	1.4	1.4
Housekeepers	8.4	8.4
Laundry		
Laundry Aides	4.2	4.2
Plant Maintenance		
Maintenance Supervisor	1.0	1.0
Maintenance Assistant	1.4	1.4
Security	1.4	1.4
TOTAL NUMBER of FTEs	133.8	138.7

Source: CON application #10238, Schedule 6.

The reviewer notes that the FTE counts are constant in year one and year two, with the exception that from year one to year two, there is an incremental increase of 4.2 FTEs for nurses' aides and of 0.7 FTEs for the activities assistant.

Notes to Schedule 6 indicate that staffing projections reflect the number and mix of patients expected to be served in the proposed nursing home.

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 years one and two.

Conclusion:

The project will be totally funded by debt. The loan has not been finalized and only a letter showing interest to provide such a loan was submitted. Because of this, funding is not guaranteed.

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 was derived from skilled nursing facilities that submitted Medicaid cost reports in fiscal year 2012 and 2013. We selected 15 skilled nursing facilities with similar Medicare 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 \$428 in year one and \$446 in year two is between the highest and median values of \$958 and \$399 in year one and \$986 and \$411 in year two. With net revenues at or between the highest and median values in the control group, the facility is expected to consume health care resources in proportion to the services provided (see Tables 1 and 2). Projected revenues appear to be reasonable.

Anticipated costs per patient day (CPD) of \$483 in year one and \$424 in year two are between the control group highest and median values of \$1,052 and \$391 in year one and \$1,082 and \$402 in year two. With costs falling between the highest and median values in the control group, projected costs are considered reasonable (see Tables 1 and 2). The applicant is projecting an increase in CPD between years one and year two of approximately 13.9 percent. Overall, costs appear to be reasonable.

The year two operating profit for the skilled nursing facility of \$885,962 computes to an operating margin per patient day of \$22, which is between the control group highest and median values of \$33 and \$9. Overall profitability appears achievable.

TABLE 1

SELECT FY 2012/2013 COST REPORT DATA	Dec-18	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	14,218,650	444	687	360	251
ANCILLARY SERVICES	7,928,561	248	258	171	-131
OTHER OPERATING REVENUE	0	0	525	1	-1
GROSS REVENUE	22,147,211	692	1,045	503	230
DEDUCTIONS FROM REVENUE	8,439,590	264	0	0	0
NET REVENUES	13,707,621	428	958	399	355
EXPENSES					
ADMINISTRATIVE	4,607,376	144	240	110	75
ANCILLARY	2,118,061				
PATIENT CARE	5,933,988	185	195	144	116
PROPERTY	2,560,987	80	329	30	9
OTHER	227,637	7	0	0	0
TOTAL EXPENSES	15,448,049	483	1,052	391	344
OPERATING INCOME	-1,740,428	-54 -12.7%	33	9	-85
PATIENT DAYS	31,990		VALUES NOT ADJUSTED		
TOTAL BED DAYS AVAILABLE	43,800		FOR INFLATION		
TOTAL NUMBER OF BEDS	120		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	73.04%		95.7%	90.2%	68.7%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	0	0.0%			
MEDICAID	0	0.0%	49.2%	36.8%	14.5%
MEDICARE	14,395	45.0%	48.8%	46.3%	43.1%
INSURANCE	0	0.0%			
HMO/PPO	17,595	55.0%			
OTHER	0	0.0%	39.2%	16.2%	4.2%
TOTAL	31,990	100.0%			

TABLE 2

SELECT FY 2012/2013 COST REPORT DATA	Dec-19	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	18,409,850	464	707	371	258
ANCILLARY SERVICES	10,265,645	259	265	176	-135
OTHER OPERATING REVENUE	0	0	540	1	-1
GROSS REVENUE	28,675,495	723	1,075	517	236
DEDUCTIONS FROM REVENUE	10,994,950	277	0	0	0
NET REVENUES	17,680,545	446	986	411	366
EXPENSES					
ADMINISTRATIVE	4,844,462	122	247	114	78
ANCILLARY	2,703,032				
PATIENT CARE	6,451,995	163	201	148	119
PROPERTY	2,555,869	64	338	31	9
OTHER	239,225	6	0	0	0
TOTAL EXPENSES	16,794,583	424	1,082	402	354
OPERATING INCOME	885,962	22	33	9	-85
		5.0%			
PATIENT DAYS	39,636		VALUES NOT ADJUSTED		
TOTAL BED DAYS AVAILABLE	43,800		FOR INFLATION		
TOTAL NUMBER OF BEDS	120		<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
PERCENT OCCUPANCY	90.49%		95.7%	90.2%	68.7%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	0	0.0%			
MEDICAID	0	0.0%	49.2%	36.8%	14.5%
MEDICARE	17,836	45.0%	48.8%	46.3%	43.1%
INSURANCE	0	0.0%			
HMO/PPO	21,800	55.0%			
OTHER	0	0.0%	39.2%	16.2%	4.2%
TOTAL	39,636	100.0%			

Conclusion:

This project appears to be financially feasible.

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

The type of competition that would result in increased efficiencies, service, and quality is limited in health care. Cost-effectiveness through competition is typically achieved via a combination of competitive pricing that forces more efficient cost to remain profitable and offering higher quality and additional services to attract patients from competitors. Since Medicare and Medicaid are the primary payers in the nursing home industry, price-based competition is limited. With a large portion of the revenue stream essentially fixed on a per patient basis, the available margin to increase quality and offer additional services is limited. In addition, competitive forces truly do not begin to take shape until existing business' market share is threatened. The publication of need in this area suggests that there is an unmet and untapped customer base for a new entrant to absorb. Since nursing home services are limited to available beds and the need formula suggest excess capacity in the market to fill those beds, the impact on market share would be limited. The combination of the existing health care system's barrier to price-based competition via fixed price payers and the existence of unmet need in the district limits any significant gains in cost-effectiveness and quality that would be generated from competition.

Conclusion:

This project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

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

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have significant impact on either construction costs or the proposed completion schedule.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant owner. Approval from the Agency for Health Care Administration's Office of Plans and Construction is required before the commencement of any construction.

- g. Does the applicant have a history of 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? ss. 408.035(1)(i) Florida Statutes.**

Retirement Four states that as a newly created entity, it does not have a history with respect to serving Medicaid and charity care patients. However, the applicant provides estimated total admissions and patient days by payor for year one (ending December 31, 2018) and for year two (ending December 31, 2019). See the table below.

**Total Admissions and Patient Days
Buffalo Crossing Healthcare and Rehabilitation Center
First Two Years of Operation**

Days by Payer	Resident Days Year 1 Ending 12/31/18	Resident Days Year 2 Ending 12/31/19	Percent of Days
Medicare	14,396	17,836	45%
Medicare Managed Care	3,199	3,964	10%
Medicaid Managed Care	6,398	7,927	20%
All Other	7,998	9,909	25%
Total	31,990	39,636	100%
Average Daily Census by Payer	Year 1	Year 2	
Medicare	39	49	
Medicare Managed Care	9	11	
Medicaid Managed Care	18	22	
All Other	22	27	
Total Occupancy	88 73.0%	109 90.5%	

Source: CON application #10238, Volume 1, page 9-1.

The applicant states that the purpose of the proposal is to serve homeowners within The Villages. Retirement Four contends that the majority of the residents of The Villages incomes would not qualify for Medicaid reimbursement. The current situation in the area and the proposed project are stated to provide an alternative to homeowners to age in place, offering primary care centers and secondary or hospital care, along with post-hospital or sub-acute care options.

Schedule 7A indicates that Medicaid and Medicaid HMO residents will account for 20.0 percent (6,398 total days) of the 120-bed project's patient days in year one and 20.0 percent (7,927 total days) in year two.

The reviewer notes that the applicant stated earlier in the application that its principals are affiliated with Wrights Health Care. Wrights Health Care had 7,790 Medicaid patient days (41.92 percent) from July 1, 2013 to June 30, 2014.

F. SUMMARY

Retirement Four, LLC d/b/a Buffalo Crossing Health Care and Retirement Center (CON application #10238), an affiliate of KR Management, LLC, proposes to establish a new 120-bed community nursing home in a deed-restricted retirement community within The Villages, Sumter County, Florida (Subdistrict 3-7). The proposed project is a stated addition to the Buffalo Ridge development area.

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Retirement Four proposes a condition such that the award is to be located within the boundaries of The Villages in a development referred to as Buffalo Ridge.

Need

Regarding availability, the applicant states that Florida had 4.8 community nursing home beds per 1,000 persons aged 65 years of age and older as of January 2014. The same source and calculations confirm a 13.5 bed ratio for Subdistrict 3-7 overall, as of July 2014. If the proposed project is approved, the new community nursing home bed ratios (for Sumter County and District 3-7) would both remain consistent with the statutory requirement.

Regarding accessibility, the applicant states that the proposed project will pose no geographic problems, will offer improved physical access and will have third-party contracts to assure the widest financial coverage.

Regarding utilization, Subdistrict 3-7 had an 87.08 percent occupancy rate among community nursing homes for calendar year 2013.

Quality of Care

Retirement Four states that the proposed project will employ QAPI, a systematic program to assure compliance with standards of care and already utilized at its affiliate 180-bed community nursing home Oak Manor (in Pinellas County). Policies and procedures from Oak Manor are to be utilized at the proposed facility.

Oak Manor achieved an overall inspection score of five-stars (of a possible five) and Wrights Health Care achieved an overall inspection score of two-stars, on its most recent Agency inspection. The Agency's Nursing Home Guide was last updated August 2014. Oak Manor is not on the Agency's Nursing Home Watch List. However, Wrights Health Care on the Watch List. Neither facility is recognized as a Gold Seal facility. The reviewer notes that according to Retirement Four, Wrights Health Care is the only nursing home related to the principals.

Agency licensure records indicate that Oak Manor had no substantiated complaints and Wrights Health Care had one substantiated complaint, during the three-year period ending October 23, 2014.

Cost/Financial Analysis

Funding is not guaranteed for the proposed project. The proposed project appears to be financially feasible.

The project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

Architectural Analysis

The applicant submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria.

The cost estimate for the proposed project and the project completion forecast appear to be reasonable.

A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

Medicaid/Indigent Care Commitment

Retirement Four states that as a newly created entity, it does not have a history with respect to serving Medicaid and charity care patients. The applicant also states that the purpose of the proposal is to serve homeowners within The Villages—residents whose incomes would not qualify for Medicaid reimbursement.

Schedule 7A indicates that Medicaid and Medicaid HMO residents will account for 20.0 percent (6,398 total days) of the 120-bed project's patient days in year one and 20.0 percent (7,927 total days) in year two.

G. RECOMMENDATION

Approve CON #10238 to establish a new 120-bed community nursing home in a deed-restricted retirement community within The Villages, Sumter County, Florida, District 3, Subdistrict 3-7. The total project cost is \$26,975,000. The project involves 78,436 GSF of new construction and a total construction cost of \$15,000,000.

CONDITION: The facility will be located within the boundaries of The Villages in a development referred to as Buffalo Ridge.

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: _____

Marisol Fitch
Health Services and Facilities Consultant Supervisor
Certificate of Need