

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

UCW Rehabilitation Center, LLC
d/b/a University Center West (CON #10422)
1665 Palm Beach Lake Blvd., Suite 600
West Palm Beach, Florida 33401

Authorized Representative: Mr. Tom Groesbeck
(561) 801-7600

2. Service District/Subdistrict

District 4/ Subdistrict 4-4 (Volusia County)

B. PUBLIC HEARING

A public hearing was not held or requested on the proposed project.

Letters of Support

The Agency received 38 letters of support submitted by the applicant. Thirty-six letters were written by local officials, community leaders, pastors, practitioners and registered nurses working in the local community and expressed the sentiment that combining the two outdated skilled nursing facilities (SNFs) into one larger and updated SNF would be beneficial to the community by having 60 private rooms and improve quality of life. Most of the letters state their support for a new SNF for DeLand and the residents of the entire DeLand area. The reviewer notes that the proposed facility will be located in Deltona.

Florida Senator Dorothy L. Hukill (District 8) states “that an updated facility would benefit the residents by increasing their quality of life, safety and dignity” and that “a new facility would allow for more options of care for prospective residents in the DeLand Community.”

Former Florida House Representative and current Volusia County Council Member, Joyce M. Cusack expressed that a new facility will “modernize care and improve the quality of life for the people living there, and will create new jobs and offer more options for nursing care in our community.”

C. PROJECT SUMMARY

UCW Rehabilitation Center, LLC d/b/a University Center West (CON application #10422), hereafter referred to as UCW or the applicant, proposes to replace and relocate the following SNFs—University Center West (licensed for 60 beds) and University Center East (licensed for 60 beds). The combination of these facilities will result in a 120-bed community nursing home within 30 miles of UCW located at 545 West Euclid Avenue, DeLand, Florida 32720. The reviewer notes that the applicant combined these two facilities by exemption on November 18, 2015 through Exemption #150042. The applicant indicates that the existing nursing homes are currently located in Subdistrict 4-4, Volusia County, Florida and will remain in the current district/subdistrict.

The applicant is a part of Hearthstone Senior Communities, Inc., a not-for-profit corporation, which is affiliated with 10 other Florida SNFs:

- Bartow Center
- Bay Center
- Boca Ciega Center
- Clearwater Center
- Egret Cove Center
- Emerald Coast Center
- Groves Center
- Lakeland Hills Center
- Tarpon Bayou Center
- University East Center

The project involves 75,910 gross square feet (GSF) of new construction. The construction cost is \$14,493,000. Total project cost is \$19,593,500. Project costs include land, building, equipment, project development, financing and start-up costs.

The applicant indicates that if the proposed project is approved, UCW will be applying for an exemption pursuant to 408.036 (3) (f), F.S. to add 15 more beds to the proposed facility, for a total bed complement of 135.

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, Robert Douin analyzed the application in its entirety with consultation from the financial analyst, Brian Shoemaker, Bureau of Central Services, who evaluated the financial data and Gregory Register 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.**

UCW proposes to replace its current facility with 60 licensed community nursing home beds through combining its current bed complement with University East's current 60-bed facility -- resulting in 120 beds total within 30 miles from its current location in Volusia County, Subdistrict 4-4.

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

“Replacement of a nursing home, if the proposed project site is within a 30-mile radius of the replaced nursing home. If the proposed project site is outside the subdistrict where the replaced nursing home is located, the prior six-month occupancy rate for licensed community nursing homes in the proposed subdistrict must be at least 85 percent in accordance with the agency’s most recently published inventory.”

The applicant includes various maps (CON application #10422 pages 1-4 through 1-7) displaying that both UCW and University East are land locked not allowing for expansion. A map is provided on page 1-12, showing a 30-mile radius from UCW and highlighted are the roads connecting DeLand, 32370 (current location city/zip) to Deltona, 32725 (proposed location city/zip), approximately 12.1 miles away. The reviewer confirms the distance is approximately 12.1 miles on mapquest.com. The applicant asserts that the reason for moving to Deltona, 32725, is due to Deltona having the largest elderly population (aged 65+) in District 4, Subdistrict 4-4 but only having one nursing home.

The applicant's proposed location is within the same subdistrict, therefore the prior six-month occupancy rate for licensed community nursing homes is not applicable.

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

2. Agency Rule Preferences

Please indicate how each applicable preference for the type of service proposed is met. Chapter 59C-1.036, F.A.C.

Chapter 59C-1.036 of the F.A.C. does not contain preferences relative to community nursing home beds nor does the Agency publish specific preferences for these facilities. However, the rule does contain standards the Agency utilizes in assessing an applicant's ability to provide quality care to the residents.

- a. **Geographically Underserved Areas. In a competitive certificate of need review within the nursing home subdistrict as defined in 59C-2.200, F.A.C., the Agency shall award a certificate of need if the applicant meets all applicable criteria for a geographically underserved area as specified in subsection 408.032(18), F.S., and if the applicant meets the applicable statutory certificate of need review criteria specified in section 408.035, F.S., including bed need according to the relevant bed need formula contained in this rule. If the applicant is awarded a certificate of need based on the provisions of this paragraph, the applicant shall agree that the nursing facility will be located in a county without a nursing facility, or in the center of an area within the subdistrict of a radius of at least 20 miles which meets the definition of a geographically underserved area. The center of the geographically underserved area shall be the proposed nursing home location in the application.**

This application was not submitted to remedy a geographically underserved area as defined above.

- b. **Proposed Services. Applicants proposing the establishment of Medicare-certified nursing facility beds to be licensed under Chapter 400, F.S., shall provide a detailed description of the services to be provided, staffing pattern, patient characteristics, expected average length of stay, ancillary services, patient assessment tools, admission policies and discharge policies.**

UCW asserts that the new proposed replacement facility will have 60 private rooms and 30 semi-private rooms—an increase from the one private room in the current facility. The applicant notes that

the proposed project will eliminate the seven three-bed wards and the 15 four-bed wards that exist currently. See the table below.

Current Room Configuration	Number of beds in				
	Private Rooms	Two-Bed Rooms	Three-Bed Rooms	Four-Bed Rooms	Total
University Center West	0	20	12	28	60
University Center East	1	18	9	32	60
Total	1	38	21	60	120

Source: CON application #10422, page 1-3

UCW asserts that constructing a replacement facility will improve accessibility by meeting ADA requirements—providing more space for residents and handicap accessible features. The applicant declares that the design will foster better care and allow for more efficient management of medical conditions with separate neighborhoods designed for various levels of short term care and long term care services. The applicant notes the following design features listed indicating that these feature will ensure the new facility meets or exceeds code requirements to enhance patient care:

- 50 percent of the beds will be private
- Split plan to maximize privacy in semi-private rooms
- A large therapy area with state-of-the-art equipment
- Four courtyards, including an outdoor therapy courtyard
- Individualized activity rooms and dining areas
- Private common areas for residents to spend time with family and friends
- Beauty and barber shop
- Wireless nurse call systems
- WiFi access

The reviewer states that the applicant indicates earlier in the application its intent to apply for an additional 15 beds through exemption if the proposed project is approved. The reviewer notes if the exemption is approved that the facility will not have 50 percent of its beds designated as private. According to the submitted plans, the applicant has four different types of rooms—long-term Medicaid, long-term, short-term and very short-term. The private rooms in the long-term Medicaid portion of the facility are identified to be converted to semi-private rooms if the exemption is approved. Therefore, the bed complement of the 135-bed facility will be 45 private rooms and 90 semi-private rooms or approximately 33 percent of the beds will be private.

The applicant states that the following common services provided include the following:

- CVA/stroke
- Post-surgical care
- Congestive heart failure
- Amputations
- COPD
- Dysphasia/aspiration
- Multiple Sclerosis
- Parkinson's Disease
- Pneumonia
- Alzheimer's Disease
- Orthopedic conditions such as fractures, joint replacement and degenerative joint diseases

The following services are provided at the current facility and will be up-held at the joining location:

- Physical, occupational and speech therapy
 - Joint replacements
 - Strokes
 - Cardiac occurrences
 - Surgical procedures
 - Injuries
 - Orthopedic fractures/surgeries
 - Intravenous medications and fluids
 - Total Parenteral Nutrition (TPN)
 - Tracheostomies
 - Infections including HIV, MRSA and VRE
 - Feeding tubes including G-tubes, NG tubes, Dobhoffs
 - Wound care including wound vacs
 - Pain management
 - Respiratory treatments including C-PAP and Bi-PAP
 - Colostomies, ileostomies, urostomies
- The applicant notes that all residents will receive:
 - Restaurant style dining with specialized dietary needs accommodated
 - Enclosed courtyards
 - Spa and laundry services
 - Satellite TV and WiFi
 - Medical transportation assistance
 - Full day of calendar activities
 - 24-hour visitation
 - Pet therapy
 - 24-hour RN coverage

- State of the art therapy gym and equipment
- Newspaper delivery
- Community outings
- Pharmacy and laboratory services
- Ancillary services
 - Pulmonary
 - Infectious disease
 - Psychology
 - Optometry
 - Orthopedics
 - Internal medicine
 - Psychiatry
 - Podiatry
 - Family services
 - Registered dietitian

The applicant emphasizes that it will strive to meet residents' therapy needs with state-of-the-art equipment and modern amenities to help ensure that residents have everything they need for the road to recovery.

UCW explains that admission and discharge plans include key staff in an interdisciplinary coordination along with the resident and/or a family member—suggestions are welcomed and considered. The applicant states that admission is a coordinated process and that upon admission, a thorough and detailed assessment will be conducted to provide a plan of care directed toward discharge. The applicant indicates that the plans are reviewed in accordance with a schedule for ongoing progress toward obtaining objectives. UCW states that it is the responsibility of the facility to have identified the medically related social service or home-based services needs of the resident and assure that the needs are met by the appropriate discipline.

The applicant indicates the average length of stay (ALOS) will be 49 days for year one and 50 days for year two of operation. UCW declares that the replacement facility is expected to have a fill rate similar to other new Florida facilities in recent years.

UCW contends that the ability to add more complex services for short-term stays enhances access and that likewise, the ability to offer long-term care residents more amenities and options will increase family and resident satisfaction and enhance the lifestyle available.

Schedule 6A illustrates that FTEs for year one (ending June 30, 2019) total 61.40 and total 111.30 for year two (ending June 30, 2020). The proposed project's year one and year two FTEs are shown in the table below.

UCW (CON application #10422) Projected Year One and Year Two Staffing		
	Year One FTEs	Year Two FTEs
Administration		
Administrator	1.0	1.0
Director of Nursing	1.0	1.0
Admissions Director	1.0	1.0
Bookkeeper	1.0	1.0
Medical Records Clerk	1.0	1.0
Other: Nursing Admin	3.1	6.1
Physicians		
Medical Director (contracted)	1.0	1.0
Nursing		
RNs	6.8	13.5
LPNs	7.1	14.0
Nurses' Aides	27.1	53.3
Dietary		
Dietary Supervisor	1.0	1.0
Cooks	2.5	4.7
Dietary Aides	2.8	5.7
Social Services		
Social Service Director	2.0	3.0
Activity Director	1.0	1.0
Activities Assistant	1.0	2.0
Plant Maintenance		
Maintenance Supervisor	1.0	1.0
Total	61.40	111.30

Source: CON application #10422, Schedule 6A

c. Quality of Care. In assessing the applicant's ability to provide quality of care pursuant to s. 408.035 (1) (c), F.S., the Agency shall evaluate the following facts and circumstances:

- Whether the applicant has had a Chapter 400, F.S., nursing facility license denied, revoked or suspended within the 36 months prior to the current application.**

The applicant states not having had a nursing home license denied, revoked or suspended within 36 months.

2. **Whether the applicant has had a nursing facility placed into receivership at any time during the period of ownership, management or leasing of a nursing facility in the 36 months prior to the current application?**

The applicant states not having had a nursing home placed into receivership within 36 months.

3. **The extent to which the conditions identified within subparagraphs 1 and 2 threatened or resulted in direct significant harm to the health, safety or welfare of the nursing facility residents.**

The applicant states not having an incident that produced either class one or class two deficiencies that would represent direct significant harm to residents.

4. **The extent to which the conditions identified within subparagraph 3 were corrected within the time frames allowed by the appropriate state agency in each respective state and in a manner satisfactory to the Agency.**

The applicant indicates that this provision is not applicable.

5. **Rule 59C-1.036 (4) (f) Harmful Conditions. The Agency shall question the ability of the applicant to provide quality of care within any nursing facility when the conditions identified in the subparagraph (e) 1 and (e) 2 result in the direct, significant harm to the health, safety or welfare of a nursing facility resident, and were not corrected within the time frames allowed by the appropriate state agency in each respective state and in a manner satisfactory with the Agency.**

The reviewer notes that the applicant did not respond to this criterion, but since no conditions were identified in subparagraph e (1) and e (2), this provision is not applicable.

- d. **Rule 59C-1.036 (5) 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 that were Medicaid patient days.**

The applicant states that it will continue to report all required data to the Council of Northeast Florida, Inc. and the Agency for Health Care Administration.

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.**

UCW indicates that expansion is not an option due to the lack of land available at the two existing locations. The applicant also notes that the existing outdated facilities have a number of physical plant issues and that a new updated facility would address these issues.

The applicant provides a graph demonstrating that Deltona has the highest elderly population (aged 65+) in Subdistrict 4-4, Volusia County, but only has one nursing home. See table below.

**April 1, 2015 Population Estimates for
Volusia County Municipalities**

Municipality	County	Population	SNFs
Deltona	Volusia	87,497	1
Daytona Beach	Volusia	65,534	10
Port Orange	Volusia	58,656	1
Ormond Beach	Volusia	40,013	4
DeLand	Volusia	30,493	7
New Smyrna Beach	Volusia	24,285	1
Edgewater	Volusia	20,958	0
DeBary	Volusia	20,002	2
South Daytona	Volusia	12,538	1
Holly Hill	Volusia	11,712	1
Orange City	Volusia	11,569	1
Daytona Beach Shores	Volusia	4,263	0
Ponce Inlet	Volusia	3,047	0
Lake Helen	Volusia	2,651	0
Oak Hill	Volusia	1,869	0
Pierson	Volusia	1,691	0

Source: CON application #10422, page 1-15

UCW highlights in table 1-4, that Deltona, specifically ZIP Code 32725, has the highest elderly population (7,886) in Subdistrict 4-4 and will maintain that position in 2020 (8,958). UCW emphasizes that the new location is expected to maximize health care resources to accommodate the needs of the aging population of Volusia County.

The applicant provides a map (figure 1-7, page 1-16) and a table (page 1-17) demonstrating the number of SNFs versus the elderly population within a five, 10 and 15-mile radius of the current and proposed location. The applicant states that the 15-mile radius of the proposed location includes the current location and also accommodates a portion of Seminole County, Nursing Home Subdistrict 7-4, a subdistrict that has shown need in recent months by the published nursing home fixed need pools. The 15-mile radii shows that the current location has 11 SNFs and an elderly population of 47,675 while the proposed location respectively would have 13 SNFs and a population of 74,636. The applicant states that given the similarities in access to SNFs in both areas but a larger population surrounding the proposed location, the proposed project will have a positive effect on the available healthcare delivery system within Subdistrict 4-4, Volusia County.

UCW displays in table 1-6 (page 1-20) that the only SNF in Deltona Florida, Deltona Health Care, had an annual occupancy rate of 95.05 percent.

The applicant analyzed the current utilization of 15-mile radius around the proposed location for fiscal year (FY) July 2014 - June 2015, finding that the data results in a 91.81 percent occupancy rate for the proposed location (table 3-2, page 3-6). UCW states that since the project maintains the status quo without adding beds to the service area, utilization is expected to remain at current levels, increasing in future years proportionate to the population growth. The applicant asserts that the overall occupancy rate of the proposed facility will exceed 95 percent by June 30, 2020, the second year of the proposed project.

UCW provided a table to illustrate the high bed to population ratios for the current location compared to the new proposed location. The applicant contends that the proposed facility offers a better bed dispersion for Volusia County in Subdistrict 4-4. The following table, illustrates the beds per 1,000 in the current and proposed location for five and 15-mile radii, Volusia County, District 4, Subdistrict 4-4 and Florida. See the table below.

**Ratio of Community Skilled Nursing Beds to Population Age 65 and Over within the
Five and 15-Mile Radii of the Current and Proposed Location,
District 4, Subdistrict 4-4, and Florida, Before and After the Project**

Area	2015 Beds	2015 Pop 65+	Beds per 1,000	2020 beds	2020 pop 65+	Beds per 1,000	Net Beds Added
UCW Five-Mile Radius	667	6,346	105	547	7,212	76	-120
ZIP Code 32725 Five-Mile Radius	420	23,981	18	540	28,109	19	120
UCW 15-Mile Radius	1,087	47,675	23	1,087	55,955	19	0
ZIP Code 32725 15-Mile Radius	1,321	75,636	18	1,321	89,222	15	0
Volusia County	3,202	113,042	28	3,202	129,853	25	0
Subdistrict 4-4	3,442	139,517	25	3,442	164,097	21	0
District 4	9,355	335,551	28	9,916	408,929	24	561
State	80,130	3,635,347	22	83,740	4,277,046	20	3,482

Source: CON application #10422, page 3-2

The applicant maintains that the data shows that the aged 65+ population is growing at a fast rate in both the current and proposed locations. UCW indicates that the project will have a positive outcome, evenly distributing beds throughout the planning area. UCW indicates that the five-mile radius surrounding the current location of UCW has 105 beds per 1,000 elderly, compared to the five-mile radius surrounding the proposed ZIP Code 32725, with 18 beds per 1,000 elderly. The applicant states that even with the 120-bed addition the proposed ZIP Code 32725 five-mile radius will only rise to 19 beds per 1,000 elderly, indicating an area of need that could support a new facility without impacting existing facilities.

UCW contends that utilization will exceed 95 percent of Volusia County community nursing homes (projected 95.45 percent by the end of operation year two), allowing for full utilization of the replacement facility (86.06 percent by end of operation year two¹). To illustrate this and future utilization of the replacement facility, the applicant included the following tables with the subdistrict use rate applied, for FY July 1, 2018 through June 30, 2020. See the tables below.

¹ The reviewer notes that the applicant indicates that if the proposed project is approved, the applicant will apply to add an additional 15 beds pursuant to 408.036 (3) (f), F.S. If that exemption is approved, the occupancy rate of the facility based on the figures provided would be 76.70 percent at the end of operation of year two.

**Projected Subdistrict 4-4 and Volusia County Patient Days and Occupancy for
Years One and Two of the Project**

Projected Volusia Patient Days Year One (FY 2018-2019) and Year Two (FY 2019-2020) of Operation		
Baseline Statistics	Subdistrict 4-4	Volusia County
Licensed Community Beds	3,442	3,202
Projected Licensed Beds, 2020	3,442	3,202
Community Patient Days, 7/14-6/15	1,053,377	971,181
Average Daily Census, 7/14-6/15	2,886	2,661
Average Occupancy	83.85%	83.10%
July 1, 2015 Population 65+	139,571	113,042
Use Rate (days per 1,000)	7,550	8,591

	Year One FY 2018- 2019	Year Two FY 2019- 2020
Subdistrict 4-4 Projections		
Population 65+ (January 2019 and 2020)	159,160	164,097
Projected Days (Subdistrict 4-4 Use Rate)	1,201,685	1,238,960
Average Daily Census	3,292	3,394
Occupancy in 3,442 currently Licensed Beds	95.65%	98.62%
Volusia County Projections	Year One FY 2018- 2019	Year Two FY 2019- 2020
Population 65+ (January 2019 and 2020)	126,449	129,853
Projected Days (Volusia Use Rate)	1,086,365	1,115,610
Average Daily Census	2,976	3,056
Occupancy in 3,202 currently Licensed Beds	92.95%	95.45%

Source: CON application #10422 page 1-27, table 1-10

**Projected Utilization at the Replacement Facility
First Two Years of Operation**

Period	Admissions	Patient Days	Occupancy Rate	ADC
Year One (7/18-6/19)	388	19,103	43.61%	52
Year Two (7/19-6/20)	762	37,796	86.06%	104

Source: CON application #10422 page 1-28, table 1-9

UCW identifies several benefits of the proposed project, emphasized below:

- Reallocate existing beds from an area of high concentration to an area which has few beds proportionally to the population it serves
- Maintaining the status quo without adding beds to District 4, Subdistrict 4-4
- Enhancing access through redistribution of SNF beds
- Addition of more private rooms, more common areas, a larger therapy room, increased safety and a better quality of life
- Improving the quality of care and functionality of the facility
- Positive impact on residents with no adverse impact on other SNFs
- Of all the zip codes--ZIP Code 32725 has the largest number of elderly and only one nursing home to serve the population

- 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 believes that UCW and University East current room configuration and limited space, impedes the residents' expectations. UCW states that the proposed 120-bed replacement facility will operate under UCW's mission statement and vision. The mission statement states, "*University Center West is a skilled nursing and rehabilitation center providing coordinated, comprehensive services to meet the care needs of the individual resident and patient. The interdisciplinary team members will collaborate with residents, patients, families and staff to develop an individualized plan of care for each resident and patient. We strive to meet or exceed our customer's expectations each and every day, while promoting our core values: Communication, Compassion, Dignity, Empathy, Integrity, Pride, Respect and Responsiveness.*" The applicant includes UCW's QAPI (Quality Assurance Performance Improvement) policy that will be utilized at the new location by employees, residents and families. The reviewer notes that the QAPI can be found on page 4-10, Exhibit 4-2.

To attest to its quality of care, UCW provides a list of multiple awards the facility has received such as its 2015 Bronze Award from the American Health Care Association National Quality Award Program (Exhibit 4-1, page 4-9). UCW notes that the facility appeared on the *U.S. News and World Report's* Best Nursing Homes List for 2013 and 2014.

The applicant states that UCW received three stars on its most recent AHCA inspection and four stars on medicare.gov nursing home compare website. The reviewer confirms these ratings from the Nursing Home Guide (last updated November 2015 for the rating period April 2013 to September 2015) and notes that University East received a one-star rating on FloridaHealthFinder.gov and is currently on the nursing home watch list². The reviewer notes that the applicant is not a Gold Seal facility nor is University East.

² University Center East was placed on the nursing home watch list and had a conditional license from May 8, 2015 until July 8, 2015 for the following deficiencies: N0201 (the right to receive adequate and appropriate health care and protective and support services) and N0910 (the internal risk management and quality assurance program is the responsibility of the facility administrator).

Agency data indicates that University Center West had three and University Center East had five substantiated complaints during the three-year period ending December 1, 2015. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

University Center West

Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Resident/Patient/Client Rights	1
Quality of Care/Treatment	1
Physical Environment	1

Source: Florida Agency for Health Care Administration Complaint Records

University Center East

Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Resident/Patient/Client Rights	2
Administration/Personnel	1
Misappropriation of property	1
Quality of Care/Treatment	1

Source: Florida Agency for Health Care Administration Complaint Records

Hearthstone Senior Communities, Inc., owns and operates 11 SNFs in Florida. For the three-year period ending December 1, 2015, Agency complaint records indicate that Hearthstone Senior Communities, Inc., affiliated SNFs had 57 substantiated complaints at 11 facilities. See the table below.

Hearthstone Senior Communities, Inc. Management Corporation Complaints

Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Quality of Care/Treatment	20
Physical Environment	9
Administration/Personnel	8
Resident/Patient/Client Rights	8
Infection Control	3
Nursing Services	2
Resident/Patient/Client Assessment	2
Dietary Services	1
Falsification of Records/Reports	1
Misappropriation of property	1
Resident/Patient/Client Abuse	1
Unqualified Personnel	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 purpose of our analysis for this section is to determine if the applicant has access to the funds necessary to fund this and all capital

projects. Our review includes an analysis of the short and long-term position of the applicant, parent or other related parties who will fund the project. The analysis of the short and long-term position is intended to provide some level of objective assurance on the likelihood that funding will be available. The stronger the short-term position, the more likely cash on hand or cash flows could be used to fund the project. The stronger the long-term position, the more likely that debt financing could be achieved if necessary to fund the project. We also calculate working capital (current assets less current liabilities) a measure of excess liquidity that could be used to fund capital projects.

Historically we have compared all applicant financial ratios regardless of type to bench marks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a particular CON project it is a reasonable proxy for health care related entities. The table below is an analysis of the audited financial statements of Omega Healthcare Investors, Inc., (3rd party) and where the two short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

Omega Healthcare Investors		
	Dec-14	Dec-13
Current Assets	\$172,665,000	\$150,120,000
Total Assets	\$3,921,645,000	\$3,462,216,000
Current Liabilities	\$0	\$5,000,000
Total Liabilities	\$2,520,318,000	\$2,162,113,000
Net Assets	\$1,401,327,000	\$1,300,103,000
Total Revenues	\$504,787,000	\$418,714,000
Excess of Revenues Over Expenses	\$221,349,000	\$172,521,000
Cash Flow from Operations	\$337,540,000	\$279,949,000
Short-Term Analysis		
Current Ratio (CA/CL)	N/A	30.0
Cash Flow to Current Liabilities (CFO/CL)	N/A	5598.98%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	179.9%	165.9%
Total Margin (ER/TR)	43.85%	41.20%
Measure of Available Funding		
Working Capital	\$172,665,000	\$145,120,000

Position	Strong	Good	Adequate	Moderately Weak	Weak
Current Ratio	above 3	3 - 2.3	2.3 - 1.7	1.7 - 1.0	< 1.0
Cash Flow to Current Liabilities	>150%	150%-100%	100% - 50%	50% - 0%	< 0%
Debt to Equity	0% - 10%	10%-35%	35%-65%	65%-95%	> 95% or < 0%
Total Margin	> 12%	12% - 8.5%	8.5% - 5.5%	5.5% - 0%	< 0%

Capital Requirements and Funding:

The applicant indicates on Schedule 2 capital projects totaling \$19,593,500 which includes this project. The applicant indicates on Schedule 3 of its application that funding for the project will be provided by non-related company financing. The applicant provided a letter from Omega committing to funding this project. Omega submitted their audited financial statements as proof of available funding. Overall, Omega has a strong financial position and is likely to either fund through existing capital or raise the capital necessary to meet the commitments set forth.

Conclusion:

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), F.S.

The immediate and long-term financial feasibility of the project is tied to expected profitability. The purpose of our analysis for this section is to evaluate the reasonableness of the applicant's profitability projections and, ultimately, whether profitability is achievable for this project. Our analysis includes an evaluation of net revenue per patient day (NRPD), cost per patient day (CPD), nurse staffing ratios and profitability. We compared the NRPD, CPD and profitability to actual operating results from SNFs as reported on Medicaid cost reports (2012, 2013, and 2014 cost report years). For our comparison group, we selected SNFs with similar Medicaid utilizations to the utilization projected by the applicant on a per patient day basis (PPD). Comparison group data was adjusted for inflation to match the second year projection (inflation factor was based on the New CMS Market Basket Price Index as published in the 3rd Quarter 2015, Health Care Cost Review).

NRPD, CPD, and profitability or operating margin that fall within the group range are considered reasonable projections. Below is the result of our analysis.

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	12,657,900	335	513	344	259
Total Expenses	11,508,200	304	420	388	232
Operating Income	1,149,700	30	112	7	-64
Operating Margin	9.08%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	37,796	86.29%	99.58%	92.60%	68.34%
Medicaid/MDCD HMO	18,898	50.00%	59.95%	52.73%	40.10%
Medicare/ MDCR HMO	10,961	29.00%	47.76%	26.21%	2.63%

Staffing:

Section 400.23(3)(a)(1), Florida Statutes, specifies a minimum certified nursing assistant staffing of 2.5 hours of direct care per resident per day and a minimum licensed nursing staffing of 1.0 hour of direct resident care per resident day. Based on the information provided in Schedule 6, the applicant's projected staffing meets this requirement.

The projected NRPD, CPD, and profit fall within the group range and are considered reasonable. Therefore, the overall profitability appears achievable.

Conclusion:

This project appears to be financially feasible based on the projections provided by the applicant.

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

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), F.S.; Ch. 59A-4, F.A.C.**

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 a 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 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.**

UCW asserts that it has a history of service to Medicaid recipients within Volusia County. The applicant insists that the replacement facility will operate similarly to the existing facilities and will continue to serve the Medicaid recipients and others. UCW states that both UCW and University East have had a higher Medicaid occupancy rate than that of the subdistrict.

The applicant indicates that UCW and University East historical Medicaid utilization is shown in the table below, along with the total utilizations of Subdistrict 4-4, District 4 and Florida. UCW notes that for the most recent six-month period ending June 30, 2015 Subdistrict 4-4 reported a Medicaid occupancy rate of 60.77 percent down from the previous six months of 62.31 percent. See table below.

**Five Most Recent Years of Medicaid Utilization for Replacement Facilities,
Subdistrict 4-4, District 4 and Florida**

Facility/Area	Medicaid Days				
	7/10-6/11	7/11-6/12	7/12-6/13	7/13-6/14	7/14-6/15
UCW	16,483	15,279	15,587	16,637	16,992
University East	14,204	13,439	14,256	14,615	14,900
Subdistrict 4-4	673,620	680,274	656,499	664,271	648,237
District 4	1,892,872	1,884,537	1,836,666	1,855,866	1,829,999
Florida	15,612,015	15,726,251	15,676,855	15,873,261	15,875,092

Facility/Area	Medicaid Occupancy				
	7/10-6/11	7/11-6/12	7/12-6/13	7/13-6/14	7/14-6/15
UCW	91.02%	87.86%	90.14%	90.01%	90.76%
University East	79.86%	76.95%	79.64%	85.76%	87.16%
Subdistrict 4-4	62.43%	63.08%	62.12%	62.32%	61.54%
District 4	61.85%	61.97%	61.08%	61.52%	60.83%
Florida	61.56%	61.96%	61.58%	62.05%	61.88%

Source: CON application #10422, page 9-2, based on the Agency's Florida Nursing Home Utilization by District and Subdistrict, for the years indicated

The applicant contends that the expectation is that Medicaid Managed Care Plans will continue a downward trend in nursing home placements, offering options to recipients to maintain them in less restrictive settings. UCW states that in contrast, Medicare continues to promote Medicare Advantage Plans and the numbers of enrollees in them has grown. UCW asserts that recent 2015 data for enrollees in Volusia County show that of 129,059 Medicare eligible individuals, there are 59,494 persons enrolled in Advantage plans, yielding a penetration rate of 46.10 percent.

The reviewer compiled the following Medicaid occupancy data for Hearthstone Senior Community facilities for July 1, 2014 to June 30, 2015--the most recently published Agency data available at the time the application was submitted. See the table below.

**Hearthstone Senior Communities, Inc. Florida Medicaid Occupancy
July 1, 2014-June 30, 2015**

Facility Name	Medicaid Days	Total Patient Days	Medicaid Occupancy
Bartow Center	28,072	39,114	71.77%
Bay Center	35,817	43,842	81.70%
Boca Ciega Center	28,295	35,907	78.80%
Clearwater Center	30,993	35,530	87.23%
Egret Cove Center	29,347	35,562	82.52%
Emerald Coast Center	27,389	34,845	78.60%
Groves Center	30,651	40,690	75.33%
Lakeland Hills Center	32,024	41,251	77.63%
Tarpon Bayou Center	30,422	37,403	81.34%
University East Center	14,900	17,095	87.16%
UCW Center	16,992	18,722	90.76%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2015 Batching Cycle

The applicant includes the following payer forecast, indicating that it reflects a continued service to Medicaid/long-term care while also providing high intensity rehabilitation and restorative services that are reimbursed by Medicare.

**UCW Forecast of Resident Days
First Two Years of Operation**

Payer	Admissions		Resident Days		Percent of Days
	Year One: 7/18-6/19	Year Two: 7/19-6/20	Year One: 7/18-6/19	Year Two: 7/19-6/20	
Medicare	150	295	2,980	5,896	15.60%
Medicare Managed Care	143	282	2,560	5,065	13.40%
Medicaid Managed Care	27	52	9,552	18,898	50.00%
Self-Pay	26	51	1,528	3,024	8.00%
Commercial Insurance	42	82	2,483	4,913	13.00%
Total	388	762	19,103	37,796	100.00%
Percent Occupancy			43.61%	86.06%	

Source: CON application #10422, page 9-4

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 40.1 percent and 7.0 percent of year one and of year two annual total patient days.

F. SUMMARY

UCW Rehabilitation Center, LLC d/b/a University Center West (CON application #10422), proposes to replace and relocate UCW (licensed for 60 beds) and University Center East (licensed for 60 beds). The combination of these facilities will result in a 120-bed community nursing home within 30 miles from UCW, currently located at 545 West Euclid Avenue, DeLand, Florida 32720. The reviewer notes that the

applicant combined these two facilities by exemption on November 18, 2015 through Exemption #150042. The applicant indicates that the existing nursing homes are currently located in Subdistrict 4-4, Volusia County, Florida and will remain in the current district/subdistrict.

The project involves 75,910 GSF of new construction. The construction cost is \$14,493,000. Total project cost is \$19,593,500. Project costs include land, building, equipment, project development, financing and start-up costs.

The applicant indicates that if the proposed project is approved, UCW will be applying for an exemption pursuant to 408.036 (3) (f), F.S., to add 15 more beds to the proposed facility, for a total bed complement of 135.

The applicant proposes no conditions on its Schedule C.

Need

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

UCW identifies several benefits of the project, emphasized below:

- Replaces a SNF's physical plant whose useful life is at its end
- Increases the availability of community SNF beds within Deltona, Florida, but be within reasonable distance of the current population served
- Provides a new SNF that will be built to revised and updated codes--larger resident rooms and support spaces enhance effectiveness, the delivery of care and resident satisfaction
- Improving access and availability for District 4, Subdistrict 4-4

UCW includes a map denoting the proposed replacement site, indicating that the chosen location has the following benefits:

- Maintains available beds within Subdistrict 4-4 by constructing the facility within the same planning district
- Improve access by locating the facility in Deltona, a city with only one nursing home and a population greater than the current location
- It represents a dispersion since the proposed area has 13 facilities within a 15-mile radius, and its current location has 11 facilities however, the elderly populations respectively are 74,636 (proposed location) and 47,675 (current location)
- It enhances access by placing the facility within ZIP Code 32725, where only one SNF exists

The applicant indicates on its Schedule 7 that the ALOS will be 49 days for year one and 50 for year two of operation.

Quality of Care

UCW notes several awards that it has received including recognition by *US News and World Report*. UCW received a three-star rating, while University East received a one-star rating. University East is currently on the Nursing Home Watch List. Neither UCW nor University East are Gold Seal recipients.

UCW and University East had eight substantiated complaints during the three-year period ending December 1, 2015. Hearthstone Senior Communities had 57 substantiated complaints at 11 of its Florida SNFs during the same three-year period.

Financial Feasibility/Availability of Funds

Funding for this project is likely, but not guaranteed. This project appears to be financially feasible. Based on the information provided in Schedule 6, the applicant's projected staffing meets the statutory requirements of 400.23(3)(a)(1), Florida Statutes.

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

Medicaid/Charity Care

The applicant does not propose to condition project approval to a percentage of Medicaid days.

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 40.1 percent and 7.0 percent of year one and of year two annual total patient days.

Architectural

The cost estimate and the project completion forecast provided for the proposed project 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.

G. RECOMMENDATION

Approve CON #10422 to replace University Center West (60 beds) and University Center East (60 beds) with a new 120-bed community nursing home to be located in Volusia County, District 4, Subdistrict 4, within 30 miles of University Center West. The total project cost is \$19,593,500. The project involves 75,910 GSF of new construction and a construction cost of \$14,493,000.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Marisol Fitch
Health Administration Services Manager
Certificate of Need