

**STATE AGENCY ACTION REPORT**  
**ON APPLICATION FOR CERTIFICATE OF NEED**

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Palm Garden of Clearwater, LLC/CON #10424**  
2033 Main Street, Suite 300  
Sarasota, Florida 34237

Authorized Representative: Mr. Robert Greene  
(941) 952-9411

2. Service District/Subdistrict

District 5, Subdistrict 5-2 (Pinellas County)

**B. PUBLIC HEARING**

No public hearing was held regarding the proposed project and no letters of support were submitted.

**C. PROJECT SUMMARY**

**Palm Garden of Clearwater, LLC, (CON application #10424)** also referenced as Palm Garden, PGC or the applicant, parented by Palm Garden Healthcare Holdings, LLC (also referenced as PGHH), is an existing 120-bed skilled nursing facility (SNF) in Clearwater, Florida with an exemption (#E150043) to add 12 community nursing home beds. The applicant seeks to transfer CON application #10287 to add 33 community nursing home beds to PGC.

CON application #10287 was originally approved on March 18, 2015 to Tierra Pines Center, LLC to add 33 community nursing home beds at 7380 Ulmerton Road, Largo, Florida 33771. The result of the transfer will increase PGC from a 120-bed to a 153-bed community nursing home, with no increase in the total CON-approved community nursing home beds in Pinellas County.

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Palm Healthcare Management (PHM) is the management company providing consulting, management and oversight for all Palm Garden facilities, including PGC. PGHH is the sole parent entity of 13 other nursing entities and one assisted living facility (ALF):

- Palm Garden of Clearwater
- Palm Garden of Gainesville
- Palm Garden of Jacksonville
- Palm Garden of Largo
- Palm Garden of Ocala
- Palm Garden of Orlando
- Palm Garden of Pinellas
- Palm Garden of Port St. Lucie
- Palm Garden of Sun City Center
- Palm Garden of Tampa
- Palm Garden of Vero Beach
- Palm Garden of West Palm Beach
- Palm Garden of Winter Haven
- Grand Palms Assisted Living and Memory Care Center

PGC includes (CON application #10424, Tab 3) a signed and notarized Schedule 12, dated February 22, 2016, to transfer CON application #10287 to another entity who will be an applicant for approval of the transfer.

The project involves 18,646 gross square feet (GSF) of new construction. The construction cost is \$4,102,120. Total project cost is \$6,520,281. Project costs include land, building, equipment, project development, financing, start-up and other intangible assets and deferred costs.

If approved, the proposed project is anticipated to be licensed in June 2018, with initiation of service in July 2018.

The applicant proposes the following condition on its Schedule C:

- The parcel or address is 3480 McMullen Booth Road, Clearwater, Florida 33761.

**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, Bureau of Central Services, who evaluated the financial data and Gregory Register of the Office of Plans and Construction, 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.**

The applicant states that transfer CON applications are subject to expedited review and that the fixed need pool does not apply. The number of licensed and approved nursing home beds in Subdistrict 9-4 will remain unchanged as a result of the proposed transfer.

**1. 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.**

PGC states that the proposed project will allow it to better serve the residents of its existing primary service area (PSA). The applicant indicates that it is less than a mile from Mease Countryside Hospital which is a major source of PGC's resident admissions. The reviewer confirms that according to the website <http://www.Mapquest.com>, PGC is 0.8 driving miles from Mease Countryside Hospital. PGC notes that the existing facility contains 120 beds with 58 semi-private rooms and four private rooms. In addition to its 120 existing beds, PGC maintains that the proposed project and the approved #E150043 will result in 45 private rooms with a total community bed complement of 165 beds. According to PGC, the addition and renovations will transform and modernize the existing facility. PGC asserts an average occupancy rate of nearly 96 percent during the 12 months ending June 30, 2015. The reviewer notes that for the same period, according to the Florida Nursing Home Bed Need Projections by District and Subdistrict publication, issued October 2, 2015, PGC had a total occupancy rate of 95.08 percent

The applicant provides a map (CON application #10424, page 11) a PSA primarily serving a geographic area consisting of 16 ZIP Codes in Pinellas and Hillsborough Counties, as well as a small portion of neighboring Pasco County. Using PGC patient records, during calendar year (CY) 2015, PGC states that its PSA accounted for 459 (89.5 percent) of PGC's 513 patient admissions during CY 2015. See the table below.

**Palm Garden of Clearwater Primary Service Area by ZIP Code, Area and City  
CY 2015**

ZIP Code/Area	City	Admissions	Percent	Cmltv Percent
33761	Clearwater	75	14.6%	14.6%
34684	Palm Harbor	70	13.6%	28.3%
34677	Oldsmar	46	9.0%	37.2%
34698	Dunedin	44	8.6%	45.8%
34683	Palm Harbor	39	7.6%	53.4%
33759	Clearwater	34	6.6%	60.0%
33763	Clearwater	34	6.6%	66.7%
34695	Safety Harbor	32	6.2%	72.9%
34685	Palm Harbor	26	5.1%	78.0%
34688	Tarpon Springs	14	2.7%	80.7%
34689	Tarpon Springs	12	2.3%	83.0%
33635	Tampa	8	1.6%	84.6%
33556	Odessa	7	1.4%	86.0%
33626	Tampa	7	1.4%	87.3%
33764	Clearwater	6	1.2%	88.5%
33756	Belleair	5	1.0%	89.5%
<i>Primary Service Area Subtotal</i>		459	89.5%	89.5%
Other District 5 or District 6		39	7.6%	97.1%
Other Florida		5	1.0%	98.1%
Out of State		10	1.9%	100.0%
<b>Total</b>		<b>513</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CON application #10424, page 12, Table 1

The reviewer confirms that according to the United States Postal Service website at <https://tools.usps.com/go/ZipLookupAction!input.action>, each ZIP Code shown above is consistent with the corresponding stated city.

In the next two tables and using Nielsen Company (2015) data, PGC first offers the following population estimates by the stated age categories for the applicant's PSA from January 1, 2016 to January 1, 2019 and second, offers the following population estimates for the same age categories for Pinellas County for the same period. The applicant indicates that January 2019 is the midpoint of the first year of planned operation of the proposed project. The applicant points out that the population, for each age category shown, increases at a greater percentage in the PSA than for Subdistrict 5-2 overall, for the same period (January 1, 2016 to January 1, 2019). PGC contends that the figures displayed below lend support that the proposed project serves an area of greater need when compared to the entire subdistrict.

The reviewer notes that in the next two tables, the applicant's table titles indicate January 2015 – January 2016 but the table columns indicate January 2016 to January 2019. See the tables below.

**Population Estimates and Projections for Palm Garden of Clearwater  
PSA by Age Category, Ages 65 and Over  
January 2015 – January 2019**

<b>Population</b>			
<b>Age Category</b>	<b>Jan 1, 2016</b>	<b>Jan1, 2019</b>	<b>Percent Change</b>
65-74	49,360	55,769	13.0%
75+	43,291	45,637	5.4%
<i>PSA Total 65+</i>	<i>92,651</i>	<i>101,405</i>	<i>9.4%</i>
PSA Total All Ages	207,494	216,911	4.5%
<b>65+ As % of Total</b>	<b>44.7%</b>	<b>46.7%</b>	--

Source: CON application #10424, page 13, Table 2

**Population Estimates and Projections for Subdistrict 5-2  
by Age Category, Ages 65 and Over  
January 2015 – January 2019**

<b>Population</b>			
<b>Age Category</b>	<b>Jan 1, 2016</b>	<b>Jan1, 2019</b>	<b>Percent Change</b>
65-74	115,742	129,295	11.7%
75+	101,593	102,847	1.2%
<i>PSA Total 65+</i>	<i>217,335</i>	<i>232,142</i>	<i>6.8%</i>
PSA Total All Ages	927,690	930,141	0.3%
<b>65+ As % of Total</b>	<b>23.4%</b>	<b>25.0%</b>	--

Source: CON application #10424, page 13, Table 3

The applicant asserts that one of the critical needs within PGC’s service area and a key rationale for the proposed project is increased availability of private patient rooms. PGC notes that its four existing private rooms remain fully occupied and that a waiting list is maintained. The applicant states it is committed to adding private rooms and also to making the required additional investment to construct them. The reviewer notes that private rooms are not conditioned in the applicant’s Schedule C. The applicant briefly discusses the benefits and trends of private room arrangements (CON application #10424, page 16).

PGC indicates using the Agency’s inpatient hospital discharge database for CY 2014 restricted to only those hospital patients that were discharged or transferred to a Medicare-certified SNF. Using this data, the applicant provides a table account for area hospital discharges to SNFs in the PSA. See below.

**Discharges to SNFs by Hospitals  
Palm Garden of Clearwater Service Area  
CY 2014**

<b>Hospital</b>	<b>Discharge to SNF</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Mease Countryside Hospital	2,463	36.4%	36.4%
Morton Plant Hospital	1,440	21.3%	57.6%
Mease Dunedin Hospital	857	12.7%	70.3%
Other Hospitals	2,013	29.7%	100.0%
<b>Total</b>	<b>6,773</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CON application #10424, page 17, Table 4

The applicant notes that in the above table the three hospitals shown account for over 70 percent of area residents discharged to a community nursing home for CY 2014. The reviewer notes that PGC previously stated that Mease Countryside Hospital is the source of the majority of PGC's resident admissions was confirmed to be 0.8 driving miles from the existing facility. The applicant contends that Mease Countryside Hospital discharges more patients requiring skilled nursing and rehabilitation services than PGC can currently accept. PGC asserts that the proposed project will enable it to accept more patients discharged from hospitals and enable those patients and their families to remain in their home community. The applicant notes that the proposed project will reduce hospital stays and increase the availability of beds for residents requiring short-term or long-term care in a SNF.

Regarding geographic accessibility, the applicant provides median travel time, median travel distances, licensed SNF bed totals from PGC to service area nursing homes within PGC's PSA. For brevity, the reviewer collapses the individual SNF facility licensed beds, travel time and distances. See the table below.

**Travel Time and Distance from Palm Garden of Clearwater  
to Service Area Nursing Homes  
January 2016**

<b>Name/Area</b>	<b>Licensed Beds</b>	<b>Time</b>	<b>Distance</b>
Palm Garden of Clearwater	120	--	--
Nursing Homes within 5 Miles	860	7	3.4
Nursing Homes within 5-10 Miles	897	13	6.3
Nursing Homes Farther Than 10 Miles	862	22	11.1
Service Area Total	2,739	--	--

Source: CON application #10424, page 19, Table 5

PGC contends that time and distance are important considerations but geographic accessibility is not indicative of satisfactory overall accessibility if the utilization is near capacity. The reviewer previously noted that PGC had a total occupancy rate of 95.08 percent for the 12-month period ending June 30, 2015. Regarding utilization, the applicant provides licensed beds, bed days, patient days and total occupancy rates from PGC to service area nursing homes at each SNF within the PSA. See the table below.

**Palm Garden of Clearwater Service Area Nursing Home Inventory and Utilization  
July 2014-June 2015**

<b>Name/Area</b>	<b>Licensed Beds</b>	<b>Bed Days</b>	<b>Patient Days</b>	<b>Total Occupancy</b>
Palm Garden of Clearwater	120	43,800	41,644	95.1%
Nursing Homes within 5 Miles	860	306,600	284,098	92.7%
Nursing Homes within 5-10 Miles	897	312,805	275,084	87.9%
Nursing Homes Farther Than 10 Miles	862	314,630	280,917	89.3%
Service Area Total	2,739	977,835	881,743	90.2%

Source: CON application #10424, page 21, Table 6

PGC points out that in the table above that the 24 SNFs within the PSA averaged 90.2 percent total occupancy and that the SNFs within a five-mile radius of PGC averaged 92.7 percent total occupancy for the 12 months ending June 30, 2015.

PGC asserts that the case for adding private rooms to PGC is compelling, not only to address patients’ personal preferences and the need of many area hospital patients upon discharge, but also to ensure quality of care, patient satisfaction, infection control, reduced re-hospitalization, and the overall physical, mental, emotional, social, and spiritual well-being of the residents. According to the applicant, the proposed project would bring the total number of private rooms at PGC to 59 (CON application #10424, page 22). However, the reviewer notes that previously, the applicant expected a total complement of 49 private rooms.

PGC provides utilization forecasts for year one and year two (ending June 2019 and June 2020, respectively) based on the following factors:

- PGC’s experience and expectations based on its existing operations in Subdistrict 5-2 and within its service area
- Utilization of existing nursing homes within the service area
- PGC’s capabilities and readiness to add and begin operating the new beds

The applicant provides tables to forecast patient days and the occupancy rates for the proposed project, the existing facility with only the 12-bed addition through #E150043 and the existing 120-bed SNF with both the proposed project and the 12-bed addition. The reviewer collapsed the quarterly totals to reach annualized figures. See the tables below.

**Palm Garden of Clearwater  
Proposed 33-Bed Addition – Subdistrict 5-2**

	<b>Licensed Beds</b>	<b>Patient Days</b>	<b>Percent Occupancy</b>
Year One	33	8,115	67.4%
Year Two	33	11,353	94.3%

Source: CON application #10424, page 23, Table 7



**Palm Garden of Clearwater  
Total Facility Utilization with 12 Additional Beds – Subdistrict 5-2**

	<b>Licensed Beds</b>	<b>Patient Days</b>	<b>Percent Occupancy</b>
Year One	132	44,558	92.5%
Year Two	132	45,851	94.9%

Source: CON application #10424, page 24, Table 8

**Palm Garden of Clearwater  
Total Facility Utilization with 45 Additional Beds – Subdistrict 5-2**

	<b>Licensed Beds</b>	<b>Patient Days</b>	<b>Percent Occupancy</b>
Year One	165	52,673	87.5%
Year Two	165	57,204	94.7%

Source: CON application #10424, page 24, Table 9

PGC states that given its historically high utilization, coupled with the high utilization typically experienced by other nursing homes within the service area, PGC’s first year projection is stated to be conservative but easily achievable (87.5 percent) with 94.7 percent occupancy by year two.

- 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.**

According to the applicant, PGC was formed in 2013 and became the licensed operator of the facility on November 1, 2013. PGC indicates that on October 1, 2014, the applicant entered into an agreement with PHM to provide management and consulting services, including quality assurance monitoring and oversight, at PGC.

PGC states that according to the Medicare.gov CMS Nursing Home Compare website as of February 11, 2016, PGC had an overall star rating of five stars or much above average in relation to all other Medicare certified nursing homes throughout the nation in the most recent rating period. The reviewer notes that the applicant does not include documentation of this star rating in CON application #10424. However, as of a run date of March 1, 2016, the reviewer notes that the Centers for Medicare and Medicaid Services (CMS) Nursing Home Compare website at <https://www.medicare.gov/nursinghomecompare/profile.html> indicates that Palm Garden of Clearwater had an overall four out of five star rating “Above Average”.

The applicant states that the SNF has been providing skilled nursing and rehabilitation care to residents of Clearwater and northern Pinellas County for more than 25 years. PGC indicates that it has a comprehensive care planning process to ensure that each resident is appropriately assessed upon admission, and that an individualized care plan is established and followed addressing identified conditions, concerns, capabilities and outcomes. The applicant asserts providing

necessary care and services to help each resident attain or maintain the highest practicable well-being. According to PGC, members of the patient's interdisciplinary team will participate as required in development and completion of the care plan, and may include all of some of the following:

- Attending physician
- Director of clinical services or assistant director
- Nursing assistants responsible for the resident's care
- Culinary representative
- Social services director
- Life enrichment director
- Therapists, as appropriate
- Consultants, as appropriate
- Others, as appropriate or necessary to meet the needs of the resident

PGC states the provision of numerous skilled clinical services in addition to specialized rehabilitative specialized therapy services, including:

- Skilled nursing
- IV therapy including peripheral and central lines
- Respiratory services
- Wound care, including advanced wound care by a dedicated wound care nurse on staff
- Medication management and stabilization, including lab monitoring for dose adjustments
- Renal peritoneal dialysis and hemodialysis for residents or have poor or no kidney function
- Pain management both for acute and chronic pain
- Diagnosis education
- Medical pump management for diabetes, pain control or other conditions
- Colostomy care and education
- Feeding tubes of all types
- Palliative care to address end of life needs
- Physical, occupational and speech therapies
- Enteral/parenteral therapy

Rehabilitative services at PGC are stated to include rehab gym features to include top of the line:

- Alter-G treadmill
- HUR strength training equipment
- Biodex balance machine
- OmniVR virtual reality training
- NuStep recumbent trainer

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- Therapeutic modalities including electrical stimulation, ultrasound and diathermy
- VitaStim dysphagia therapy

The applicant itemizes bulleted physical therapy, occupational therapy and speech language pathology treatments and regimens (CON application #10424, page 30). Additionally, PGC provides its Mission, Vision and Core Values (CON application #10424, page 31).

PGC discusses its Quality Assurance and Performance Improvement (QAPI) plan, stated to be under the oversight of PHM, committed to ensuring the use of appropriate benchmarks, closely monitoring performance and making appropriate adjustments quickly when warranted to assure that the quality of care provided at the facility continuously improves.

An Administrator/Risk Management QAPI Policy is provided (CON application #10424, Volume 2, Tab 5). The applicant states that each Palm Garden facility has an internal Quality Assessment and Performance Improvement Program and a QAPI Committee, the latter meeting at least once each month to identify risks/areas of concern and develop plans of action. The applicant lists the members of the QAPI Committee (CON application #10424, page 32) which identifies areas of concern and recommends, implements, monitors and evaluates changes and outcomes. Additionally, PGC states participation in PHM's Interventions to Reduce Acute Care Transfers (INTERACT™) program as part of its commitment to quality care. Sample INTERACT™ materials are included in CON application #10424, Volume 2, Tab 6. The applicant indicates that the program's goal is to safely manage clinical situations onsite whenever possible and avoid the substantial health risks and costs associated with preventable hospital admissions.

PGC includes a Table of Contents Policy and Procedure Manual (CON application #10424, Volume 2, Tab 4) and details of Palm Garden Quality Improvement Programs (CON application #10424, Volume 2, Tab 7). The applicant's Tab 7 includes:

- Manager on Duty program
- Customer Care program
- Nursing standards of care process
- Daily meetings
- Partners in care (72-hour meeting)
- Grievance process
- Residents and family councils
- Quality survey review process

PGC describes PHM initiatives and initiative materials including: an Outcomes Committee, a Corporate Compliance Medicare Documentation Review, “PPS Meeting” (a meeting conducted daily with the interdisciplinary team) and Skilled Care Review (a Medicare internal audit process).

Agency records indicate that for the three-year period ending March 1, 2016, the applicant had four substantiated complaints in the following categories: quality of care/treatment (two complaints) and admin/personnel and resident rights (one complaint each).

The reviewer notes that as of March 2, 2016, according to the Agency’s Nursing Home Guide at this website <http://www.floridahealthfinder.gov/LandingPages/NursingHomeGuide.aspx>, of PGHH’s 13 Florida SNFs, none are Gold Seal facilities, with one of these 13 SNFs (Palm Garden of Winter Haven) being on the Nursing Home Watch List.

Agency records indicate that for the three-year period ending March 1, 2016, the parent’s (PGHH’s) 13 Florida SNFs had 61 substantiated complaints. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below.

**Florida SNFs with a Palm Garden Healthcare Holdings, LLC, Controlling Interest  
Substantiated Complaint Categories for the 36 Months Ending March 1, 2016**

<b>Substantiated Complaints</b>	<b>Number Substantiated</b>
Quality of Care/Treatment	21
Administration/Personnel	10
Resident Rights	6
Physical Environment	5
Resident Abuse	4
Resident Assessment	4
Infection Control	3
Nursing Services	3
Admission/Transfer/Discharge	1
Billing/Refund	1
Dietary Services	1
Falsification of Records	1
Unqualified Personnel	1

Source: 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), Florida Statutes.**

**Analysis:**

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 below is an analysis of the audited financial statements of Parkwood Properties, Inc. and Subsidiaries, the owner. Schedule 3 indicates that funding will come from related and non-related company financing.

<b>Parkwood Properties, Inc. and Subsidiaries</b>	
	<b>Current Year</b>
Current Assets	\$50,360,278
Total Assets	\$105,708,813
Current Liabilities	\$3,110,517
Total Liabilities	\$93,784,818
Net Assets	\$11,923,995
Total Revenues	\$28,788,044
Excess of Revenues Over Expenses	\$12,671,011
Cash Flow from Operations	\$5,641,514
<b>Short-Term Analysis</b>	
Current Ratio (CA/CL)	16.2
Cash Flow to Current Liabilities (CFO/CL)	181.37%
<b>Long-Term Analysis</b>	
Long-Term Debt to Net Assets (TL-CL/NA)	760.4%
Total Margin (ER/TR)	44.01%
<b>Measure of Available Funding</b>	
Working Capital	\$47,249,761

<b>Position</b>	<b>Strong</b>	<b>Good</b>	<b>Adequate</b>	<b>Moderately Weak</b>	<b>Weak</b>
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 \$8,026,167 which includes this project (\$6,520,281), routine capital budget FY 2016 (\$90,000), SNF bed addition – expedited (\$1,217,886), and capital budgets est. – FY 2017-2018 (\$198,000). The applicant indicates on Schedule 3 of its application that funding for the project will be provided by related (\$1,934,572) and non-related company financing (\$5,803,625) (Capital One and Regions Bank). The applicant provided a letter of interest from each bank. It should be noted that a letter of interest is not a firm commitment to lend. Additionally, the applicant provided a letter from UBS Financial Services showing \$9.7 million in liquid assets and \$13.4 million available from a line of credit.

**Conclusion:**

Funding for this project and all capital expenditures 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.**

**Analysis:**

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 and 2013 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 1st Quarter 2016, 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	20,569,306	360	509	333	236
Total Expenses	19,746,744	345	409	322	224
Operating Income	822,562	14	129	7	-70
Operating Margin	4.00%		<b>Comparative Group Values</b>		
	Days	Percent	Highest	Median	Lowest
Occupancy	57,203	94.72%	99.48%	89.52%	55.98%
Medicaid/MDCD HMO	33,183	58.01%	69.96%	63.42%	49.95%
Medicare	17,074	29.85%	33.08%	17.93%	3.65%

**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.

In addition, the total cost appears to include at least the minimum staffing required. 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)(g), Florida Statutes.**

**Analysis:**

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.**

A review of the architectural plans, narratives and other supporting documents did reveal possible deficiencies that are likely to have significant impact on either construction costs or the proposed completion schedule.

Deficiencies:

A-1 Provide additional drawings as per application requirements

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.**

PGC states that during the year ending June 30, 2015, PGC reported to the Agency 25,785 Medicaid patient days, equating to a Medicaid occupancy of 61.9 percent. The applicant states that PGC serves all patients in need regardless of race, ethnicity, gender or ability to pay.

The reviewer provides a five-year historical Medicaid patient day and Medicaid occupancy rate for PGC, the subdistrict, district and state.

**Medicaid Patient Days and Medicaid Occupancy Rates  
Palm Garden of Clearwater (PGC), Subdistrict 5-2 (Pinellas County),  
District 5 and Florida  
Five Years Ending June 30, 2015**

<b>Medicaid Patient Days</b>					
<b>Facility/Area</b>	<b>JUL 2010- JUN 2011</b>	<b>JUL 2011- JUN 2012</b>	<b>JUL 2012- JUN 2013</b>	<b>JUL 2013- JUN 2014</b>	<b>JUL 2014- JUN 2015</b>
PGC	23,653	24,771	20,725	24,096	25,785
Pinellas County	1,640,799	1,641,495	1,624,704	1,617,251	1,619,338
District 5	2,011,850	2,022,754	2,011,567	1,988,920	1,998,184
Florida	15,612,015	15,726,251	15,676,855	15,837,261	15,875,092
<b>Medicaid Occupancy</b>					
<b>Facility/Area</b>	<b>JUL 2010- JUN 2011</b>	<b>JUL 2011- JUN 2012</b>	<b>JUL 2012- JUN 2013</b>	<b>JUL 2013- JUN 2014</b>	<b>JUL 2014- JUN 2015</b>
PGC	58.04%	59.26%	51.27%	58.78%	61.92%
Pinellas County	65.02%	65.27%	64.83%	64.33%	64.53%
District 5	63.78%	64.19%	63.89%	63.06%	63.32%
Florida	61.56%	61.96%	61.58%	62.05%	61.88%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2011–October 2015 Batching Cycles

The applicant’s Schedule 7 indicates that for the proposed 165-bed community SNF, Medicaid and self-pay represent 58.5 percent and 5.5 percent, respectively, of year one (ending June 30, 2019) and 58.0 percent and 5.1 percent, respectively of year two (ending June 30, 2020) annual total patient days. PGC does not offer a Medicaid condition for the proposed project. CON application #10287 proposed for transfer offered no Medicaid condition in its Schedule C.

**F. SUMMARY**

**Palm Garden of Clearwater, LLC, (CON application #10424)**, parented by PGHH is an existing 120-bed community nursing home in Clearwater, Florida with an exemption to add 12 community nursing home beds to the existing facility. The applicant seeks to transfer CON application #10287 to add 33 community nursing home beds to PGC resulting in a

153-bed SNF, with no increase in the total CON-approved community nursing home beds in Subdistrict 5-2.

PGHH owns 13 SNFs in Florida. PHM is the management company providing consulting management and oversight for all Palm Garden facilities, including PGC.

PGC includes a signed and notarized Affidavit by the Transferor, dated February 22, 2016, to transfer CON application #10287 to another entity who will be an applicant for approval of the transfer.

The project involves 18,646 GSF of new construction. The construction cost is \$4,102,120. Total project cost is \$6,520,281. Project costs include land, building, equipment, project development, financing, start-up and other intangible assets and deferred costs.

The applicant proposes the following condition on its Schedule C:

- The parcel or address is 3480 McMullen Booth Road, Clearwater, Florida 33761.

### **Quality of Care**

The applicant indicates that on October 1, 2014, the applicant entered into an agreement with PHM to provide management and consulting services, including quality assurance monitoring and oversight, at PGC.

The reviewer notes that the most recent CMS Nursing Home Compare data indicates that Palm Garden of Clearwater had an overall four out of five-star rating "Above Average". The reviewer notes that as of the most recent Agency Nursing Home Guide, of PGHH's 13 Florida SNFs, none are Gold Seal facilities, with one of these 13 SNFs (Palm Garden of Winter Haven) being on the Nursing Home Watch List.

Agency licensure records indicate that for the three-year period ending March 1, 2016, Palm Garden of Clearwater had a total of four substantiated complaints and from the same source for the same time frame, the applicant's controlling interest, PGHH, which has 13 Florida SNFs, had a total of 61 substantiated complaints.

### **Cost/Financial Analysis**

Funding for this project and all capital expenditures should be available as needed. Based on the information provided in Schedule 6, the applicant's projected staffing meets the statutory requirement. This

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

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

**Architectural Analysis**

A review of the architectural plans, narratives and other supporting documents did reveal possible deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

Deficiencies:

A-1 Provide additional drawings as per application requirements

**Medicaid/Indigent Care Commitment**

The applicant states that it serves all patients in need regardless of race, ethnicity, gender or ability to pay.

The applicant's Schedule 7 indicates that for the proposed 165-bed community SNF, Medicaid and self-pay represent 58.5 percent and 5.5 percent, respectively, of year one (ending June 30, 2019) and 58.0 percent and 5.1 percent, respectively of year two (ending June 30, 2020) annual total patient days. PGC does not offer a Medicaid condition for the proposed project. CON application #10287 proposed for transfer offered no Medicaid condition in its Schedule C.

**G. RECOMMENDATION**

Approve CON #10424 to transfer CON #10287 from Tierra Pines Center, LLC to Palm Garden of Clearwater, LLC in Pinellas County, District 5, Subdistrict 2. The total project cost is \$6,520,281. The project involves 18,646 GSF of new construction and a construction cost of \$4,102,120

CONDITION:

The parcel or address is 3480 McMullen Booth Road, Clearwater, Florida 33761.

**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 Administration Services Manager**  
**Certificate of Need**