

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

First Coast Health Ventures, LLC/CON #10475

2380 Sadler Road, Suite 201
Fernandina Beach, Florida 32034

Authorized Representative: Mr. Steven W. Sell, Managing Member
(904) 321-1909

2. Service District/Subdistrict

District 4, Subdistrict 4-1 (North Duval and Nassau Counties)

B. PUBLIC HEARING

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

C. PROJECT SUMMARY

First Coast Health Ventures, LLC (CON application #10475) also referenced as FCHV or the applicant, wholly owned (parented) by First Coast Health Managers, LLC (also referenced as FCHM), is a development stage private-for-profit entity that seeks to transfer CON #10270 from Five Points Health Care, Ltd., (also referenced as FPHC) to FCHV, which grants approval to construct a 111-bed community nursing home in District 4, Nursing Home Subdistrict 4-1, Duval County, Florida. On July 1, 2016, FCHM sold FCHV to FPHC. FCHV is an affiliate of FPHC. The applicant points out that founding members of FPHC and FCHV are Steven W. Sell and Charles Wilson and also that FCHM will manage the proposed project.

The proposed project (to be named River City Rehab) is located on a 9.69 acre area at the corner of Max Leggett Parkway and Owens Road (within ZIP Code 32218), across the street from UF Health Jacksonville North,

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15225 Max Leggett Parkway, Jacksonville, Florida 32218 (CON #10198). CON #10198 was issued on July 18, 2014, for Shands Jacksonville Medical Center, Inc., d/b/a UF Health Jacksonville to establish a 92-bed acute care hospital at 15225 Max Leggett Parkway, Jacksonville, Florida 32218.

CON #10270 was originally approved on March 18, 2015 and issued to FPHC to establish a 111-bed community nursing home, in District 1, Nursing Home Subdistrict 4-1, Duval County, with no conditions. The result of the proposed transfer would not increase the total number of community nursing home beds in the district, in the nursing home subdistrict or in the State of Florida.

FPHC is the licensee (having controlling interest) of the following District 4 skilled nursing facilities (SNFs):

- Lakeside Nursing and Rehabilitation Center
- Park Ridge Nursing Center¹

FCHV included in the initial application (CON application #10475), a signed and notarized Schedule 12-Affidavit by the Transferor, dated February 23, 2017, to transfer CON #10270 to another entity who will be an applicant for approval of that transfer.

The project involves 81,641 gross square feet (GSF) of new construction. The construction cost is \$17,250,000. Total project cost is \$24,505,501. Project costs include land, building, equipment, project development, financing and start-up costs. The applicant states and the reviewer confirms that the proposed project total cost is \$6,732,943 greater than the total cost of CON #10270.

If approved, the proposed project is anticipated to be licensed in June 2019, with initiation of service in July 2019.

Total GSF and Project Costs of CON #10270 and CON Application #10475

Approved Project	CON #	Project	GSF	Costs \$	Cost Per Bed
FPHC	10270	New 111-Bed Facility	75,700	\$17,772,558	\$160,113
Proposed Project	CON app#	Project	GSF	Costs \$	Cost Per Bed
FPHC	10475	New 111-Bed Facility	81,641	\$24,505,501	\$220,770

Source: CON #10270 and CON application #10475, Schedule 1 and 9

¹ The applicant states and the reviewer confirms that CON #10230 was issued September 16, 2014 to construct a replacement 104-bed community nursing home and through exemption (#E140023) add 16 community nursing home beds for a total of 120 community nursing homes beds at Park Ridge Nursing Center, located directly across from St. Vincent's Medical Center-Clay County.

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 Derron Hillman, Bureau of Central Services, who evaluated the financial data and Scott Waltz 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 4-1 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.

According to the applicant, the proposed transfer project will continue development within ZIP Code 32218 (the same as CON #10270). FCHV states that the proposed project will be located on the northern edge of Jacksonville (northern Duval County), outside the I-295 beltway and almost due north of CON #10198 (described in item C of this report). The reviewer notes that a physical plant location was not conditioned for CON #10270 and is not conditioned for this transfer proposal (CON application #10475).

Regarding availability, FCHV indicates that using Nielsen Claritas population estimates (updated 2016) and using the Agency’s Florida Nursing Home Utilization by District and Subdistrict, July 2015-June 2016 publication (issued September 30, 2016), the number of licensed and CON-approved community nursing home beds per 1,000 elderly aged 65+ residents is estimated at 25 for Subdistrict 4-1. See the table below.

Number of Community Nursing Home Beds per 1,000 Elderly Age 65 and Over 2016-2021

Planning Area	Existing Availability			Projected Availability		
	2016			2021		
	Licensed Beds	Population 65+	Beds per 1,000	Licensed and Approved Beds	Population 65+	Beds per 1,000
Subdistrict 4-1	1,125	44,584	25	1,248	53,572	23
District 4	9,355	369,259	25	9,943	441,807	23

Source: CON application #10475, Page 1-3, Table 1-1

The reviewer confirms that the 2016 licensed beds column and the 2021 licensed and approved beds column (above) are consistent with the referenced Agency publication. FCHV maintains that 2021 is the second year of the proposed project. The reviewer notes that according to Schedule 6 and Schedule 10 of the application, year two ends June 30, 2021.

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FCHV asserts that without development of the proposed 111-bed project, the number of projected beds per 1,000 elderly for Subdistrict 4-1 would fall to 21 per 1,000. FCHV contends that the proposed project will ensure that Subdistrict 4-1 maintains availability on par with that of District 4.

Regarding quality of care, FCHV indicates that using Subdistrict 4-1 Medicare.gov facility star ratings, as of February 2, 2017, Lakeside Nursing and Rehabilitation Center has a 4-star rating and that the applicant's affiliates are able to achieve higher ratings than most facilities within the subdistrict. Based on this, the applicant asserts that quality is expected to improve upon opening of the proposed facility. See the table below.

Subdistrict 4-1 Medicare.Gov Facility Star Ratings, 2/7/2017

Duval County Nursing Homes	Star Rating
Cathedral Gerontology Center, Inc.	1 star
Edgewood Nursing Center	4 stars
Harts Harbor Health Care Center	1 star
Jacksonville Nursing and Rehab Center	2 stars
Lakeside Nursing and Rehabilitation Center	4 stars
Lanier Terrace	2 stars
Summer Brook Health Care Center	3 stars
Nassau County Nursing Homes	
Life Care Center of Hilliard	3 stars
Quality Health of Fernandina Beach	2 stars
Subdistrict 4-1 Average Score	2.4

Source: CON application #10475, Page 1-4, Table 1-2

The reviewer confirms that the applicant's table above accurately represents the list of SNFs in District 4, Subdistrict 4-1 (north Duval and Nassau Counties), per the Agency's Florida Nursing Home Utilization by District and Subdistrict, July 2015-June 2016 publication (issued September 30, 2016). On April 4, 2017, the reviewer examined <https://www.medicare.gov/> to confirm the accuracy of CON application #10475, page 1-4, Table 1-2 (above). If the April 4, 2017 overall star rating is different from what was stated by the applicant, the facility and score is italicized. Below are the results.

Subdistrict 4-1 Medicare.Gov Facility Overall Star Ratings as of April 4, 2017

Duval County Nursing Homes	Overall Star Rating
<i>Cathedral Gerontology Center, Inc.</i>	<i>2 star</i>
Edgewood Nursing Center	4 stars
<i>Harts Harbor Health Care Center</i>	<i>2 star</i>
<i>Jacksonville Nursing and Rehab Center</i>	<i>3 stars</i>
Lakeside Nursing and Rehabilitation Center	4 stars
Lanier Terrace	2 stars
<i>Summer Brook Health Care Center</i>	<i>5 stars</i>
Nassau County Nursing Homes	
Life Care Center of Hilliard	3 stars
<i>Quality Health of Fernandina Beach</i>	<i>4 stars</i>
Subdistrict 4-1 Average Score	3.22

Source: <https://www.medicare.gov/>

The reviewer notes that the difference in the overall higher nursing home Medicare inspection ratings between the applicant’s February 7, 2017 results and the reviewer’s April 4, 2017 result could be due to drawing the data on different days.

The applicant discusses architectural amenities and aesthetic characteristics of the physical plant, as proposed (CON application #10475, page 1-5). The reviewer notes that some of these characteristics include:

- 47 private rooms
- 32 semi-private rooms
 - semi-private suites utilize an L-shaped design to maximize privacy and provide each resident with a window view

Regarding accessibility, the applicant contends that the proposed project is the northernmost point for skilled nursing care within Duval County. FCHV provides a figure to show the proposed project location relative to other nursing homes and hospitals (CON application #10475, Page 1-6, Figure 1-3).

FCHV emphasizes that the proposed project is within the highest concentration of seniors within the subdistrict and further emphasizes a 30-minute drive contour surrounding the proposed site. FCHV states that this demonstrates ease of access because over 95 percent of the population of Subdistrict 4-1 (both total population and elderly age 65+) residing within a 30-minute drive time zone of the proposed site (CON application #10475, Page 1-7, Figure 1-3). Utilizing Nielsen Claritas Population Estimates by County and ZIP Code (2016) FCHV provides a population table to indicate that this total population and age cohort estimate (2016-2021), by county and by ZIP Code, is within a 30-minute drive of the proposed project. The applicant highlights Duval County ZIP Code 32218 (the proposed project location). See the table below.

**Over 95 Percent of the Subdistrict 4-1 Population is
Within a 30-Minute Drive of the Proposed Site**

Population Within Subdistrict 4-1 and Within the 30-Minute Drive Time Contour							
		2016 Population			2021 Population		
County	ZIP Code	0-64	65+	Total	0-64	65+	Total
Nassau	32011	11,741	2,196	13,937	11,795	2,592	14,387
Nassau	32034	23,931	8,894	32,825	24,252	10,531	34,783
Nassau	32097	15,364	2,544	17,908	16,138	3,166	19,304
Nassau Subtotal		51,036	13,634	64,670	52,185	16,289	68,474
Duval	32202	7,239	1,187	8,426	7,454	1,391	8,845
Duval	32206	15,394	2,189	17,583	14,944	2,596	17,540
Duval	32208	25,779	5,264	31,043	25,003	6,064	31,067
Duval	32209	26,266	5,636	31,902	25,624	6,048	31,672
Duval	32218	52,336	7,011	59,347	54,956	9,102	64,058
Duval	32219	10,801	1,801	12,602	11,140	2,231	13,371
Duval	32220	11,559	1,817	13,376	11,690	2,351	14,041
Duval	32226	16,097	2,242	18,339	11,690	3,018	20,244
Duval	32254	12,303	1,579	13,884	12,060	1,924	13,984
Duval Subtotal		177,774	28,726	206,500	180,097	34,725	214,822
Total Within 30 Minutes		228,810	42,360	271,170	232,282	51,014	283,296
Remaining Nassau		62,153	2,224	13,341	11,136	2,558	13,694
Total Subtotal 4-1		239,927	44,584	284,511	243,418	53,572	296,990

Source: CON application #10475, Page 1-8, Table 1-3

As shown in the table above, the applicant points out that ZIP Code 32218 (within Duval County) has the highest concentration of elderly in the referenced Duval County ZIP Codes (7,011 residents in 2016) and that this total is estimated to increase to 9,102 elderly residents by 2021.

FCHV states that using the same source data for the same time period for the same ZIP Codes and the same age co-horts, the applicant provides population increase estimates and population growth rate estimates. The reviewer notes that these results indicate that ZIP Code 32218 will realize the highest elderly population increase (2,091 residents) and the highest total population increase (4,711 residents) in the total referenced area from 2016 to 2021. Further, the reviewer also notes that these same results also indicate that ZIP Code 32218 will realize the second highest elderly population growth rate (29.82 percent) and the second highest total population growth rate (7.94 percent) in the total referenced area, from 2016 to 2021. See the table below.

**Subdistrict 4-1 Population Increase and Growth Rate, 2016-2021
Within a 30-Minute Drive of the Proposed Site**

Population Within Subdistrict 4-1 and Within the 30-Minute Drive Time Contour							
		2016-2021 Population Increase			2016-2021 Population Growth Rate		
County	ZIP Code	0-64	65+	Total	0-64	65+	Total
Nassau	32011	54	396	450	0.46%	18.03%	3.23%
Nassau	32034	321	1,637	1,958	1.34%	18.41%	5.96%
Nassau	32097	774	622	1,396	5.04%	24.45%	7.80%
Nassau Subtotal		1,149	2,655	3,804	-1.98%	21.85%	0.73%
Duval	32202	215	204	419	2.97%	17.19%	4.97%
Duval	32206	-450	407	-43	-2.92%	18.59%	-0.24%
Duval	32208	-776	800	24	-3.01%	15.20%	0.08%
Duval	32209	-642	412	-230	-2.44%	7.31%	-0.72%
Duval	32218	2,620	2,091	4,711	5.01%	29.82%	7.94%
Duval	32219	339	430	769	3.14%	23.88%	6.10%
Duval	32220	131	534	665	1.13%	29.39%	4.97%
Duval	32226	1,129	776	1,905	7.01%	34.61%	10.39%
Duval	32254	-243	345	102	-1.98%	21.85%	0.73%
Duval Subtotal		2,323	5,999	8,322	1.31%	20.88%	4.03%
Total Within 30 Minutes		3,472	8,654	12,126	1.52%	20.43%	4.47%
Remaining Nassau		19	334	353	0.17%	15.02%	2.65%
Total Subtotal 4-1		3,491	8,988	12,479	1.46%	20.16%	4.39%

Source: CON application #10475, Page 1-9, Table 1-4

FCHV states that coupled with the project’s proposed location previously described, the proposed project will contribute to the continuum of care within the subdistrict while improving access. FCHV stresses that the proposed project will offer a wide range of services, so that persons whose needs vary will be served. FCHV indicates plans to offer both short-term rehabilitation and long-term care services, including: dialysis, respiratory care, hospice and respite care thereby enhancing access.

Regarding the extent of utilization, the applicant notes that per the Agency’s Florida Nursing Home Utilization by District and Subdistrict, July 2015-June 2016 publication (issued September 30, 2016), the subdistrict’s community nursing home occupancy rate for the 12 months ending June 30, 2016 was 92.85 percent, with facilities in northern Duval County averaging 93.51 percent. See the table below.

Subdistrict 4-1 Nursing Home Utilization by Facility, July 1, 2015 – June 30, 2016

Name	Beds	7/15-6/16 Bed Days	7/15-6/16 Patient Days	7/15-6/16 Occup.	M'caid Days	M'caid Occup.
Cathedral Gerontology Center, Inc.	120	43,920	39,079	88.98%	28,936	74.04%
Edgewood Nursing Center	60	21,960	20,040	91.26%	15,481	77.25%
Harts Harbor Health Care Center	180	65,880	62,776	95.29%	51,520	82.07%
Jacksonville Nursing and Rehab Center	163	59,658	56,944	95.45%	42,243	74.18%
Lakeside Nursing and Rehabilitation Center	122	44,652	39,804	89.14%	20,702	52.01%
Lanier Terrace	120	43,920	43,093	98.12%	29,912	69.41%
Summer Brook Health Care Center	120	43,920	41,151	93.70%	32,279	78.44%
Northern Duval County Subtotal		323,910	302,887	93.51%	221,073	72.99%
Life Care Center of Hilliard	120	43,920	39,317	89.52%	27,507	69.96%
Quality Health of Fernandina Beach	120	43,920	40,105	91.31%	23,476	58.54%
Nassau County Subtotal		87,840	79,422	90.42%	50,983	64.19%
Subdistrict 4-1 Total		411,750	382,309	92.85%	272,056	71.16%

Source: CON application #10475, Page 1-10, Table 1-5

The reviewer confirms that the table above accurately represents the data per the Agency's Florida Nursing Home Utilization by District and Subdistrict, July 2015-June 2016 publication (issued September 30, 2016).

FCHV indicates that when application was made for CON #10270, total occupancy was 91.67 percent (District 4, Subdistrict 4-1) for the 12 months ending June 30, 2014. This is confirmed per the Agency's Florida Nursing Home Utilization by District and Subdistrict, July 2013-June 2014 publication (issued October 3, 2014). According to FCHV, persistent high occupancy rates limit availability. FCHV asserts that without the proposed project going forward, utilization would be limited by a stagnant supply, forcing residents to seek treatment outside the service area. FCHV states that the proposed project is expected to improve access and enhance availability and utilization within Subdistrict 4-1.

Conformity with the Health Care Access Rule is discussed (CON application #10475, Page 1-11 to Page 1-14).

Per FCHV, total occupancy for the proposed facility by year one (ending June 30, 2020) is expected to be 61.8 percent and for year two (ending June 30, 2021) is expected to be 93.7 percent (CON application #10475, Page 1-13, Table 3-2).

- 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.**

The applicant states that in December 2010, CMS released “*QAPI at a Glance*” and lists (CON application #10475, Page 2-2) this 12-step guide to establish a foundation of quality assurance and performance improvement in nursing homes. The reviewer notes that the applicant does not affirmatively state having adopted “*QAPI at a Glance*”.

FCHV indicates that its Quality Assurance and Performance Improvement (QAPI) will be similar to the program already in place at other facilities managed by Health Care Managers (HCM). FCHV maintains that the performance improvement process focuses on continuously improving and delivery of care and services to residents.

The applicant states that all departments are involved as appropriate to address key facility practices and that a Performance Improvement Committee is comprised of the following members:

- Administrator-Chairperson
- Medical Director or designee
- Director of Nursing
- QI-Risk Manager
- Dietary Director
- Environmental Services Director
- Representatives from all key departments

FCHV contends that the QAPI Committee will hear and act on the following reports as needed:

- Findings from resident, family and staff interviews
- Outcome of Performance Improvement
- Admissions tracking and trending (admissions log and trends)
- Discharge tracking: date, type and location
- Infection control tracking, trending and education
- Residents with wounds acquired in house and admitted with (current stages) and those with non-pressure wounds, i.e. circulatory, surgical
- Residents with weight loss
- Resident accidents/incidents: number for the month, tracking and trending
- Resident/family grievance process: number for the month and resolution
- Monitoring implementation and revisions for resident care plans

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The applicant states that quality control findings will be reported at least quarterly and that the QAPI Committee will develop plans of correction for areas that are in need of improvement, including assigning a designee for performance improvement as needed. FCHV indicates that it is essential to use this quality control process to detect any problem early so that adverse consequences can be minimized and corrective action initiated.

FCHV provides a QAPI policy (CON application #10475, Exhibit 2-1). The applicant state that the QAPI includes the Pioneer Network Huddles Tip Sheet and the application of *Daily Huddle Clinical Meetings* (shift huddles) stated as a brief meeting at the start and end of each shift to reinforce teamwork and communication and improve care. The 14-step *Daily Huddle Clinical Meetings* agenda and tip sheet is included in the applicant's QAPI policy. The applicant shares 10 bulleted information items that may a conveyed during "huddles" (CON application #10475, page 2-4).

The applicant maintains that HCM contracts with Select Medical Rehabilitation Services, Inc. (SMRS) to offer a full range of physical, occupational and speech therapy services. The reviewer notes that FCHV indicates plans to have a large therapy gym, an Activities of Daily Living (ADL) suite and a separate area for speech therapy (as part of the physical plant). FCHV provides the SMRS therapy programs, including the OmniVR Virtual Rehabilitation System or the OVRVRS (CON application #10475, Exhibit 2-2). The applicant offers a detailed description of the OVRVRS and states that this rehabilitation system is currently in use at the affiliate SNF Lakeside Nursing and Rehabilitation Center.

FCHV contends that to facilitate efficacy and accuracy in care planning and recordkeeping, the proposed facility will utilize the *PointClickCare* system to provide consistent quality care. The applicant shares a brief description of each of the following:

- Electronic Health Record (EHR) – stated to be an integrated approach to senior care delivery management that connects clinical, “milling” and administration processes across a single cloud-based platform
- Point of Care (POC) – stated to be a module that allows users to access key information, task lists and schedules, complete documentation, alerts and messaging, all within close proximity to a resident. POC is also stated to enable care plan driven tasks and ADL capture to be easily completed from a kiosk
- Medication Management – stated to be a module that allows users to enter and review medication, lab, diagnostic and non-medication orders electronically

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Resident rights are discussed and the applicant provides Resident Rights Information (CON application #10475, Exhibit 2-3).

FCHV briefly describes activities (such as religious services, group exercises, birthday parties, movies, Bingo and other activities) that are to enhance well-being and quality of life. Per the applicant, family members are invited to attend all of the scheduled and spontaneous events.

The applicant indicates a dietary plan is developed and incorporated into the resident care plan, with the overall goal to meet the resident's nutritional needs in the most independent dietary setting possible. FCHV notes that the facility will offer a Select Dietary Program patterned after that of the affiliate SNF Lakeside Nursing and Rehabilitation Center. The applicant provides a sample dining menu "Lakeside Café" (CON application #10475, Exhibit 2-4). FCHV states that through the PointClickCare Nutritional Management System, its meal system is to enhance meal service and the meal experience for the residents, increase staff productivity, reduce costs and guard against non-compliance issues in food service.

According to the Agency's FloridaHealthFinder.gov website (<http://www.floridahealthfinder.gov/CompareCare/CompareFacilities.aspx>), for the rating period July 2014 – December 2016, the applicant's/parent's affiliate SNFs had the following overall nursing home inspection ratings (of a possible five stars):

- Lakeside Nursing and Rehabilitation Center (five stars)
- Park Ridge Nursing Center (five stars)

This same source indicates that neither of these two facilities has the Gold Seal designation and neither is on the Nursing Home Watchlist. The website was last updated February 2017 and also indicates that a five-star rating means that for this measure a facility ranked better than 81 percent to 100 percent of the facilities in its region. That is, five stars means that the facility ranked in the top 20 percent of facilities in its region.

The reviewer notes that according to CON application #10475, Exhibit 1-1 and on page 2-1 of the application, Park Ridge Nursing Center has an overall nursing home inspection rating of four (of a possible five) stars.

Agency records indicate that for the three-year period ending March 29, 2017, the applicant's/parent's two affiliated Florida SNFs had one substantiated complaint each, as shown below, by facility and by substantiated compliant:

- Lakeside Nursing and Rehabilitation Center (infection control)
- Park Ridge Nursing Center (quality of care/treatment)

A single compliant can encompass multiple compliant categories.

- 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 applicant is a development stage company, meaning there is no operational data to be analyzed for the purposes of this review. The applicant indicated that funding will be provided by a third party source.

Capital Requirements and Funding:

The applicant indicates on Schedule 2 capital projects totaling \$24,505,501, 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 submitted a letter from Pillar Financial expressing interest in providing financing for the cost of the project. A letter of interest is not considered a firm commitment to lend. However, the letter outlined an existing relationship with the applicant's representative.

Given that the funding is supported by a letter of interest, we have no basis to conclude that funding will be available for this project.

Conclusion:

Funding for this project is in question.

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 skilled nursing facilities as reported on Medicaid cost reports (2014 through 2016 cost report years). For our comparison group, we selected skilled nursing facilities 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 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	12,958,690	341	844	343	219
Total Expenses	12,450,373	328	749	343	191
Operating Income	508,317	13	76	5	-168
Operating Margin	3.92%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	37,960	93.69%	99.89%	89.84%	30.00%
Medicaid	24,674	65.00%	79.72%	71.39%	60.00%
Medicare	9,490	25.00%	32.33%	15.59%	0.00%

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. 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:

Strictly from a financial perspective, 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 a significant impact on either construction costs or the proposed completion schedule.

Note: The construction type was not provided, but sufficient information was provided in the plans and description of materials to infer an FBC construction type of III-A as required by Code.

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. Approval from the Agency for Health Care Administration's Office of Plans and Construction is required before the commencement of any construction involving a hospital, nursing home, or intermediate care facility for the developmentally disabled (ICF/DD).

- 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.**

The applicant contends that the parent's two affiliated SNFs (both located in District 4) have established relationships with hospital discharge planners and health practitioners throughout the planning area and that this will contribute to a quick fill rate and ongoing referrals (for the proposed project). FCHV states that it and its affiliates have a long history of providing skilled nursing care to Medicaid patients.

The reviewer provides a five-year historical Medicaid patient day and Medicaid occupancy rate for the parent's affiliated SNFs (Lakeside Nursing and Rehabilitation Center or LNRC and Park Ridge Nursing Center or PRNC), the applicable subdistricts, the district and the state. The reviewer notes that LNRC is located in Subdistrict 4-1 and PRNC is located in Subdistrict 4-2 (Baker, Clay and Southwest Duval Counties).

**Medicaid Patient Days and Medicaid Occupancy Rates
LNRC, PRNC, Subdistricts 4-1 and 4-2
District 4 and Florida
Five Years Ending June 30, 2017**

Medicaid Patient Days					
Facility/Area	JUL 2011- JUN 2012	JUL 2012- JUN 2013	JUL 2013- JUN 2014	JUL 2014- JUN 2015	JUL 2015- JUN 2016
LNRC	24,808	23,685	24,910	21,475	20,702
Subdistrict 4-1	279,909	277,691	283,497	274,258	272,056
PRNC	21,034	20,451	22,650	25,344	24,164
Subdistrict 4-2	419,021	408,415	413,177	411,545	418,337
District 4	1,884,531	1,836,666	1,855,866	1,829,999	1,852,060
Florida	15,726,251	15,676,855	15,837,261	15,875,092	16,097,612
Medicaid Occupancy					
Facility/Area	JUL 2011- JUN 2012	JUL 2012- JUN 2013	JUL 2013- JUN 2014	JUL 2014- JUN 2015	JUL 2015- JUN 2016
LNRC	64.03%	62.50%	62.00%	51.87%	52.01%
Subdistrict 4-1	74.35%	73.91%	75.31%	72.16%	71.16%
PRNC	72.26%	68.43%	71.88%	77.65%	75.16%
Subdistrict 4-2	59.75%	59.03%	59.86%	60.21%	61.71%
District 4	61.97%	61.08%	61.52%	60.83%	61.50%
Florida	61.96%	61.58%	62.05%	61.88%	62.73%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2012-October 2016 Batching Cycles

FCHV provides a table (CON application #10475, page 7-2, Table 7-1) that reflects historical Medicaid utilization for Subdistrict 4-1, District 4 and local affiliates for the three year period ending June 30, 2016. The reviewer confirms that the applicant’s three-year table (ending June 30, 2016) accurately reflects portions of, and is a subset of, the larger five-year table shown above.

The applicant maintains that “due to location and varying demands” (CON application #10475, Page 7-2), LNRC’s Medicaid patient days have decreased while those of PRNC have increased (for the three year period ending June 30, 2016). The applicant asserts that compared to the averages for the planning area (Subdistrict 4-1 and District 4), the applicant’s affiliates “do a good job of caring for the area’s low income individuals”. The applicant projects 24,672 Medicaid patient days, accounting for 65.0 percent of total patient days by year two (ending June 30, 2021). See the table below.

Projected Admissions and Patient Days, First Two Years of the Project

Payer	Year One: 7/19-6/20		Year Two: 7/20-6/21		Percent of Days
	Admissions	Patient Days	Admissions	Patient Days	
Medicare	140	4,207	212	6,358	16.7%
Medicare HMO	69	2,072	104	3,132	8.3%
Medicaid HMO	90	16,326	136	24,674	65.0%
Self Pay	5	754	8	1,139	3.0%
Managed Care	17	502	25	759	2.0%
Other	21	1,256	32	1,898	5.0%
Total	342	25,117	517	37,960	100.0%

Source: CON application #10475, Page 7-3, Table 7-2

Per FCHV, the projections are similar to the original projections, reflecting utilization of existing facilities within the subdistrict.

According to FCHV, total occupancy by year one is expected to be 61.8 percent and by year two is expected to be 93.7 percent (CON application #10475, Page 1-13, Table 3-2).

The applicant's Schedule 7 indicates that for the proposed 111-bed community SNF, Medicaid HMO and self-pay represent 65.0 percent and 3.0 percent, respectively, of year one (ending June 30, 2020) and 65.0 percent and 3.0 percent, respectively, of year two (ending June 30, 2021) annual total patient days. The reviewer notes that the Schedule 7 payer sources and percentages are consistent with the applicant's Table 7-3 (shown above).

FCHV does not offer a Medicaid condition for the proposed project. CON application #10270 proposed for transfer offered no Medicaid condition in its Schedule C.

F. SUMMARY

First Coast Health Ventures, LLC (CON application #10475), wholly owned (parented) by FCHM, is a development stage private-for-profit entity that seeks to transfer CON #10270 from FPHC to FCHV to construct a 111-bed community nursing home in District 4, Nursing Home Subdistrict 4-1, Duval County, Florida. On July 1, 2016, the parent sold FCHV to FPHC.

CON #10270 was originally approved on March 18, 2015 and issued to FPHC to establish a 111-bed community nursing home, in District 1, Nursing Home Subdistrict 4-1, Duval County, with no conditions. The result of the proposed transfer would not increase the total number of community nursing home beds in the district, in the nursing home subdistrict or in the State of Florida.

The proposed project (to be named River City Rehab) is located on a 9.69 acre area at the corner of Max Leggett Parkway and Owens Road (within ZIP Code 32218), across the street from UF Health Jacksonville North, 15225 Max Leggett Parkway, Jacksonville, Florida 32218 (CON #10198).

FCHV included in the initial application a signed and notarized Schedule 12-Affidavit by the Transferor, dated February 23, 2017, to transfer CON #10270 to another entity who will be an applicant for approval of that transfer.

The project involves 81,641 GSF of new construction. The construction cost is \$17,250,000. Total project cost is \$24,505,501. Project costs include land, building, equipment, project development, financing and start-up costs. The proposed project total cost is \$6,732,943 greater than the total cost of CON #10270.

Quality of Care

As a newly formed entity for the proposed transfer, the applicant does not have a quality of care operating history. However, the applicant has mechanisms in place to adequately provide quality care and the parent's affiliate SNFs are high quality providers.

According to the Agency's FloridaHealthFinder.gov website (<http://www.floridahealthfinder.gov/CompareCare/CompareFacilities.aspx>), for the rating period July 2014 – December 2016, the applicant's/parent's affiliate SNFs had the following overall nursing home inspection ratings (of a possible five stars):

- Lakeside Nursing and Rehabilitation Center (five stars)
- Park Ridge Nursing Center (five stars)

Neither of these two facilities has the Gold Seal designation and neither is on the Nursing Home Watchlist.

Agency records indicate that for the three-year period ending March 29, 2017, the parent's two affiliated Florida SNFs had one substantiated complaint each.

Cost/Financial Analysis

- Funding for this project is in question
- 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 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

The applicant states that its affiliates have a long history of providing skilled nursing care to Medicaid patients.

The applicant's Schedule 7 indicates that for the proposed 111-bed community SNF, Medicaid HMO and self-pay represent 65.0 percent and 3.0 percent, respectively, of year one (ending June 30, 2020) and 65.0 percent and 3.0 percent, respectively, of year two (ending June 30, 2021) annual total patient days.

FCHV does not offer a Medicaid condition for the proposed project. CON #10270 proposed for transfer offered no Medicaid condition in its Schedule C.

G. RECOMMENDATION

Approve CON #10475 transfer CON #10270 from Five Points Health Care, Ltd., to First Coast Health Ventures, LLC to construct a 111-bed community nursing home in District 4, Nursing Home Subdistrict 4-1, Duval County, Florida. The total project cost is \$24,505,501. The project involves 81,641 GSF of new construction and a construction cost of \$17,250,000.

AUTHORIZATION FOR AGENCY ACTION

The authorized representative of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: _____

Marisol Fitch
Health Administration Services Manager
Certificate of Need