

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

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

NF Nine Mile, LLC/CON #10485

40 South Palafox Place, Suite 400
Pensacola, Florida 32502

Authorized Representative: Mr. James Richardson
(800) 861-9907

2. Service District/Subdistrict

District 1, Subdistrict 1-1 (Escambia and Santa Rosa Counties)

B. PUBLIC HEARING

A public hearing was not held or requested regarding the proposed project and no letters of support were submitted. The applicant cites letters of support previously submitted for CON #10351, which this application seeks to transfer.

C. PROJECT SUMMARY

NF Nine Mile, LLC (CON application #10485), also referenced as NF Nine Mile or the applicant, is an affiliate of Gulf Coast Health Care, LLC (referred to as Gulf Coast throughout this document). Nine Mile is a newly formed entity seeking to transfer #E160017 (the combination of CON #10243 and CON #10351) to establish a new 90-bed community nursing home in District 1, Subdistrict 1-1, Escambia County¹. NF Bay, LLC was originally awarded CON #10351 on September 15, 2015 which relied on 61 beds from the fixed need pool (published April 3, 2015) and 29 beds from a voluntary delicensure of beds at Rosewood Healthcare and Rehabilitation Center (155-bed affiliated facility).

¹ CON #10351 was divided into two parts via #E160013, with a 60-bed segment and a 30-bed segment. #E160017 combined CON #10243 with CON #10351 thus voiding the 30 community nursing home beds from #E160013.

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The applicant states that Gulf Coast owns and operates 44 skilled nursing facilities (SNFs) and assisted living facilities in Florida, Mississippi and Alabama, 33 of these facilities are located in Florida:

- Accentia Health and Rehabilitation Center of Tampa
- Arcadia Health and Rehabilitation Center
- Bayside Health and Rehabilitation Center
- Rosewood Health and Rehabilitation Center
- Specialty Health and Rehabilitation Center
- Silvercrest Health and Rehabilitation Center
- Bay Breeze Senior Living and Rehabilitation Center
- Grand Boulevard Health and Rehabilitation Center
- GlenCove Health and Rehabilitation Center
- Panama City Health and Rehabilitation Center
- Chipola Health and Rehabilitation Center
- Riverchase Health and Rehabilitation Center
- Brynwood Health and Rehabilitation Center
- Windsor Health and Rehabilitation Center
- Lake Eustis Health and Rehabilitation Center
- Suwannee Health and Rehabilitation Center
- Flagler Health and Rehabilitation Center
- Coastal Health and Rehabilitation Center
- DeBary Health and Rehabilitation Center
- Seaside Health and Rehabilitation Center
- Parkside Health and Rehabilitation Center
- Heritage Park Health and Rehabilitation Center
- Glen Oaks Health and Rehabilitation Center
- Lake Placid Health and Rehabilitation Center
- Wave Crest Health and Rehabilitation Center
- The Rehabilitation Center of Winter Park
- Oaks of Kissimmee Health and Rehabilitation Center
- Longwood Health and Rehabilitation Center
- Oakbrook Health and Rehabilitation Center
- Salerno Bay Health and Rehabilitation Center
- Boynton Health and Rehabilitation Center
- Royal Palm Beach Health and Rehabilitation Center
- Margate Health and Rehabilitation Center

The project involves 73,108 gross square feet (GSF) of new construction. The construction cost is \$13,159,440. Total project cost is \$19,178,412. Project cost includes land, building, equipment, project development, financing and start-up costs.

The applicant includes (CON application #10485, Exhibit 1-1) a signed and notarized Schedule 12-Trn/Affidavit by the Transferor, dated March 7, 2017, to transfer CON #10351, CON #10243, #E160013, #E160017 to another entity who will be an applicant for approval of the transfer.

The applicant does not wish to accept any conditions for the proposed project.

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 Dwight Aldridge 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 1-1 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.**

NF Nine Mile plans to construct the 90-bed nursing home on a land parcel located in ZIP Code 32534, to the north and west of Pensacola. The applicant states that this ZIP Code does not currently have any SNFs and the location of the proposed project is easily accessible from Interstate 10 and Route 29.

The applicant states that according to the most recent population estimates published by the Agency (Office of the Governor Population Estimates and Projections, September 2013)², as of January 1, 2017, Subdistrict 1-1 had a total population of 472,249 of which 75,834 (16 percent) were age 65+. Comparatively, the state had a total population of 20,240,503 with the 65+ population representing approximately 19 percent of the total. NF Nine Mile indicates that the 75+ age cohort is the most likely to utilize skilled nursing care. The applicant states that Escambia County has a larger 75+ population than Santa Rosa County, the subdistrict or the district. The applicant provides the following population data.

² The reviewer notes the most recent population estimates were published by the Agency in February 2015 and that the applicant states that the source is the 2015 data.

Current Population Estimates for Subdistrict 1-1, District 1 and Florida

	2017 Total Population	2017 65+ Population	2017 65+ % of Total	2017 75+ Population	2017 75+ % of Total
Escambia	304,491	51,057	16.8%	21,669	7.1%
Santa Rosa	167,758	24,777	14.8%	9,507	5.7%
Subdistrict Total	472,249	75,834	16.1%	31,176	6.6%
District Total	729,209	118,044	16.2%	48,735	6.7%
State Total	20,240,503	3,879,874	19.2%	1,719,704	8.5%

Source: CON application #10485, page 1-5, table 1-1

Projected Population Estimates for Subdistrict 1-1 and Florida

	2020 Total Population	2020 65+ Population	2022 75+ Population	CAGR Total Pop	CAGR 65+	CARG 75+
Escambia	307,951	55,249	22,967	0.4%	2.7%	2.0%
Santa Rosa	177,271	28,194	10,697	1.9%	4.4%	4.0%
Subdistrict Total	485,222	83,443	33,664	0.9%	3.2%	2.6%
District Total	750,906	129,990	52,528	1.0%	3.3%	2.5%
State Total	21,081,143	4,277,046	1,860,885	1.4%	3.3%	2.7%

Source: CON application #10485, page 1-5, table 1-1

NF Nine Mile states that the population tables above show that the growth rate for the 65+ and 75+ population is higher than the growth rate for the total population. When analyzing the population data, the applicant notes that Escambia County has a lower growth rate across all population groups. The applicant then analyzed the growth rate of the two primary ZIP Codes (32534 and 32514) within a five-mile radius of the proposed project’s planned location. NF Nine Mile concludes that the 65+ age cohort in the proposed location ZIP Code 32534, has a higher compound annual growth rate (CAGR) from 2017 to 2022, when compared to ZIP Code 32514, which currently has four nursing homes. Utilizing Nielsen Company population estimates by ZIP Code (2017-2022), the applicant provides the following population estimates and CARG for ZIP Codes 32534 and 32514. See the table below.

ZIP Codes 32534 and 32514 Population Estimates and Growth

	2017 Total Pop.	2017 65+	2022 Total Pop.	2022 65+	CAGR Total	CAGR 65+
ZIP Code 32534	15,034	2,557	16,037	3,076	1.3%	3.8%
ZIP Code 32514	40,999	7,608	43,595	8,756	1.2%	2.9%

Source: CON application, page 1-5

The applicant states that projections show that the elderly population is increasing at a faster rate than the population as a whole for the subdistrict. The applicant also indicates that the ZIP Code of the proposed project’s location has a higher elderly population growth rate than the subdistrict, district or state. NF Nine Mile notes that the proposed project’s ZIP Code (32534) does not currently have any nursing homes. The applicant discusses utilization in Subdistrict 1-1 and

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District 1, for the 12-month period ending June 2016-noting that the subdistrict’s overall utilization rate of 92.2 percent is higher than that of the district (88.7 percent) and the state overall (87.3 percent). The applicant provides a chart illustrating Subdistrict 1-1’s community nursing home utilization. See the following table.

Subdistrict 1-1 Community Nursing Homes

Facility	ZIP Code	Licensed Comm. Beds	FY 15/16 Occupancy Rate
<i>Escambia County</i>			
Arcadia Health & Rehabilitation Center	32514	170	84.5%
Bayside Health and Rehabilitation Center	32504	120	93.7%
Century Health and Rehabilitation Center	32535	88	90.3%
Consulate Health Care of Pensacola	32505	120	94.7%
Haven of our Lady of Peace	32503	120	95.5%
Life Care Center of Pensacola	32514	120	93.6%
Rehabilitation Center at Park Place	32501	118	92.6%
Rosewood Healthcare and Rehabilitation Center	32501	155	91.0%
Solaris Healthcare Pensacola	32514	180	93.2%
Southern Oaks Rehabilitation and Nursing Center	32501	210	93.2%
Specialty Health and Rehabilitation Center	32526	120	95.8%
University Hills Health and Rehabilitation	32514	120	96.3%
Willowbrooke Court at Azalea Trace*	32514	47	77.3%
<i>Santa Rosa County</i>			
Bay Breeze Senior Living & Rehabilitation Center	32563	120	90.7%
PruittHealth-Santa Rosa	32570	120	95.6%
Sandy Ridge Health and Rehabilitation	32570	60	95.0%
Santa Rosa Health & Rehabilitation Center	32570	110	87.5%
Total		2,098	92.2%

Source: CON application #10485, page 1-8

The applicant indicates that the six existing SNFs in the five-mile radius (representing 757 community nursing home beds) have high occupancy rates that limit accessibility. NF Nine Mile points out that only three SNFs within the subdistrict had occupancy rates below 90 percent, with Willowbrooke Court at Azalea Trace (47 beds) having the lowest occupancy in the subdistrict (77.3 percent). The applicant maintains that all six SNFs within a five-mile radius of the proposed site had an average occupancy rate of 91.4 percent for the most recent 12-month period ending June 30, 2016, with four of the six facilities experiencing occupancy rates in excess of 93 percent. The applicant states the that this high occupancy rate indicates high demand for SNFs as well as suggest that there are few beds available when hospitals try to discharge a patient to a SNF. See the table below.

**Occupancy Rate for SNF's
Within Five-Mile Radius of Planned Site**

Facility	ZIP Code	Licensed Comm. Beds	FY 2016 Occupancy Rate
Arcadia Health & Rehabilitation Center	32514	170	84.5%
Consulate Health Care of Pensacola	32505	120	94.7%
Solaris Healthcare Pensacola	32514	180	93.2%
Specialty Health and Rehabilitation Center	32526	120	95.8%
University Hills Health and Rehabilitation	32514	120	96.3%
Willowbrooke Court at Azalea Trace	32514	47	77.3%
Total		757	91.4%

Source: CON application #10485, page 1-9

The applicant discusses the impact the proposed facility would have on existing facilities and provides a table of forecasted nursing home resident days for Subdistrict 1-1 and the proposed facility assuming a 90 percent occupancy rate in the second year of operation (FY 2021). Based on the existing use rate of 9,642 nursing home days per 1,000 population of persons 65+ within the subdistrict, NF Nine Mile anticipates that the area will experience a projected 829,388 resident days in FY 2021—equating to an average daily census (ADC) of 2,272 persons. The applicant notes that when patient days from NF Nine Mile are subtracted from the total projected days, there would still be an ADC of 2,191, which exceeds the current number of beds within the subdistrict and exceeds beds approved by CON #10241 by 23. The applicant asserts that the proposed project will not have a negative impact utilization in the subdistrict. See the table below.

**NF Nine Mile Forecasted Utilization
Second Year of Operation (FY 2021)**

Resident Days July 1 2015 to June 30, 2016	707,730
Average Daily Census, FY 2016	1,943
Subdistrict 1-1 Population 65+, Jan 1, 2016	73,398
Days per 1,000 Persons, 65+, FY 2016	9,642
Subdistrict 1-1 Population 65+ 2021	86,015
Resident Days Forecasted for 2021	829,388
Average Daily Census Year 2021	2,272
Proposed Nursing Facility Days @ 90%	29,565
Deduct New Facility Resident Days from Forecast	799,823
Average Daily Census year 2021, Remaining Days	2,191

Source: CON #10485, page 1-10

The applicant notes that with respect to financial accessibility, the proposed SNF will be both Medicare and Medicaid-certified and in addition, NF Nine Mile will have third-party contracts to assure the widest coverage for the community. The applicant points out that as a community nursing home, the facility will be open to all persons.

The reviewer created the following chart from the applicant's Schedule 7.

NF Nine Mile, LLC Forecasted Utilization

	Year One 2020	Year Two 2021
Total Admissions	428	827
Total Patient Days	15,845	29,566
Occupancy	48.1%	90.0%

Source: CON application #10485, Schedule 7

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 is a newly formed entity and has no operating history. However, it indicates that NF Nine Mile will have specific resources available to support its quality programs and activities. NF Nine Mile asserts that as an affiliate of Gulf Coast, the proposed facility will be defined by the following mission statement: *“To provide a compassionate community of caring for our residents, families and associates.”* The applicant states that Gulf Coast’s vision is to be the best long-term care organization in the nation and points out the Four Pillars of Excellence on which Gulf Coast is built: people, service, quality and finance.

NF Nine Mile asserts that of the 33 Florida SNF’s operated by Gulf Coast, 14 facilities received an overall five-star rating while 11 are four-star facilities based on the most recent Agency inspections. The applicant maintains that as of 2014, 24 Gulf Coast facilities are National Quality Silver Award Recipients on the quality awards established by the American Health Care Association/National Center for Assisted Living (AHCA/NCAL), and the remaining nine have achieved Bronze status.

The applicant notes that it has a formal quality improvement program (QAPI) as well two additional initiatives for improving resident care:

- Using PointClickCare for electronic medical records
- Using INTERACT (Interventions to Reduce Acute Care Transfers) to reduce the number of re-hospitalizations

The applicant describes quality assurance on pages 2-2 through 2-4 of the application. NF Nine Mile indicates that its stated objectives of ongoing quality monitoring are:

- Assess resident care practices
- Review and analyze facility quality indicators
- Document, review and analyze facility incident reports
- Record and address facility deficiencies and resident grievances and develop appropriate responses to any perceived or real needs

The applicant continues by offering the following overview of quality assurance:

- Components of the quality improvement (QI) process
- Data collection and analysis
- Quality improvement
- How to manage QI
- Managing QI
- Performance measurement

Agency complaint records indicate, for the three-year period ending March 8, 2017, Gulf Coast had 55 substantiated complaints at its 33 facilities. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

Nursing Homes affiliated with Gulf Coast Health Care	
Complaint Category	Number Substantiated
Quality of Care/Treatment	19
Resident/Patient/Client Rights	11
Admission, Transfer & Discharge Rights	6
Dietary Services	3
Administration/Personnel	4
Physical Environment	4
Restraint's/Seclusion General	1
Infection Control	2
Physician Services	1
Billing/Refund	2
Life Safety Code	1
State Licensure	1

Source: Florida Agency for Healthcare Administration Complaint Records

- c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(1)(d), Florida Statutes.**

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.

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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 Omega Healthcare Investors, (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		
	Current Year	Previous Year
Current Assets	\$347,311,000	\$223,893,000
Total Assets	\$8,949,260,000	\$7,989,936,000
Current Liabilities	\$360,514,000	\$333,706,000
Total Liabilities	\$4,737,274,000	\$3,889,071,000
Net Assets	\$4,211,986,000	\$4,100,865,000
Total Revenues	\$900,827,000	\$743,617,000
Excess of Revenues Over Expenses	\$334,125,000	\$228,173,000
Cash Flow from Operations	\$625,791,000	\$463,885,000
Short-Term Analysis		
Current Ratio (CA/CL)	1.0	0.7
Cash Flow to Current Liabilities (CFO/CL)	173.58%	139.01%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	103.9%	86.7%
Total Margin (ER/TR)	37.09%	30.68%
Measure of Available Funding		
Working Capital	(\$13,203,000)	(\$109,813,000)

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 \$19,178,412 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 Omega Healthcare Investors confirming funding for this project.

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 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	11,729,265	397	2,004	465	344
Total Expenses	10,032,446	339	1,797	455	346
Operating Income	1,696,819	57	173	13	-51
Operating Margin	14.47%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	29,566	90.00%	96.94%	89.22%	68.75%
Medicaid	7,391	25.00%	40.02%	34.17%	22.75%
Medicare	17,444	59.00%	60.40%	41.17%	14.14%

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 and profit fall within the group range and are considered reasonable. CPD is slightly below the group. Expenses may be slightly understated. In addition, the total cost appears to include at least the minimum staffing required. Therefore, the overall profitability may be slightly overstated, but seems feasible.

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.

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).

Note: This project has received a stage III review by the Office of Plans and Construction. The plans were disapproved, but the principal reason for the disapproval was the lack of a valid certificate of need.

- 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 reviewer provides a five-year historical Medicaid patient days and Medicaid occupancy rate ending June 30, 2016 for the subdistrict, district and state. See the following table.

**Historical Provision of Medicaid by Subdistrict, District and State
Five Years Ending June 30, 2016
Medicaid Patient Days and Occupancy Rates**

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
Subdistrict 1-1	441,933	443,980	456,499	453,583	460,513
District 1	653,036	657,472	667,416	669,093	678,053
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
Subdistrict 1-1	63.20%	63.19%	65.62%	64.48%	65.07%
District 1	62.40%	62.47%	63.52%	63.14%	63.81%
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

NF Nine Mile is a newly formed entity and does not have a history of providing services to Medicaid and medically indigent patients. The applicant indicates that as an affiliated Gulf Coast facility, it will participate in the Medicaid program. The applicant states the expectation to admit residents who utilize various payer sources including self-pay, Medicare and Medicaid.

The applicant provides the following payer forecast for the first two years of operation, indicating that the expectation is that higher levels of rehabilitative and restorative care will be provided for shorter stays as residents return home, including Medicaid recipients.

NF Nine Mile, LLC, Projected Utilization

Payer	Year One: FY 2020 Days	Year Two: FY 2021 Days	Percent of Days Year Two	Year One: FY 2020 Admits	Year One: FY 2021 Admits
Medicare	8,479	17,444	59.0%	353	726
Medicaid	3,509	7,391	25.0%	10	21
Self-Pay	880	1,183	4.0%	15	20
All Other Payers	2,977	3,548	12.0%	50	60
Total	15,845	29,566	100.0%	428	827
Occupancy	48.10%	90.00%			

Source: CON application #10485, page 7-1

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The reviewer compiled the following Medicaid occupancy data for Gulf Coast Health Care operated Florida SNFs for July 1, 2015 to June 30, 2016. See the following table.

**Gulf Coast Health Care Florida Operated Facilities
Medicaid Occupancy and Total Occupancy Rates
July 1, 2015 to June 30, 2016**

Facility	Medicaid Days	Total Patient Days	Medicaid Occupancy
Accentia Health and Rehabilitation Center of Tampa Bay	65,650	81,934	80.13%
Arcadia Health and Rehabilitation Center	31,972	52,600	60.78%
Bayside Health and Rehabilitation Center	26,967	41,146	65.54%
Bay Breeze Senior Living and Rehabilitation Center	25,724	39,855	64.54%
Boynton Health Care Center	37,343	50,930	73.32%
Brynwood Health and Rehabilitation Center	25,588	35,502	79.61%
Chipola Health and Rehabilitation Center	12,866	19,596	65.66%
Coastal Health and Rehabilitation Center	32,051	41,670	76.92%
DeBary Health and Rehabilitation Center	26,628	41,348	64.40%
Flagler Health and Rehabilitation Center	22,007	39,204	56.13%
GlenCove Health and Rehabilitation Center	23,380	39,758	58.81%
Glen Oaks Health and Rehabilitation Center	20,846	25,645	81.29%
Grand Boulevard Health and Rehabilitation Center,	15,196	28,660	53.02%
Heritage Park Health and Rehabilitation Center	28,262	41,959	67.36%
Lake Eustis Health and Rehabilitation Center	21,802	31,809	68.54%
Lake Placid Health and Rehabilitation Center	38,157	60,226	63.36%
Longwood Health and Rehabilitation Center	30,926	41,531	74.46%
Margate Health and Rehabilitation Center	30,752	58,059	52.97%
Oakbrook Health and Rehabilitation Center	22,366	29,933	74.72%
Oaks of Kissimmee Health and Rehabilitation Center	14,280	19,950	71.58%
Parkside Health and Rehabilitation Center	32,597	40,138	81.21%
Panama City Health and Rehabilitation Center	30,761	42,515	72.35%
Rehabilitation Center of Winter Park, The	36,606	51,799	70.67%
Riverchase Health and Rehabilitation Center	34,376	41,245	83.35%
Rosewood Healthcare and Rehabilitation Center	37,692	51,619	73.02%
Royal Palm Beach Health and Rehabilitation Center	30,209	41,380	73.00%
Salerno Bay Health and Rehabilitation Center	28,939	40,668	71.16%
Seaside Health and Rehabilitation Center	40,628	47,819	84.96%
Silvercrest Health and Rehabilitation Center	13,925	19,835	72.20%
Specialty Health and Rehabilitation Center	26,454	42,074	62.87%
Suwannee Health and Rehabilitation Center	47,212	59,600	79.21 %
Wave Crest Health and Rehabilitation Center	25,532	37,373	68.32%
Windsor Health and Rehabilitation Center	30,391	39,8837	76.29%
Total	968,085	1,736,217	70.36%

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

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 22.1 percent and 5.6 percent, respectively, of year one and 25.0 percent and 4.0 percent, respectively of year two annual total patient days.

F. SUMMARY

NF Nine Mile, LLC (CON #10485) is a newly formed entity with no operational history and an affiliate of Gulf Coast proposes to establish a new 90-bed community nursing home in Subdistrict 1-1, Escambia County through the transfer of #E160017 from NF Bay, LLC. NF Nine Mile indicates a preferred project location in ZIP Code 32534.

Gulf Coast Health Care, LLC operates 33 SNFs in Florida.

The project involves 73,108 GSF of new construction. The construction cost is \$13,159,440. Total project cost is \$19,178,412. Project cost includes land, building, equipment, project development, financing and start-up costs.

The applicant proposes no conditions on its Schedule C.

Quality of Care

The applicant describe the ability to provide quality care. The applicant's controlling interest had 55 substantiated complaints at its 33 Florida SNFs during the three-year period ending March 8, 2017.

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.

Medicaid/Indigent Care Commitment:

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 22.1 percent and 5.6 percent, respectively, of year one and 25.0 percent and 4.0 percent, respectively, of year two annual total patient days.

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.

G. RECOMMENDATION

Approve CON #10485 to establish a new 90-bed community nursing home in Subdistrict 1-1, Escambia County through the transfer of #E160017 from NF Bay, LLC. The total project cost is \$19,178,412. The project involves 73,108 GSF of new construction and a total construction cost of \$13,159,440.

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