

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION:

1. Applicant/CON Action No.

Wesley Manor, Inc. d/b/a Westminster Woods on Julington Creek/CON #10525

80 West Lucerne Circle
Orlando, Florida 32801

Authorized Representative: Mr. Hank Keith, CFO
(407) 839-0707

2. Service District/Subdistrict

District 4/Subdistrict 3 (St. John's and Southeast Duval Counties)

B. PUBLIC HEARING:

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

Letters of Support

CON application #10525 includes six letters of support and "A Poem To Be Read and Danced". The letters are individually composed and are highly complimentary of the care and services received at the applicant's facilities.

C. PROJECT SUMMARY

Wesley Manor, Inc. d/b/a Westminster Woods on Julington Creek (CON application #10525) (also referred to as WWJC), a Florida not-for-profit, continuing care retirement community (CCRC), proposes to add five sheltered nursing home beds to the existing 60-bed SNF with a current bed complement of 57 community nursing home beds and three sheltered nursing home beds.

WWJC is one of 10 continuing care retirement communities (CCRCs) operated by Westminster Retirement Communities, Inc. Facilities include:

- Westminster Towers (Orlando)
- Westminster Oaks
- Westminster Shores
- Westminster Winter Park
- Westminster Suncoast
- Westminster Palms
- Westminster Manor
- Westminster Towers (Bradenton)
- Westminster Pines

The applicant's sister facility, Westminster Pines, Inc. d/b/a Westminster St. Augustine, was recently approved to transfer five community beds from WWJC through Exemption #180016. WWJC is seeking to keep a 60-bed inventory after the implementation of Exemption #180016 through the proposed addition with a bed complement of 52 community nursing home beds and eight sheltered nursing home beds.

WWJC received its certificate of authority (COA) from the Department of Financial Services to operate a CCRC in Florida, regulated under Chapter 651, Florida Statutes, with a COA issuance date of April 4, 1991. The applicant includes its COA in Exhibit 1-1. The CCRC presently consists of 284 independent living units, 80 licensed assisted living facility (ALF) beds, three sheltered beds and 57 community nursing home beds. The facility is well within the one sheltered nursing home bed per four residential unit ratio in statute with the proposed five-bed addition.

The applicant proposes no conditions on its Schedule C.

Total project cost is \$47,675. The project involves zero gross square feet (GSF) of new construction or renovation. Total project cost includes project development costs.

The application was filed in accordance to 59C-1.004(2)(a), Florida Administrative Code, which allows applications for sheltered nursing home beds to be reviewed as expedited applications rather than competitive batch review applications.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes; and applicable rules of the State of Florida Chapters 59C-1 and 59C-2, Florida Administrative Code. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

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

Rule 59C-1.010(3) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant.

As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, Marisol Fitch analyzed the application with consultation from the financial analyst, Kim Noble of the Bureau of Central Services, who reviewed the financial data and Scott Waltz of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following pages indicate the level of conformity of the proposed project with the review criteria and application content requirements found in Sections 408.035 and 408.037, Florida Statutes; and Chapters 59C-1 and 59C-2, Florida Administrative Code. Sheltered nursing homes are regulated under Chapter 651, Florida Statutes. Section 651.118 gives instruction to the Agency for review of any proposal for sheltered nursing beds.

Pursuant to s. 651.118 (2), Florida Statutes: *The Agency for Health Care Administration shall issue a certificate of need to any holder of a provisional certificate of authority pursuant to s. 651.022 to construct nursing home beds for the exclusive use of the prospective residents of the proposed continuing care facility if the holder of the provisional certificate of authority meets the Agency's applicable review criteria, utilizing the bed need provisions of subsection (4).*

Subsection (4) contains the following language: *The Agency for Health Care Administration shall approve one sheltered nursing home bed for every four proposed residential units, including those that are licensed under part I of chapter 429, in the continuing care facility unless the provider demonstrates the need for a lesser number of sheltered nursing home beds based on proposed utilization by prospective residents or demonstrates the need for additional sheltered nursing home beds based on actual utilization and demand by current residents.*

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Ch. 59C-1.008(2), Florida Administrative Code.

As noted above, this project is being reviewed under Rule 59C-1.004(2)(a), Florida Administrative Code. Expedited reviews may be submitted at any time and do not respond to fixed need pool publications. The applicant proposes to add five sheltered nursing home beds to its existing 60-bed campus (three sheltered and 57 community nursing home beds).

Pursuant to Rule 59C-1.037(1)(b), Florida Administrative Code, based on WWJC's 284 independent living units and 80 licensed ALF beds (a total of 364 units), the CCRC qualifies for 91 sheltered nursing home beds. With three currently licensed sheltered beds, the applicant may request approval for up to 88 sheltered beds but is requesting five, well within the one sheltered nursing home bed per four residential unit ratio in statute.

The applicant states that the objectives of the proposal are as follows:

- Continue to assure that both members of the public and continuing care contract holders have access to a five-star SNF
- Maintain continuous operations—adding five sheltered beds allows the facility to change the license to eight sheltered beds upon the relocation of five community beds to its affiliated entity Westminster St. Augustine
- Continue to operate a 50-bed facility—the number of beds at the facility remains at 60, even with the relocation of five community beds to Westminster St. Augustine

WWJC notes that St. Johns County contains ten Zip Codes, with the existing location in Zip Code 32259 with no other SNFs located in that Zip Code. The applicant asserts that a sizeable 65+ population exists in Zip Code 32259—6,211 elderly residents currently with the expectation to grow to 8,568 by 2023 (a compound annual growth rate of 6.6 percent). See the table below.

| St. Johns County Population Estimates by Zip Code for the 65+ Population | | | |
|---|--------------------------------|--------------------------------|-------------|
| Zip Code | 65+ Population 2018 | 65+ Population 2023 | CAGR |
| 32033 | 1,661 | 1,986 | 3.6% |
| 32080 | 7,787 | 9,377 | 3.8% |
| 32081 | 1,483 | 1,913 | 5.2% |
| 32082 | 8,856 | 10,955 | 4.3% |
| 32084 | 6,717 | 8,085 | 3.8% |
| 32086 | 7,745 | 9,263 | 3.6% |
| 32092 | 5,024 | 6,147 | 4.1% |
| 32095 | 1,905 | 2,492 | 5.5% |
| 32145 | 978 | 1,230 | 4.7% |
| 32259 | 6,211 | 8,568 | 6.6% |
| Total | 48,367 | 60,016 | 4.4% |

Source: CON application #10525, page 1-7

The applicant states that the existing facility is located within a 20-minute drive of two acute care hospitals (Baptist Medical Center South and St. Vincent’s Medical Center) and nine SNFs. Per the applicant, the two identified hospitals represent 427 discharges to nursing homes. WWJC indicates that of the 427 discharges, 29.7 percent are for conditions associated with the musculoskeletal system and 13.3 percent are for conditions associated with the circulatory system. The applicant maintains that the existing facility’s clinical staff regularly works with residents recovering from these types of conditions.

The applicant indicates that utilization within the subdistrict varies greatly, from 23.7 percent to 98.2 percent with a Subdistrict 4-3 overall occupancy of 84.2 percent for fiscal year (FY) 16/17. The occupancy for the same period of time at WWJC was 91.3 percent, per the applicant.

WWJC maintains that for the most recent 12-month period (April 1, 2016-March 31, 2017), the distribution of nursing home beds between life care residents and the public was 73 percent life care and 27 percent public. The applicant contends that the proposed five sheltered bed addition is supported by the current utilization data. WWJC indicates that retaining both community and sheltered beds provides the existing facility with the flexibility to serve both life care residents and residents within Subdistrict 4-3 in need of skilled nursing services.

The applicant calculates a nursing home use rate of 31.7 discharges to SNFs per 1,000 population for Zip Code 32259 (the location of WWJC). WWJC maintains that the 31.7 use rate is considerably higher than the use rate for St. Johns County which is 9.4, thereby indicating the need to keep the applicant’s current bed complement intact.

WWJC notes that the addition of five sheltered beds does not change the current plans of operation and that the facility will continue to provide a range of therapeutic programs within the SNF. The applicant asserts that it updates protocols, equipment and programs as needed to ensure residents receive care tailored to their individual care plan.

The applicant maintains that it has provided a detailed narrative about the proposed project including factors such as population demographics/dynamics, availability/utilization/quality of like services, medical treatment trend and market conditions to illustrate the proposed addition’s impact on Subdistrict 4-3 and elderly residents in need of SNF services.

Forecasted Utilization

WWJC provides a table illustrating the projected forecast for the proposed five sheltered beds of 100 percent for the first and second year of operation. See the table below.

| Utilization at WWJC for the First Two Years of Operation Five Sheltered Beds | | | | | | |
|---|------------------------------------|------------------------------------|-------------------|--------------------------|--------------------------|-----------------------|
| Payer | Year 1 Patient Days | Year 2 Patient Days | % of Total | Year 1 Admits | Year 2 Admits | % of Total |
| Medicare | 324 | 324 | 17.7% | 17 | 17 | 41.5% |
| Medicare HMO | 61 | 61 | 3.3% | 4 | 4 | 9.8% |
| Medicaid | 74 | 74 | 4.0% | 0 | 0 | 0.0% |
| Medicaid HMO | 256 | 256 | 14.1% | 1 | 1 | 2.4% |
| Self-Pay | 827 | 827 | 45.3% | 14 | 14 | 34.1% |
| Other | 284 | 284 | 15.6% | 5 | 5 | 12.2% |
| Total | 1,826 | 1,826 | 100.0% | 41 | 41 | 100.0% |

Source: CON application #10525, page 1-14

2. Agency Rule Preferences

- a. Use of Sheltered Nursing Home Beds. Under subsection 651.118(7), Florida Statutes, sheltered nursing home beds may be used for persons who are not residents of the continuing care facility, and who are not a party to a continuing care contract, for a period of up to five years from the date of issuance of the initial nursing home license for sheltered beds constructed in conjunction with the non-nursing home portion of the continuing care facility. Applicants applying at a later time for additional sheltered nursing home beds without increasing the number of residential units shall restrict the use of the additional sheltered beds to continuing care residents. Applicants who are adding additional residential units shall be allowed to apply for additional sheltered nursing home beds not exceeding a ratio of one nursing home bed per four residential units. Nursing home beds approved under this condition may be used for community residents for a period of up to five years from the date of issuance of the initial license of these beds.**

The reviewer notes that based on its existing 364 residential units the applicant is eligible for 91 sheltered nursing home beds. WWJC is presently licensed for and operates 57 community nursing home beds and three sheltered beds. The applicant is seeking approval to add five sheltered nursing home beds.

- b. Criteria and Standards. In addition to meeting the applicable review criteria in Section 408.035, Florida Statutes, and the provisions in this rule, applicants for certificates of need for sheltered nursing home beds shall comply with the criteria and standards outlined under Section 651.118, Florida Statutes.**

WWJC received its COA from the Department of Financial Services to operate a CCRC in Florida, regulated under Chapter 651, Florida Statutes, with a COA issuance date of April 4, 1991. The COA is #00-59-0872675. The applicant includes its COA in Exhibit 1-1.

- c. Data Collection and Reporting Procedures. Continuing care providers shall submit to the Agency, or its designated Agency, semi-annual bed utilization reports for the purpose of determining community and sheltered nursing home bed utilization based on historical use by residents and non-residents of the continuing care facility. Bed utilization data shall be reported on July 30 for the period of January 1 through June 30, and on January 30 for the period of July 1 through December 31 of each calendar year. Bed utilization data shall include:**

- (a) **Total number of resident admissions during the six-month reporting period.**
- (b) **Total number of non-resident admissions during the six-month reporting period.**
- (c) **Total admissions for the six-month reporting period.**
- (d) **Total resident patient days for the six-month reporting period.**
- (e) **Total non-resident patient days for the six-month reporting period.**
- (f) **Total patient days for the six-month reporting period.**

The applicant indicates that it currently reports admission and resident days to the local health council (Health Planning Council of Northeast Florida, Inc.) and will continue to report data as required with the addition of five sheltered beds.

3. Statutory Review Criteria

- a. **Is need for the project evidenced by the availability, quality of care, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? Section 408.035(1) (a) and (b), Florida Statutes.**

The applicant notes that St. Johns County has five SNFs with 537 community nursing home beds (537 beds), these SNFs had an overall occupancy of 76.4 percent for the most recent 12-month period (July 1, 2016-June 30, 2017). WWJC indicates that it had an overall occupancy of 91.3 percent for the same time-period. The applicant states that there are three CCRCs in St. Johns County which operate 93 total sheltered beds.

WWJC contends that availability issues are tied to resident choice and preferences for a private room. The applicant indicates that it provides the largest inventory of private rooms within the county—36 total private rooms. WWJC indicates that if a private room is not available, a delay in placement can occur with negative consequences which can result in declines in a person's condition if therapies and treatments are not started timely.

In terms of quality, the applicant maintains that it is both an Agency and CMS five-star rated facility.

WWJC states that it provides care for community residents and life care residents who have Medicare, Medicaid and other forms of insurance to ensure financial accessibility.

- b. **Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? Is the applicant a Gold Seal Program nursing facility that is proposing to add beds to an existing nursing home? Section 408.035(1)(c) and (j), Florida Statutes.**

The applicant indicates that Westminster Retirement Communities, Inc. currently operates ten SNFs with a total of 821 beds, as part of its life care communities. WWJC provides the following facility inspection ratings for these SNFs.

**Westminster Retirement Communities, Inc.
Skilled Nursing Facility Inspection Ratings**

| Facility | District | Rating | Comm. Beds | Sheltered Beds |
|--|-----------------|---------------|-------------------|-----------------------|
| Westminster Manor (Bradenton) | 6 | 4 Stars | 42 | 17 |
| Westminster Towers (Bradenton) | 6 | 5 Stars | 55 | 65 |
| Westminster Towers (Orlando) | 7 | 2 Stars | 115 | 5 |
| Westminster Oaks (Tallahassee) | 2 | 5 Stars | 48 | 72 |
| Westminster Pines (St. Augustine) | 4 | 3 Stars | 57 | 3 |
| Westminster Suncoast (St. Pete) | 5 | 5 Stars | 120 | 0 |
| Westminster Palms (St. Pete) | 5 | 5 Stars | 42 | 0 |
| Westminster Woods on Julington Creek (St. Johns) | 4 | 5 Stars | 57 | 3 |
| Westminster Baldwin Park (Baldwin Park) | 7 | | 40 | 0 |
| Westminster Winter Park (Winter Park) | 7 | 3 Stars | 80 | 0 |

Source: CON application #10525, page 4-2

WWJC notes that it has a five-star rating from both the Agency’s and CMS’s nursing home compare. The applicant indicates that it participates in the national Health Services Advisory Group as part of the Florida National Nursing Home Quality Collaboration. WWJC states that it received a certificate for excellence in achieving the Quality Measure Composite Score goal.

WWJC indicates that it utilizes an electronic health record for long-term care facilities offered by American HealthTech which allows for eprescribing, documentation of care plans, tracking of Minimum Data Set measures and quality functions.

The applicant states the existing facility has implemented a Quality Assurance (QA) program that will ensure consistent, high-quality care is provided to all residents. WWJC indicates the proposed facility's quality assurance program will require continuous monitoring and assessing resident care practices, identifying/investigating potential problems and implementing appropriate actions to reduce or eliminate problems. The applicant notes that each department that has an impact upon resident care and services will be actively involved in the QA program.

WWJC maintains that residents enjoy activities both within and outside the facility for a variety of fun and interesting activities to promote their health and well-being. The applicant includes both the February and March 2018 calendars in Exhibit 4-2 of CON application #10525. WWJC indicates that it reviews resident activities to ensure they meet all aspects of a quality activities program—activities are included as part of the Continuous Quality Improvement process under the area of quality of life.

The applicant is not a Gold Seal Program and is not presently on the Nursing Home Watch List. The most recent Agency inspection indicates WWJC received an overall five-star rating out of a possible five stars for the period of October 2015 through May 2018. The inspection rating was last updated May 2018.

Agency licensure records indicate that WWJC had no substantiated complaints for the three-year period ending April 12, 2018. Agency complaint records indicate that the affiliated nursing homes associated with the parent company, for the three-year period ending April 12, 2018 had six substantiated complaints at its facilities in the complaint categories of quality of care/treatment (four), infection control and unqualified personnel.

- c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures are available for project accomplishment and operation? Section 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 applicant provided audited financial statements for The Obligated Group, where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

| The Obligated Group | | |
|---|---------------------|----------------------|
| | Current Year | Previous Year |
| Current Assets | \$45,417,725 | \$41,303,421 |
| Total Assets | \$761,994,754 | \$566,919,195 |
| Current Liabilities | \$46,767,268 | \$36,963,351 |
| Total Liabilities | \$627,673,452 | \$438,165,022 |
| Net Assets | \$134,321,302 | \$128,754,173 |
| Total Revenues | \$172,344,068 | \$164,104,101 |
| Excess of Revenues Over Expenses | (\$6,751,871) | (\$9,068,021) |
| Cash Flow from Operations | \$39,759,927 | \$48,373,026 |
| Short-Term Analysis | | |
| Current Ratio (CA/CL) | 1.0 | 1.1 |
| Cash Flow to Current Liabilities (CFO/CL) | 85.02% | 130.87% |
| Long-Term Analysis | | |
| Long-Term Debt to Net Assets (TL-CL/NA) | 432.5% | 311.6% |
| Total Margin (ER/TR) | -3.92% | -5.53% |
| Measure of Available Funding | | |
| Working Capital | (\$1,349,543) | \$4,340,070 |

| 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 \$3,090,553, which includes this project and capitalization. The applicant states on Schedule 3 that funding for this project will come from cash on hand. The applicant provided audited financial statements showing over \$17 million in cash and cash equivalents.

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 meets this requirement.

Schedule 6A shows that the FTEs for year one (ending June 30, 2019) are 92.17 and year two (ending June 30, 2020) are 92.17 for the entire 60-bed facility. The applicant indicates that the addition of five sheltered beds will not change any current staffing. See the table below.

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| Westminster Woods on Julington Creek Existing Staffing 60 beds | | |
|---|----------------------|----------------------|
| Position | Year One FTEs | Year Two FTEs |
| Administration | | |
| Administrator | 1.00 | 1.00 |
| Director of Nursing | 1.00 | 1.00 |
| Admissions Director | 1.00 | 1.00 |
| Bookkeeper | 1.00 | 1.00 |
| Secretary | 1.00 | 1.00 |
| Medical Records Clerk | 1.00 | 1.00 |
| Other: Marketing | 1.00 | 1.00 |
| Other Nursing Admin | 3.00 | 3.00 |
| Total | 10.00 | 10.00 |
| Physicians | | |
| Medical Director (Contracted) | 1.00 | 1.00 |
| Nursing | | |
| RN | 7.18 | 7.18 |
| LPN | 5.88 | 5.88 |
| Nurses' Aides | 28.91 | 28.91 |
| Total | 41.98 | 41.98 |
| Ancillary | | |
| Speech Therapist | 4.06 | 4.06 |
| Occupational Therapist | 2.25 | 2.25 |
| Other | 2.25 | 2.25 |
| Total | 7.21 | 7.21 |
| Dietary | | |
| Dietary Supervisor | 2.00 | 2.00 |
| Cooks | 8.78 | 8.78 |
| Dietary Aides | 8.78 | 8.78 |
| Total | 19.56 | 19.56 |
| Social Services | | |
| Social Services Director and Assistant | 1.35 | 1.35 |
| Activity Director | 1.00 | 1.00 |
| Activities Assistant | 1.87 | 1.87 |
| Total | 4.22 | 4.22 |
| Housekeeping | | |
| Housekeeping Supervisor | 1.00 | 1.00 |
| Housekeepers | 5.13 | 5.13 |
| Total | 6.13 | 6.13 |
| Plant Maintenance | | |
| Maintenance Supervisor | 0.43 | 0.43 |
| Maintenance Assistance | 1.64 | 1.64 |
| Total | 2.07 | 2.07 |
| Grand Total | 92.17 | 92.17 |

Source: CON application #10525, Schedule 6

Conclusion:

Funding for this project is likely.

- d. **What is the immediate and long-term financial feasibility of the proposal? Section 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 (2015, 2016, and 2017 cost report years). For our comparison group, we selected SNFs with similar Medicaid utilizations to the utilization projected by the applicant on a per patient day basis (PPD). Comparison group data was adjusted for inflation to match the second year projection (inflation factor was based on the New CMS Market Basket Price Index as published in the 3rd Quarter 2017, 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 | 7,537,400 | 351 | 1,978 | 484 | 277 |
| Total Expenses | 6,883,100 | 320 | 1,955 | 484 | 317 |
| Operating Income | 12,700 | 1 | 182 | -10 | -492 |
| Operating Margin | 0.17% | | Comparative Group Values | | |
| | Days | Percent | Highest | Median | Lowest |
| Occupancy | 21,497 | 90.36% | 99.31% | 85.90% | 37.49% |
| Medicaid | 3,886 | 18.08% | 29.84% | 18.62% | 0.00% |
| Medicare | 4,525 | 21.05% | 99.59% | 30.16% | 5.51% |

The projected NRPD, CPD and profit fall within the group range and are considered reasonable. 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? Section 408.035(1)(g), Florida Statutes.

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? Section 408.035(1)(h), Florida Statutes; Ch 59A-4, Florida Administrative Code.

The Office of Plans and Construction notes that the codes and standards regulating the design and construction of SNFs are the same for beds licensed as sheltered beds and community beds.

It is the position of the Office of Plans and Construction that a review of the architectural submissions for this project is unnecessary since the existing nursing beds have already been reviewed and approved by the Agency for use as skilled nursing beds in accordance with Florida Statutes 400.232 and Florida Administrative Code 59A-4.133.

The reviewer notes that any modifications or alterations of the physical plant due to a conversion would need to be reviewed by the Office of Plans and 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? Section 408.035(1)(i), Florida Statutes.**

A five-year history of Medicaid patient days and Medicaid occupancy for the subdistrict, district and state (for the five-year period ending December 31, 2018) is provided in the table below.

**Medicaid Patient Days and Medicaid Occupancy
in Subdistrict 4-3, District 4 and Florida**

| Medicaid Patient Days | | | | | |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Area | 2013 | 2014 | 2015 | 2016 | 2017 |
| Subdistrict 4-3 | 489,709 | 499,185 | 489,088 | 497,241 | 484,962 |
| District 4 | 1,839,586 | 1,849,792 | 1,821,961 | 1,859,116 | 1,845,920 |
| Florida | 15,700,197 | 15,932,613 | 15,959,939 | 16,144,618 | 15,990,448 |
| Medicaid Occupancy | | | | | |
| Area | 2013 | 2014 | 2015 | 2016 | 2017 |
| Subdistrict 4-3 | 55.76% | 55.85% | 55.12% | 60.98% | 56.86% |
| District 4 | 61.09% | 61.28% | 60.70% | 62.34% | 62.51% |
| Florida | 61.66% | 62.17% | 62.18% | 63.13% | 63.18% |

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, April 2014-2018

The applicant states that as a CCRC it offers skilled nursing to life care residents as well as elderly persons outside the retirement community. WWJC indicates that it is dually-certified to provide both Medicare and Medicaid skilled nursing services. The applicant indicates that for the most recent period available (July 2016-June 2017), WWJC provided 3,618 Medicaid days representing 19.05 percent of all community bed resident days. WWJC notes that the historical average for uncollected billings and charity care represent 1.16 percent of net revenue at the existing facility.

WWJC provides a table illustrating projected forecast for the proposed five sheltered beds of 100 percent for the first and second year of operation. See the table below.

| Utilization at WWJC for the First Two Years of Operation Five Sheltered Beds | | | | | | |
|---|------------------------------------|------------------------------------|-------------------|--------------------------|--------------------------|-----------------------|
| Payer | Year 1 Patient Days | Year 2 Patient Days | % of Total | Year 1 Admits | Year 2 Admits | % of Total |
| Medicare | 324 | 324 | 17.7% | 17 | 17 | 41.5% |
| Medicare HMO | 61 | 61 | 3.3% | 4 | 4 | 9.8% |
| Medicaid | 74 | 74 | 4.0% | 0 | 0 | 0.0% |
| Medicaid HMO | 256 | 256 | 14.1% | 1 | 1 | 2.4% |
| Self-Pay | 827 | 827 | 45.3% | 14 | 14 | 34.1% |
| Other | 284 | 284 | 15.6% | 5 | 5 | 12.2% |
| Total | 1,826 | 1,826 | 100.0% | 41 | 41 | 100.0% |

Source: CON application #10525, page 1-14

The applicant proposes no conditions on Schedule C.

F. SUMMARY

Wesley Manor, Inc. d/b/a Westminster Woods on Julington Creek (CON application #10525) a Florida not-for-profit CCRC proposes to add five sheltered nursing home beds to the existing 60-bed SNF, which has a bed complement of 57 community nursing home beds and three sheltered nursing home beds.

The applicant’s sister facility, Westminster Pines, Inc. d/b/a Westminster St. Augustine, was recently approved to transfer five community beds from WWJC through Exemption #180016. WWJC is seeking to keep a 60-bed inventory after the implementation of Exemption #180016 through the proposed addition with a bed complement of 52 community nursing home beds and eight sheltered nursing home beds.

WWJC received its COA from the Department of Financial Services to operate a CCRC in Florida with an issuance date of April 4, 1991. The CCRC presently consists of 284 independent living units, 80 licensed ALF beds, three sheltered beds and 57 community nursing home beds. The facility is well within the one sheltered nursing home bed per four residential unit ratio in statute with the proposed five-bed addition the facility will have eight sheltered beds total.

Total project cost is \$47,675. The project involves zero GSF of new construction or renovation. Total project cost includes project development costs.

The applicant proposes no conditions on its Schedule C.

After weighing and balancing all relevant criteria, the following issues are presented:

Need:

The proposed project is not submitted in response to the fixed need pool. By adding five sheltered nursing home beds the applicant expects to maintain the current bed complement after an approved transfer of five community nursing home beds to its sister facility Westminster St. Augustine.

The applicant states that the objectives of the proposal are as follows:

- Continue to assure that both members of the public and continuing care contract holders have access to a five-star SNF
- Maintain continuous operations—adding five sheltered beds allows the facility to change the license to eight sheltered beds upon the relocation of five community beds to its affiliated entity Westminster St. Augustine
- Continue to operate a 50-bed facility—the number of beds at the facility remains at 60, even with the relocation of five community beds to Westminster St. Augustine

Quality of Care:

- WWJC received an overall five-of-five nursing home rating by both the state and CMS for the most recent inspection rating time period
- Agency licensure records indicate that WWJC had no substantiated complaints for the three-year period ending April 12, 2018
- Agency complaint records indicate that the affiliated nursing homes associated with the parent company, for the three-year period ending April 12, 2018 had six substantiated complaints at its facilities
- The applicant demonstrates the ability to provide quality care

Cost/Financial Analysis:

- Funding for this project is likely
- This project appears to be financially feasible based on the projections provided by the applicant
- Staffing meets the requirements of 400.23(3)(a)1. Florida Statutes
- Strictly based on financial schedules, this project is not likely to have a material impact on competition to promote quality and cost-effectiveness

Medicaid/Indigent Care:

- The applicant provides no Medicaid/Medicaid managed care or charity care conditions pursuant to the proposed project
- Schedule 7 of the application indicates that for year one (ending June 30, 2019) and for year two (ending June 30, 2020), self-pay represents 45.3 percent and Medicaid/Medicaid HMO represents 18.1 percent of annual total patient days for each year for the five sheltered bed addition

Architectural Analysis:

- The Office of Plans and Construction notes that the codes and standard regulating the design and construction of skilled nursing facilities are the same for bed licensed as sheltered beds and community beds
- A review of the architectural submissions for this project was deemed unnecessary as the existing nursing beds have already been reviewed and approved by the Agency for use as skilled nursing beds in accordance with Florida Statutes 400.232 and Florida Administrative Code 59A-4.133

G. RECOMMENDATION

Approve CON 10525 to add five sheltered nursing home beds. The total project cost is \$47,675. The project involves zero GSF of new construction or renovation.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Marisol Fitch
Health Administration Services Manager
Certificate of Need