

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION:

1. Applicant/CON Action No.

Naval Continuing Care Retirement Foundation, Inc. d/b/a Fleet Landing/CON #10542

c/o Greystone Communities
225 E. John Carpenter Freeway, Suite 700
Irving, Texas 75062

Authorized Representative: Mr. Matthew Aube, V.P.
Planning and Financial Services
(972) 402-3722

2. Service District/Subdistrict

District 4/Subdistrict 3 (St. Johns and Southeast Duval Counties)

B. PUBLIC HEARING:

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

Letters of Support

CON application #10542 includes no letters support and the Agency did not receive independently any letters of support to promote the proposed project.

C. PROJECT SUMMARY

Naval Continuing Care Retirement Foundation, Inc. d/b/a Fleet Landing (CON application #10542), also referenced as NCCRF or the applicant, a Florida non-profit, continuing care retirement community (CCRC), located in ZIP Code 32233 and founded in 1985, proposes to add 30 sheltered nursing home beds (in a separate structure) to an existing 70 sheltered bed skilled nursing facility (SNF), on the Fleet Landing campus, in District 4, Subdistrict 4-3 (Duval County, Florida). NCCRF currently has no community nursing home beds. According to Fleet Landing, this project is in response to adding 128 independent living

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apartments and 38 assisted living units (assisted living facility or ALF beds). The project summary indicates that to assist in implementation, the applicant retained Greystone to provide developmental consulting services associated with the CCRC's planned expansion.

NCCRF received its certificate of authority (COA)¹ from the Department of Financial Services to operate a CCRC in Florida, regulated under Chapter 651, Florida Statutes, on April 13, 1989. The applicant includes its COA in Exhibit 1-1 of CON application #10542. The project summary indicates that the CCRC presently operates 454 residential units, with a mix of independent living (homes and apartments), assisted living and memory support units. The applicant is within the one sheltered nursing home bed per four residential unit ratio in statute with the proposed 30-bed addition. If approved, the proposal would result in 100 sheltered beds (70 existing sheltered beds plus the 30 proposed sheltered beds).

The applicant proposes no conditions on its Schedule C.

Total project cost is \$10,784,000. The project involves 31,315 gross square feet (GSF) of new construction and no renovation. Total project cost includes: land, building, equipment, project development, financing and start-up costs.

CON application #10542, Schedule 10 forecasts issuance of license in December 2020 and initiation of service in January 2021.

The application was filed in accordance to Rule 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.

Issuance of a CON is required prior to licensure of certain health care facilities and services. The review of a CON application and ultimate approval or denial of a proposed project is based upon the applicable statutory criteria in the Health Facility and Services Development Act (408.031-408.045, Florida Statutes) and applicable rule criteria within Chapters 59C-1 and 59C-2, Florida Administrative Code. An approved CON does not guarantee licensure of the proposed project. Meeting the applicable licensure requirements and licensure of the proposed project is the sole responsibility of the applicant.

¹This COA is No. 97-59-2708341 and Facility No. 88145.

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, the consultant, Steve Love, analyzed the application with consultation from the financial analyst, Derron Hillman 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 30 sheltered nursing home beds to its existing 70-bed SNF on its campus (with the existing 70 beds being sheltered and no community nursing home beds being associated with NCCRF d/b/a Fleet Landing).

Pursuant to Rule 59C-1.037(1)(b), Florida Administrative Code, based on NCCRF's 454 residential units (including independent, assisted living and memory care), the CCRC qualifies for 114 sheltered nursing home beds. With 70 licensed sheltered beds, the applicant may request approval for an additional 44 sheltered beds. With this proposal, the applicant is well within the one sheltered nursing home bed per four residential unit ratio in statute. The applicant states expansion of an additional 128 independent living apartments and an additional 38 ALF beds. The reviewer notes that upon completion of the non-CON regulated 166 living units, this would total 620 living units. Upon completion of 620 living units, the applicant would be eligible to operate 155 sheltered nursing beds.

The applicant provides an aerial photograph of a portion of Fleet Landing located at One Fleet Landing Blvd., Atlantic Beach, Florida 32233 (CON application #10542, page 1-2, Figure 1-1).

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Through the Agency’s FloridaHealthFinder.gov website at <http://www.floridahealthfinder.gov/facilitylocator/ListFacilities.aspx>, the reviewer confirms the address of Fleet Landing, as stated by the applicant. NCCRF also provides a map from the Greater Jacksonville area southward toward St. Augustine (St. Johns County) noting that Fleet Landing is the only SNF with an Atlantic Beach, Florida address. NCCRF utilizes the Agency’s Florida Population Estimates and Projections by AHCA District 2010-2030 publication, issued February 2015, to show the District 4 population estimates, by county, for the five-year period July 1, 2018 to July 1, 2023, by age (total population, age 65+ and age 75+), as well as the population difference over this five-year period, the corresponding percentage change and the compound annual growth rate (CAGR). The reviewer collapses the discreet county totals (Baker, Clay, Duval, Flagler, Nassau, St. Johns and Volusia) into the District 4 totals. See the table below.

District 4 Population and Population Growth

All District 4 Counties	July 1, 2018			July 1, 2023			Difference/Increase		
	Total Pop	65+	75+	Total Pop	65+	75+	Total Pop	65+	75+
Total	2,123,740	386,391	156,358	2,269,464	456,882	191,689	145,724	70,491	35,331
	Percent Change			CAGR					
All District 4 Counties	Total Pop	65+	75+	Total Pop	65+	75+			
Total	6.9%	18.2%	22.6%	1.3%	3.4%	4.2%			

Source: CON application #10542, page 1-9, Table 1-1

The applicant notes that the population growth of the elderly within District 4 provides a population who may wish to purchase a life care contract. NCCRF indicates that it draws residents from outside of Florida and the immediate area is not the only source of the CCRC’s residents. The applicant comments that its existing residents have an average age of 83 (as of the end of 2017) and the average age of individuals placing deposits on the new independent living units is 74.

NCCRF uses the Claritas Population Estimates 2018-2023 to present the subdistrict’s elderly population by ZIP Code, with only those ZIP Codes in the southeastern portion of Duval County (and ZIP Codes in St. Johns County) included for the subdistrict. Based on its data source, the applicant expects Subdistrict 4-3’s elderly population to reach 92,673 residents age 65+ by 2023 with a CAGR of 4.3 percent. NCCRF points out that this indicates growth in the elderly population. See the table below.

Elderly Population by ZIP Code for Subdistrict 4-3

ZIP Code	2018 65+ Population	2023 65+ Population	CAGR
32207	5,485	6,502	3.5%
32211	4,265	5,069	3.5%
32216	6,351	7,630	3.7%
32217	3,997	4,587	2.8%
32223	4,675	5,610	3.7%
32224	5,176	6,516	4.7%
32225	7,852	10,048	5.1%
32227	13	25	14.0%
32233	3,860	4,662	3.8%
32246	5,914	7,755	5.6%
32250	5,135	6,320	4.2%
32256	6,418	8,002	4.5%
32257	6,705	8,171	4.0%
32258	3,897	5,082	5.5%
32266	1,310	1,617	4.3%
32277	4,145	5,077	4.1%
Duval Subtotal	75,198	92,673	4.3%
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%
St. Johns Subtotal	48,367	60,016	4.4%
Subdistrict Total	123,565	152,689	4.3%

Source: CON application #10542, page 1-11, Table 1-2

The applicant discusses availability and utilization (CON application #10542, pages 1-12 thru 1-15) indicating that this pertains to room configuration. NCCRF emphasizes that increasingly, elders and their families prefer to stay in a private room when in a SNF and that this may impact availability. The applicant contends that an elder’s medical condition, such as sepsis or pneumonia, may require need for a private room. NCCRF maintains that facilities with multi-bed rooms sometimes do not operate the rooms with multiple residents and that this decreases the number of available beds.

NCCRF reproduces page 69 of the Agency’s Florida Nursing Home Bed Need Projections by District and Subdistrict, issued March 30, 2018, to indicate each SNF in Subdistrict 4-3, the licensed community beds, bed days, patient days, total occupancy, Medicaid days and Medicaid occupancy rates for the 12-month period ending December 31, 2017.

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The reviewer collapses the 22 SNFs in Subdistrict 4-3 that are identified in the publication into the utilization results shown in the applicant’s table below. The reviewer confirms that the results in the applicant’s table above are consistent with the Agency’s publication, as indicated.

**Subdistrict 4-3 Community Nursing Home Utilization
Calendar Year 2017)**

All Subdistrict 4-3 Community Nursing Homes	Licensed Community Beds	Bed Days	Patient Days	Total Occupancy	Medicaid Days	Medicaid Occupancy
Total	2,770	1,011,050	852,851	84.4%	484,962	56.9%

Source: CON application #10542, page 1-13, Table 1-3

NCCRF states that at present, it has a five-year extension to utilize its existing 30 sheltered beds for non-life care residents. The reviewer confirms that the Agency’s current approval runs from August 29, 2015 through August 18, 2020. The applicant maintains that it continues to provide the majority of skilled nursing care to its life care contract holders. The applicant provides a graph to show Fleet Landing’s stated patient day totals (by month), by resident days and by non-resident days, from January 2015 through December 2015 (CON application #10542, page 1-14, Figure 1-7). The reviewer notes that according to the applicant’s data, Fleet Landing had a minority of total patient days and a minority of percent of patient days, for non-residents, for the three-year period. See the table below.

**Annual Patient Days by Residents and Non-Residents
2015-2017**

	Patient Days			Percent of Days		
	2015	2016	2017	2015	2016	2017
Residents	14,605	14,012	16,120	84%	86%	84%
Non-Residents	2,712	2,358	3,105	16%	14%	16%
Total	17,317	16,370	19,225	100%	100%	100%
Bed Days/ Occupancy	29,200	26,530	25,550	59.3%	61.7%	75.2%

Source: CON application #10542, page 3-9, Table 3-2

NCCRF discusses quality in item E.3.b of this report.

Regarding medical treatment trends, the applicant discusses that the 30-bed, all private-room proposal meet current bed configuration trends and requirements, provides patient privacy and reduces resident risk of infection such as nosocomial infection².

² A nosocomial infection is contracted because of an infection or toxin that exists in a certain location, such as a hospital. Nosocomial infections are used interchangeably with the terms health-care associated infections and hospital-acquired infections.

Regarding market conditions, the applicant discusses how entrance fee CCRCs in primary and secondary markets (with the Jacksonville, Florida area being considered a secondary market, according to the National Investment Center for Seniors Housing and Care), have experienced higher occupancy rates since 2015, than rental CCRCs (CON application #10542, pages 1-16 through 1-18). The applicant provides trending graphs regarding these conclusions in Figures 1-8, 1-9 and 1-10 of the application.

Forecasted Utilization

For the proposed 30-bed sheltered addition, NCCRF estimates a total of 5,840 patient days (total admissions of 132) in year one, ending December 31, 2021 and a total of 8,029 patient days (total admissions of 182) in year two, ending December 31, 2022. The applicant notes that the project results in a “modest uptick” in short-term rehabilitation, with Medicare representing 50 percent of patient days and self-pay and other payers representing 25 percent for years one and two. NCCRF comments that Medicare is the primary payer for short-term rehabilitation. See the table below.

Projections by Payer for 30 Additional Sheltered Beds

	Year One	Year Two	Percent
Patient Days			
Medicare	2,920	4,015	50%
Self-Pay	1,460	2,007	25%
Other Payers	1,460	2,007	25%
Total	5,840	8,029	100%
Admissions			
Medicare	97	134	73%
Self-Pay	10	14	8%
Other Payers	25	34	19%
Total	132	182	100%

Source: CON application #10542, page 1-19, Table 1-6

The applicant indicates that no adverse results would occur to existing SNFs within the immediate market area of a 10-mile radius, pursuant to the proposed project (CON application #10542, pages 3-11 and 3-12, including Table 3-3).

NCCRF provides a narrative description of the application of the Health Care Access Criteria, pursuant to this proposal (CON application #10542, pages 3-12 to 3-14).

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 454 residential units, the applicant is eligible for 114 sheltered nursing home beds. NCCRF already operates 70 sheltered beds, leaving 44 sheltered beds still available to the applicant for Agency approval. Through this proposal, the applicant seeks approval to add 30 sheltered nursing home beds.

The applicant states current expansion of 166 units (128 independent living apartments plus 38 ALF beds), which would total 620 living units.

Upon completion of 620 living units, the applicant would be eligible to operate 155 sheltered nursing 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.**

The applicant 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 13, 1989. The COA is No. 97-59-2708341. The applicant includes its COA in Exhibit 1-1 of the application.

- 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 understands the reporting requirements and agrees to continue to submit the above-cited utilization reports to the Agency through the local health council (Health Planning Council of Northeast Florida, Inc.). The applicant points out not holding certification for Medicaid participation, thus, reports do not contain Medicaid utilization information.

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.**

Regarding availability, the applicant restates that 2,770 community nursing home beds, 163 sheltered beds and a 120-bed SNF through Clyde E. Lassen State Veteran Home (3,053 nursing beds in total) are contained in the inventory for Subdistrict 4-3. NCCRF discusses the availability of CCRCs and sheltered beds along with SNFs statewide (CON application #10542, page 3-2 and 3-3, Table 3-1). The applicant indicates that District 4 has the 4th largest number of sheltered facilities/beds and the 2nd largest number of SNFs—with sheltered beds representing 2.76 percent of total beds. NCCRF maintains that occupancy for community nursing home beds within Subdistrict 4-3 averaged 84.4 percent for the most recent reporting period (calendar year

2017). The applicant emphasizes that the proposed project enhances availability of nursing home beds on the campus at Fleet Landing. Regarding quality of care, see item E.3.b of this report.

Regarding accessibility, NCCRF indicates that the proposed project improves access and offers contract holders the latest in design for SNFs. The applicant contends that as more contracts are sold and the number of residents grows on campus, sufficient capacity will be available and accessible to them.

The applicant comments that regarding care to the general public, Fleet Landing has no other SNFs within a five-mile radius. NCCRF notes that there are only three SNFs within a 10-mile radius, with two more on the cusp. The applicant notes that it is near two acute care hospitals – Baptist Medical Center-Beaches and Mayo Clinic. The reviewer notes the following travel distance (in miles) from the applicant’s location (One Fleet Landing Blvd., Atlantic Beach, Florida 32233) to the two referenced general/acute care hospitals.

Distance in Driving Miles from Fleet Landing to Baptist Medical Center-Beaches and Mayo Clinic

General/Acute Care Hospital	Driving Distance (in Miles)
Baptist Medical Center-Beaches	5.58 miles
Mayo Clinic	6.54 miles

Source: <http://www.floridahealthfinder.gov/facilitylocator/ListProximityFacilities.aspx>

Regarding financial access, the applicant indicates that the proposed addition of sheltered beds are intended for use by residents of the CCRC and expects use to be for short-term rehabilitation, where the resident returns home and the primary payer is Medicare. NCCRF states that the proposed project will be used by the general population for the first five years, as well as the incoming residents as residents move in and age in-place.

- 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.**

NCCRF indicates that its Quality Assurance Performance Improvement (QAPI) plan provides a blueprint for the facility’s overall quality improvement program. The applicant states that the following four guiding principles guide the QAPI process:

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- Our care practices are guided by a structured QAPI process
- All staff members acknowledge their commitment to performance improvement and their perspective roles in the process
- We focus on systems and processes and encourage our staff to identify potential errors and system breakdowns
- We set goals to improve performance, measure our progress toward the goal, and revise the goal when necessary

The applicant provides a narrative description of its QAPI plan, including Performance Improvement Projects (PIPs), in CON application #10542 page 4-3. NCCRF includes 27 bulleted resident rights (including a resident council) on pages 4-4 and 4-5 of CON application #10542. The applicant describes resident activities and provides a May 2018 activity calendar that indicates activities on each day.

The applicant notes that it has a five-year Commission on Accreditation for Rehabilitation Facilities (CARF) accreditation. The applicant duplicates the Agency's Nursing Home Inspection Rating results for NCCRF. The rating time period was January 2016 – June 2018 and the results were last updated August 2018. The results indicate that not only does the applicant have an overall five-star inspection rating (the highest rating achievable) but also has a five-star rating for each of the three inspection characteristics and for each of the five inspection components. The reviewer notes that the applicant is presently not on the Agency's Nursing Home Watch List.

The reviewer notes that, as of August 21, 2018 according to the Centers for Medicare and Medicaid Services (CMS) Nursing Home Compare website at

<https://www.medicare.gov/nursinghomecompare/results.html#loc=32233&lat=30.3493502&lng=-81.4169093>, Fleet Landing has an overall five-out-of-five-star rating (Much Above Average) - the highest rating achievable. The applicant indicates that it is eligible to apply for the Gold Seal Award during 2018.

Agency complaint records indicate that the applicant had no substantiated complaints for the three-year period ending August 20, 2018.

- 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, where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

CON 10542 Fleet Landing		
	Dec-17	Dec-16
Current Assets	\$38,899,214	\$34,623,296
Total Assets	\$140,209,342	\$132,435,950
Current Liabilities	\$9,981,053	\$8,394,759
Total Liabilities	\$131,078,759	\$129,242,026
Net Assets	\$9,130,583	\$3,193,924
Total Revenues	\$36,391,376	\$33,509,155
Excess of Revenues Over Expenses	\$3,291,865	\$2,437,054
Cash Flow from Operations	\$13,049,350	\$6,886,221
Short-Term Analysis		
Current Ratio (CA/CL)	3.9	4.1
Cash Flow to Current Liabilities (CFO/CL)	130.74%	82.03%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	1326.3%	3783.7%
Total Margin (ER/TR)	9.05%	7.27%
Measure of Available Funding		
Working Capital	\$28,918,161	\$26,228,537

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 \$117,000,000, which includes this project, campus expansion, and capitalization. The applicant states on Schedule 3 that funding for this project will come from non-related company financing. The applicant provided a letter from Ziegler stating they would provide financing. The applicant also provided audited financial statements showing over \$8 million in cash and cash equivalents, and over \$28 million in working capital.

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 6A, the applicant does not meet these requirements and may require additional staff.

Schedule 6A shows that the FTEs for year one (ending December 31, 2021) are 18.8 and year two (ending December 31, 2022) are 25.6 for the incremental FTEs to be added pursuant to the proposed 30 sheltered bed addition. See the table below.

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Naval Continuing Care Retirement Foundation, Inc., d/b/a Fleet Landing CON application #10542 Incremental FTEs for the 30 Sheltered Bed Addition Year One (Ending December 31, 2021) and Year Two (ending December 31, 2022)		
Position	Year One FTEs	Year Two FTEs
Nursing		
RN	1.4	1.4
LPN	2.4	3.6
Nurses' Aides	4.0	6.0
Total	7.8	11.0
Ancillary		
Physical Therapist	1.0	1.0
Speech Therapist	0.5	1.0
Occupational Therapist	0.5	1.0
Total	2.0	3.0
Dietary		
Cooks	1.4	2.1
Dietary Aides	1.4	2.1
Other: Utility Aide	1.1	1.1
Total	3.9	5.3
Social Services		
Activities Assistant	0.5	1.0
Total	0.5	1.0
Housekeeping		
Housekeepers	2.1	2.4
Total	2.1	2.4
Laundry		
Laundry Aides	1.0	1.4
Total	1.0	1.4
Plant Maintenance		
Maintenance Assistance	0.5	0.5
Security	1.0	1.0
Total	1.5	1.5
Grand Total	18.8	25.6

Source: CON application #10542, Schedule 6A (FTE Staff Added by the Project)

The reviewer confirms that the year one total (18.8 FTEs) and the year two total (25.6 FTEs) are arithmetically correct.

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 skilled nursing facilities as reported on Medicaid cost reports (2015, 2016, and 2017 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 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	10,109,470	355	2,161	541	307
Total Expenses	7,118,246	250	2,136	536	351
Operating Income	2,991,224	105	182	-10	-492
Operating Margin	29.59%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	28,469	78.00%	99.31%	85.90%	37.49%
Medicaid	0	0.00%	29.84%	18.62%	0.00%
Medicare	8,077	28.37%	99.59%	30.16%	5.51%

The projected NRPD and profit fall within the group range and are considered reasonable. The projected CPD is lower than the lowest in the control group, and may be understated. The overall profitability appears achievable.

Conclusion:

This project appears to be financially feasible, even with additional staff, 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 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. Plans for this project previously received preliminary approval from the Office of Plans and Construction. This approval does not allow for the commencement of construction. The prior approval was relied upon in part in the review of this application.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this

application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant owner. Approval from the Agency for Health Care Administration’s Office of Plans and Construction is required before the commencement of any construction.

- g. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? 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, 2017) 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 maintains that it provides skilled nursing services as part of the continuing care contract and participates in the Medicare program as a benefit to all residents, even if they are unable to pay the required fee and does not require participation in Medicaid. NCCRF comments that, instead, it supplements the skilled nursing fees if a resident is unable to pay the daily or monthly rate.

The reviewer generates the following table from the applicant’s Schedule 7, to account for the payer mix for the expected total patient days and percent of total patient days for existing operations, the 30 sheltered bed proposal and the combined 100 sheltered bed proposal for year one (ending December 31, 2021 and for year two (ending December 31, 2022).

**Naval Continuing Care Retirement Foundation, Inc. d/b/a Fleet Landing
CON application #10542**

**Patient Day and Percent of Patient Day by Payer Mix for
Year One (ending December 31, 2021 and for Year Two (ending December 31, 2022**

Payer Mix	Year One Patient Days	Year One Patient Day Percent	Year Two Patient Days	Year Two Patient Day Percent
<i>Existing Operations</i>				
Other Payers	13,781	71.9%	14,700	71.9%
Medicare	3,809	19.9%	4,062	19.9%
Self-Pay	1,448	7.6%	1,545	7.6%
Other Managed Care	125	0.7%	133	0.7%
Total	19,163	100.0%	20,440	100.0%
<i>30-Bed Addition</i>				
Medicare	2,920	50.0%	4,015	50.0%
Other Payers	1,460	25.0%	2,007	25.0%
Self-Pay	1,460	25.0%	2,007	25.0%
Total	5,840	100.0%	8,030	100.0%
<i>Combined</i>				
Other Payers	15,241	61.0%	16,707	58.7%
Medicare	6,729	26.9%	8,077	28.4%
Self-Pay	2,908	11.6%	3,552	12.5%
Other Managed Care	125	0.5%	133	0.5%
Total	25,002	100.0%	28,470	100.0%

Source: CON application #10542, Schedule 7

The reviewer notes that based on the applicant’s Schedule 7, there are no Medicaid/Medicaid managed care patient days for year one or for year two, total annual patient days, for existing operations, for the 30-bed addition or for the combined project.

The applicant proposes no conditions on Schedule C of the application.

F. SUMMARY

Naval Continuing Care Retirement Foundation, Inc. d/b/a Fleet Landing (CON application #10542), a Florida non-profit CCRC, proposes to add 30 sheltered nursing home beds (in a separate structure from the existing 70-bed sheltered SNF) on Fleet Landing’s campus located at One Fleet Landing Blvd., Atlantic Beach, Florida 32233 (Subdistrict 4-3). This would result in the applicant having 100 sheltered nursing home beds. NCCRF currently has no community nursing home beds and does not propose any.

NCCRF received its COA from the Department of Financial Services to operate a CCRC in Florida, regulated under Chapter 651, Florida Statutes, on April 13, 1989. Fleet Landing presently operates 454 residential units, with a mix of independent living (homes and apartments), assisted living and memory support units. The facility is

CON Action Number: 10542

currently well within the one sheltered nursing home bed per four residential unit ratio in statute and remains well within this ratio upon completion of the current expansion of the non-CON regulated 166 living units. Upon construction of the proposed 30 sheltered beds, the applicant would have a complement of 100 sheltered beds on the Fleet Landing campus.

Total project cost is \$10,784,000. The project involves 31,315 GSF of new construction and no renovation. Total project cost includes: land, building, equipment, project development, financing and start-up costs.

The applicant proposes no conditions on its Schedule C.

Issuance of a CON is required prior to licensure of certain health care facilities and services. The review of a CON application and ultimate approval or denial of a proposed project is based upon the applicable statutory criteria in the Health Facility and Services Development Act (408.031-408.045, Florida Statutes) and applicable rule criteria within Chapters 59C-1 and 59C-2, Florida Administrative Code. An approved CON does not guarantee licensure of the proposed project. Meeting the applicable licensure requirements and licensure of the proposed project is the sole responsibility of the applicant.

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 30 sheltered beds, NCCRF expects to operate a 100 sheltered bed facility, in two separate buildings, on its Atlantic Beach, Florida campus.

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

- Population growth of the elderly within District 4 provides a source for elders who may wish to purchase a life care contract
- The applicant draws residents from outside Florida and the immediate area is not the only source for the CCRC's residents
- To improve access to residents so that sufficient capacity will be available and accessible for residents of the CCRC
- There is no other SNF within a five-mile radius of the existing facility but there are two general hospitals nearby
- The existing residents are an average of 83 years of age
- The proposed project will be used by the general public for the first five years, as well as the incoming residents who will move-in and age in-place

Quality of Care:

- The applicant received an overall five-of-five nursing home rating by both the Agency and CMS for the most recent inspection rating time period
- Agency complaint records indicate that the applicant had no substantiated complaints for the three-year period ending August 20, 2018
- NCCRF maintains QAPI and PIP plans
- 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, even with additional staff, based on the projections provided by the applicant
- Staffing does not meet the requirements of Section 400.23(3)(a)1. Florida Statutes and may require additional staff
- 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 December 31, 2021) and for year two (ending December 31, 2022), self-pay represents 25.0 percent and Medicaid/Medicaid managed care represents 0.0 percent of annual total patient days for the first two years of operation for the 30 sheltered bed addition

Architectural Analysis:

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.

G. RECOMMENDATION

Approve CON #10542 to add 30 sheltered nursing home beds in District 4, Subdistrict 3, Duval County. The total project cost is \$10,784,000. The project involves 31,315 GSF of new construction and no 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