STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Hope Hospice and Community Services, Inc./CON #10005
9470 HealthPark Circle
Fort Myers, Florida 33908

Authorized Representative: Samira Beckwith, President and
Chief Executive Officer (CEO)
(239) 482-4673

2. Service District/Subdistrict

Hospice Service Area 8C (Hendry, Glades and Lee Counties)

B. PUBLIC HEARING

A public hearing was not held or requested regarding this proposal to
establish a new freestanding inpatient hospice facility of 16 beds in
Hospice Service Area 8C (Lee County, Florida).

Letters of Support

Nine letters of support were received directly by the Agency for Health
Care Administration (the Agency). These letters are all signed with recent
dates, unless otherwise noted below. Some of these letters include
favorable recommendations by the following individuals: a business
owner and LaBelle City Commissioner from 1988 to present (David
Lyons); the Chairperson of the Collier County Board of County
Commissioners (Jim Coletta); a business owner, member of the LaBelle
Chamber of Commerce Board of Directors and Hendry Regional Medical
Center Foundation board member (Steven Nisbet); the President and
CEO of Collier Health Services, Inc. (a federally qualified health center or
FQHC), Richard Akin; Director, Lee County Health Department (Judith
Hartner, M.D.); the Executive Director of the Community Health
Association, Inc. (H.A. Vanhoose); a physician and member of the LaBelle
Chamber of Commerce (L. Lamar Youmans, O.D.) [not dated] and a local
pastor (Richard Phillips, Sr.). The letter from Jim Coletta states that the
Community Health Association, Inc. contributed to the applicant five acres of land in the Lehigh Acres community for the purpose of building a hospice facility and this is corroborated by the letter from H.A. Vanhoose, in which it is stated that five acres of land was donated, valued at $1.4 million. In summary, the letters describe population growth in the area (particularly the elderly), the value of a shorter distance to a hospice facility for the convenience of hospice patients and families and the historically positive contributions and relationships the applicant has enriched with those it has served.

Approximately 100 unduplicated letters of support are included in CON #10005’s Section H, Appendix 6 – Letters of Support. The following member of the U.S. Congress (House of Representatives) lends his support: the Honorable Connie Mack. The following state legislator (Florida Senate) offers his support: the Honorable Burt Saunders (District 37). Other state legislators (Florida House of Representatives) offer their support: the Honorable Gary Aubuchon (District 74); the Honorable Michael Grant (District 71); the Honorable Paige Kreegel (District 72); the Honorable Nick Thompson (District 73) and the Honorable Trudi Williams, P.E. (District 75). Representatives Aubuchon, Grant and Thompson state that five acres were given to the applicant in support of its project, as previously discussed in other letters noted above.

Some other locally elected officials that support this project include: Commissioner, District 5, Lee County Board of County Commissioners (Frank Mann); Commissioner, District II, Hendry County Board of County Commissioners (Darrell Harris); Commissioner, District III, Hendry County Board of County Commissioners (William T. “Bill” Maddox); Sheriff of Lee County (Mike Scott); Sheriff of Hendry County (Ronald Lee, Sr.) and Superintendent of the Hendry County School Board (Thomas Conner).

Some other leading business, health care and related individuals also offer their support. These include the following: CEO of the Lehigh Regional Medical Center (Jose Morillo); President, Lee Memorial Health Systems (James Nathan); President and CEO of Family Health Centers of Southwest Florida, Inc. (Lalai Hamric), [Family Health Centers is an FQHC located in Lee County]; Medical Director at Hendry and Glades County Health Departments (Neftali Fernandez, MD) with locations in Belle Glade, Clewiston and Moore Haven; Director, Hendry County Emergency Services (Randal Bengston); City of LaBelle Superintendent of Public Works (Michael Boyd); Executive Director of the Immokalee Chamber of Commerce (Richard Rice); Executive Director of the Lehigh Acres Chamber of Commerce (Oliver Conover) and Executive Director of the Hendry County Economic Development Council, Inc. (Janice Groves).
Several local pastors offer their support and there are 16 signatures from the dental practice of a Dr. Blair in Lehigh Acres, Florida.

To summarize the majority of these letters, they applaud the applicant, its approximate quarter century presence in the Lee County area and its leadership. Many state substantial growth in the area, particularly among seniors and state that reduced distance to the nearest hospice inpatient facility is much needed. Population growth in and toward the eastern portion of Lee County is highlighted.

Jose F. Morillo, Chief Executive Officer of the Lehigh Regional Medical Center states that in the past his facility has partnered with Hope by allowing the hospice to use of four of the hospital’s patient care suites¹. However, as the demand for the hospital’s services increased with the rapid growth of Lehigh specifically and SW Florida, in general, the hospital is unfortunately, no longer able to accommodate Hope’s need. Mr. Morillo indicates that the hospital enjoyed the partnership and hope that Hope Hospice is able to provide a new hospice facility in Lehigh Acres.

C. PROJECT SUMMARY

**Hope Hospice and Community Services, Inc. (CON #10005)** [Hope Hospice or Hope], a Florida not-for-profit, 501(c)(3) charitable entity, proposes to expand existing hospice service by establishing a 16-bed new freestanding inpatient hospice facility, or Hospice House, in Hospice Service Area 8C. The Hospice House is planned for eastern Lee County, in Lehigh Acres. The applicant has facilities in Fort Myers, Cape Coral and Bonita Springs, with a sum total of 56 inpatient beds and 20 residential beds. The proposed fourth facility will better accommodate eastern Lee County and counties further east (Hendry and Glades). The applicant is also a hospice provider in Service Area 6B, consisting of Polk, Hardee and Highlands Counties.

The applicant is proposing total project costs of $9,165,639. Construction costs are $9,117,220 and the project will involve 45,732 GSF of new construction. Covered are land, building, equipment, development, financing and pre-operational start-up costs.

Hope requests the CON be predicated on the following conditions: the Lehigh Acres Hospice House will be located on Beth Stacey Blvd., Lehigh

¹ The applicant notes on page 41 that the agreement was terminated in September 2006.
Acres, Florida. Further, the applicant agrees it will provide all required monitoring reports and will notify the Agency when the facility is licensed and operational on the site specified in the application. Hospice CON approved projects are required to provide monitoring reports and therefore a CON condition on this reporting is not warranted.

D. **REVIEW PROCEDURE**

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes, rules of the State of Florida, and 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 provided in the application and independent information gathered by the reviewer.

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

Section 59C-1.010(2)(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, consultant Steve Love analyzed the applications in their entirety with consultation from financial analyst Melody Miller, who evaluated the financial data and Scott Waltz, who evaluated the architectural data and schematic drawings.
E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following 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, 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? Chapter 59C-1.008, Florida Administrative Code and Chapter 59C-1.0355, Florida Administrative Code.

The Agency does not publish need for inpatient hospice beds. Hospice programs are required by federal and state law to provide hospice patients with inpatient care when needed (42 Code of Federal Regulations 418.98) and no more than 20 percent of a hospice’s total patient days may be inpatient days per Section 440.609(4), Florida Statutes. Inpatient care may be provided through contractual arrangements in hospitals and nursing homes, and is generally provided on a short-term basis within the total hospital stay. A previous letter of support corroborates that Lehigh Regional Medical Center can no longer offer four patient care suites to Hope, due to what the hospital claims is increasing demand for its own patients and services.

The applicant is currently the sole licensed hospice provider in Service Area 8C. There are three Hope inpatient facilities in Lee County, all in western Lee County.

b. If no Agency policy exists, the applicant will be responsible for demonstrating need through a needs assessment methodology, which must include, at a minimum, consideration of the following topics, except where they are inconsistent with the applicable statutory or rule criteria:

- Population demographics and dynamics;
- Availability, utilization and quality of like services in the district, subdistrict or both;
- Medical treatment trends; and
- Market conditions.
Population demographics and dynamics

The applicant states that by 2012, it anticipates an average inpatient census of 85 (CON #10005, page 29) in Service Area 8C. As previously stated, it has 56 inpatient beds to meet current demand. By 2012, this creates a deficit of 29 inpatient beds. Hope plans to accommodate this demand in three ways – by expanding capacity at its existing hospice facilities, by continued use of hospital and nursing home contractual agreements and by this proposal, which will add eight residential hospice beds in addition to the planned 16 inpatient beds. The applicant also plans to continue utilizing approximately 13 beds in hospitals and nursing homes (CON #10005, page 30). Hope states the purpose of the project is to meet the increased demand for inpatient hospice care and to improve geographic access for those that seek these services, particularly for those in eastern Lee County and Glades and Hendry Counties. While converting residential beds is an option, the applicant wishes to maintain a home-like environment at its existing facilities to the greatest extent possible.

The applicant stresses in its needs assessment justification (CON #10005, page #39) that cost per patient day at a contracted facility is higher than the costs at its own facilities. Hope estimates a cost per patient day at the proposed site of $627 as opposed to a daily cost of $735 with contractors (hospitals and nursing homes). Hope also emphasizes that many patients are reluctant to accept the latter’s institutional environment and contends there are inherent limitations of fully realized hospice care in hospital and nursing home settings. The applicant states this is especially true in the case of “scatter beds” at hospitals and in 19 of the 20 nursing homes with whom it has active or pending inpatient contracts. The one nursing home in which it has a dedicated bed unit is at Shell Point Nursing Pavilion. The applicant states that scatter beds further dilute the personalized home-like environment so often sought under hospice care. Hope provides the names of the six Lee County hospitals and one Hendry County hospital with which it has contracts for inpatient care. Hope also provides a list of the 18 Lee County nursing homes and two Hendry County nursing homes with which it has similar contracts (CON #10005, page 40).

Availability, utilization and quality of like services

Improved access is stated by both the applicant and many letters of support as a benefit if the proposal is approved. Lehigh Acres is more easily accessible to residents of eastern Lee County and most residents of Glades and Hendry Counties compared to the service area’s existing
facilities. The applicant states that near the end of life, visits by family and friends are more frequent and a reduction in driving time will add to the quality of life for both patients, their families and friends. Hope estimates travel time exceeds 50 minutes (even longer during seasonal peaks) from the proposed site to any of its three existing hospice houses in Lee County.

Utilization is also stated as a justification for the project. Hope reports a hospice penetration rate of 61 percent (all ages and all causes of death) compared to 57 percent for the state overall, meaning that patients in Service Area 8C are more likely to receive hospice care than other parts of the state, on average. The applicant indicates that as of October 2007, the aggregate occupancy at its three existing facilities is over 90 percent and that there are waiting lists at each facility (CON #10005, page 7). As stated previously, the proposed average daily contractual cost at a hospital, nursing home (scatter bed) is $735 compared to $627 at the proposed site (as of September 30, 2011). This is a savings of $108 a day for care.

The applicant states that it provides over 80 percent of general inpatient care (GIP) services in Service Area 8C through its existing three hospice facilities and that GIP services have averaged about seven percent of the total census (CON #10005, page 39).

**Medical treatment trends**

Medical treatment trends are not discussed in the application.

**Market conditions**

Market conditions are discussed above and on pages 27-33 of the application.

2. **Agency Rule Criteria and Preferences**

a. **Rule 59C-1.0355 (7) Florida Administrative Code** states that the Agency will not normally approve a proposal for construction of a freestanding inpatient hospice facility unless the applicant demonstrates that the freestanding facility will be more cost-efficient than contractual arrangements with existing hospitals or nursing homes in the service area. The application shall include the following:
(1) A description of any advantages that the hospice program will achieve by constructing and operating its own inpatient beds.

The applicant contends the following benefits result from the provision of hospice care within its own inpatient facility: lower operating costs; improved continuum of care, a more home-like and less institutional hospice setting than is characteristic in contractual facilities (such as hospitals and nursing homes); improved geographical access (shorter travel distances for Glades, Hendry and eastern Lee County residents) and increased patient choice.

The applicant states its only contractually dedicated inpatient unit is at the Shell Point Nursing Pavilion, all others are scatter beds where the quality of the hospice environment and continuum of care cannot be reasonably maintained due to the institutional nature at scatter bed facilities, as well as their differing objective (curative as opposed to palliative care). The applicant states an increased cost of approximately $108 for patient care at hospitals and nursing homes compared to its proposed hospice house, in addition to the loss of quality-of-life that is more characteristic in the hospice house environment.

<table>
<thead>
<tr>
<th>Facility</th>
<th>Cost per Patient Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lehigh Acres Proposed Inpatient Hospice Site (In-House Facility)</td>
<td>$626.88</td>
</tr>
<tr>
<td>Hospital or Nursing Home Scatter Beds (Contracted Facilities)</td>
<td>$735.31</td>
</tr>
<tr>
<td>Difference</td>
<td>$108.43</td>
</tr>
</tbody>
</table>

Source: CON #10005, pages #39 and #42

As seen in the table above, the applicant concludes that the operation of the proposed inpatient facility involves lower costs per patient day (an approximate $108 savings per day per patient) than operations within contracted facilities.

Lehigh Acres Regional Medical Center has recently discontinued its contractual relationship with the applicant, according to the hospital, due to demand by its own patients. A freestanding inpatient facility gives the applicant more direct control of costs, continuum of care and end-of-life services.

(2) Existing contractual arrangements for inpatient hospitals and nursing homes, or in the case of the proposed new hospice program, contracts made with hospitals and nursing homes regarding contractual arrangements for inpatient care.

The applicant names seven hospitals and 20 nursing homes in Service Area 8C with whom it has contractual agreements. Appendix 10
contains an example of these contracts. Hope Hospice agrees to maintain these agreements and states that approval of the project should not have a negative impact on the agreements, as it claims waiting lists already exist at its existing hospice house facilities. However, the applicant does not state the number on such waiting lists, an average (separately or in aggregate) over a given period of time at any given existing facility or facilities and also does not provide an average length of time individuals remain on the list(s). As discussed previously, the applicant illustrates the expected cost benefit of the proposal over the existing contracted beds. Hope Hospice indicates it is not its practice to provide general inpatient care (what it calls GIP) in nursing home scatter beds since such facilities are not characteristically the most practical and appropriate setting for intensive end-of-life care. The applicant states that it tends to decline this option because of the following: inconsistent staff training and turnover; a likely lack of 24-hour registered nursing coverage and a lack of a home-like environment (CON #10005, page 41).

(3) **Anticipated sources of funds for the construction.**

The applicant points to Schedules 1 and 3 (and their narratives) to address sources of funds for construction, stating that the necessary funding will be derived from a combination of donations raised from an on-going capital campaign and tax-exempt debt financing (bonds). Hope Hospice indicates that 10 percent of the project cost of $9,165,639 has already been achieved through pledged donations, along with a land donation. The applicant states that it has ample funds from its cash balance (as of September 30, 2006), investments, unrestricted net asset balance, working capital and cash from operating activities. Hope also offers a letter of interest from SunTrust Bank that corroborates financing of an estimated $10 million, subject to the bank’s due diligence with specific terms and conditions to be negotiated. The applicant indicates on the Schedule 9 that the total project cost would be $13,485,119, and the total construction cost would be $9,177,220.

b. **59-1.0355(9): Semi-Annual Utilization Reports.** Each hospice program shall report utilization information to the Agency or its designee on or before July 20 of each year and January 20 of the following year.

Hope states that it has historically met these reporting requirements and will continue to do so in the future.
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? ss. 408.035(2), 408.035(7), Florida Statutes.

Hope Hospice states that its proposal would lead to substantial savings of approximately $478,811 by the second year of operations (September 30, 2011). Hope claims to have saved around $6 million dollars by utilizing its existing freestanding inpatient hospice houses and that these savings lead to increased availability, accessibility and quality of hospice care. The applicant contends that the estimated savings of $478,811 would lead to additional increases in availability, accessibility and quality of hospice care. Hope states that this savings is realized through utilizing its freestanding inpatient facilities as opposed to the inherent high costs associated with scatter beds at hospitals and nursing homes. The applicant also cites the substantial challenges of maintaining the end-of-life quality of care and contends that it is harder to maintain end-of-life quality of care in hospital and nursing home settings. However, no documentation is provided to support this contention.

The applicant makes several presumptions to reach an estimated 80 inpatient bed average daily census (ADC) by fiscal year (FY) 2011. It presumes the following as ever increasing over the five year period: population; aggregate deaths; penetration rates; admissions; average lengths of stay (ALOS) and total patient days. It estimates an ever decreasing death rate (due to the off-set caused by increasing population). This is reflected in the applicant’s table description (CON #10005, page 52). The applicant shows a five percent increase in the hospice penetration rate from 55 percent in FY 2003 to 60 percent in 2007 and anticipates the penetration rate to increase to 65 percent by FY 2011.

The applicant projects an inpatient bed need of 94 by FY 2011. Anticipating a continuous contract bed availability of 13, this leaves a need for 81 beds. Existing inpatient hospice house facilities (Health Park, Cape Coral and Joannes House) will account for 66 of the needed beds, reducing the deficit to 15 beds, hence the applicant’s proposed need. Again, the applicant is less than enthusiastic about using contract beds because it contends that experience indicates Hope owned facilities
are more cost-effective, provide greater patient choice and a higher end-of-life quality of care than can characteristically be obtained through contracted scatter beds. The above calculation of a deficit is with consideration of converting six residential beds in Cape Coral and four residential beds at Joannes House to inpatient bed status.

Hope provides a table (CON #10005, page 55) that details the following zip codes most specifically impacted by this proposal. They are as follows: Hendry County – 33440 and 34974; Glades County – 34974 and Lee County – 33905, 33913, 33920, 33936, 33971 and 33972. The applicant’s table indicates that by FY 2011, the unmet inpatient hospice house bed need will be at 15. The applicant indicates the proposal will increase availability and accessibility of hospice services to this specific population within Service Area 8C.

### Average Daily Census (ADC), Penetration Rate and Admissions for Eastern Lee, Hendry and Glades Counties

<table>
<thead>
<tr>
<th>Time Period</th>
<th>ADC Lehigh Acres Community</th>
<th>Penetration Rate</th>
<th>Admissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2007</td>
<td>7.9</td>
<td>0.46</td>
<td>562</td>
</tr>
<tr>
<td>FY 2008</td>
<td>9.1</td>
<td>0.50</td>
<td>625</td>
</tr>
<tr>
<td>FY 2009</td>
<td>10.5</td>
<td>0.54</td>
<td>692</td>
</tr>
<tr>
<td>FY 2010</td>
<td>12.6</td>
<td>0.58</td>
<td>760</td>
</tr>
<tr>
<td>FY 2011</td>
<td>14.2</td>
<td>0.62</td>
<td>831</td>
</tr>
<tr>
<td>FY 2012</td>
<td>16.0</td>
<td>0.66</td>
<td>904</td>
</tr>
</tbody>
</table>

Source: CON #10005, page #55 –“Projection of Inpatient Hospice Bed Need for the Proposed Service Area”

Considering the above, the applicant expects the proposed project would increase the overall number of patients served through inpatient hospice care, as seen in its illustration that average daily census increased with the introduction of the applicant’s additional facility.

However, it is noted that Lehigh Regional Medical Center has partnered with Hope by allowing the hospice to use of four of the hospital’s patient care suites. As the hospital is no longer able to accommodate Hope’s need, the project will provide access to inpatient hospice services for the Lehigh Acres area.

The applicant is the sole existing hospice provider in Service Area 8B. The applicant’s ability to provide quality of care is discussed in section E.3.b. below.
b. **Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care?**  
**ss. 408.035(3), 408.035(12), Florida Statutes.**

Hope Hospice includes its current Florida hospice licensure (effective September 1, 2006 through August 31, 2009). The licensure identifies Hope’s authorization to operate in Lee, Glades, Hardee, Hendry, Highlands and Polk Counties, its 12 branch offices, its three inpatient facilities (all in Lee County) and its two residential facilities (both in Lee County). The cities of Clewiston and LaBelle are two of the locations to the east of the site most likely to be impacted by the project and the applicant has a physical presence (branch offices) in those cities.

Hope also includes a copy of its Community Health Accreditation Program (CHAP) certificate [December 11, 2006 through April 10, 2008]. The applicant was in the process of renewing the accreditation at the time of application for this CON submission cycle. Hope states it has enjoyed Florida hospice licensure since 1983. The applicant has received two pharmaceutical awards: the Pinnacle Award in 2003 from the American Pharmacists Association and the 2005 Excellence in Pharmacotherapy Outcomes Award, issued by the ExceleRx Institute. The pharmacology awards relate to superior care and improved patient outcomes. The applicant claims other awards. One is the 2003 and the 2004 Circle of Life Citation of Honor Award. This recognizes outstanding hospice programs that recognize end-of-life patient and family needs as well as non-hospice victims of crime. Another award is the Horizon Award. It is issued by the Lee County Economic Advisory Board and the award values organizations’, “exceptional level of leadership, innovation, investment and community involvement in Southwest Florida” (CON #10005, Section H, Appendix 5 - Awards and Recognition for Hope Hospice).

Agency records indicate one confirmed complaint on the applicant’s hospice program, as of the three-year period ending January 7, 2008. The sole confirmed complain was on resident/patient abuse/neglect.

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(4), Florida Statutes.**

This review is for Hope Hospice and Community Services, Inc., (applicant) formerly known as HOPE of Southwest Florida, applying to develop a 16-bed freestanding inpatient hospice facility, or Hospice
House, to be located in Hospice Service Area 8C, which consists of the Florida counties of Hendry, Glades and Lee. The proposed Hospice House will be located in eastern Lee County in the city of Lehigh Acres. The applicant is the existing sole hospice provider serving Districts 8C (Lee, Hendry, and Glades Counties), and 6B (Polk, Hardee, and Highlands Counties). The financial impact of the project will include the project cost of $9,165,639 and year two operating costs of $2,768,303.

The audited financial statements of the applicant for the periods ending September 30, 2006 and 2005 were analyzed for the purpose of evaluating the applicant’s ability to provide the capital and operational funding necessary to implement the project.

**Short-Term Position:**
The applicant’s current ratio of 2.7 indicates current assets are more than twice current obligations, an average position. The working capital of $9.7 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.2 indicates that cash flow is less than current obligations. Although a cash flow to current liability ratio of 0.2 is below average and considered to be moderately weak, the current ratio is a measure of the applicant’s ability to absorb the difference in cash flow and current liabilities in the short-term. Overall, the applicant has a good short-term position. (See Table below).

**Long-Term Position:**
The ratio of long-term debt to net assets of 0.7 indicates the applicant has sufficient equity to have access to capital. The most recent year had $1.6 million in operating income, and an increase in net assets of $1.7 million. Overall, the applicant has an acceptable long-term position. (See Table below).

**Capital Requirements:**
Schedule 2 listed capital projects totaling $17,717,064. This total includes $9.2 million in new capital for this project, and $4.3 million for the non-reviewable residential and adult day-care components. Remaining capital requirements for other uses total $4.2 million. The applicant is projecting a year one operating loss of $53,370. The applicant will have to fund the year one operating loss until profitability can be reached.

**Available Capital:**
As mentioned above, the capital budget requirements are approximately divided between $9.2 million in new capital for the reviewable inpatient hospice and $4.3 million for the non-reviewable residential and adult
day-care components, both totaling $13.5 million. Approximately $1.2 million is currently in hand. An additional $8.1 million will need to be raised for the project and another $4.2 million must be raised for the residential and adult day care center, both totaling $12.3 million.

The applicant is expecting to raise approximately $9.2 million in financing through a letter of interest from Sun Trust and the remaining $3.1 million from internal cash reserves and donations for the entire Lehigh Acres complex. The remaining capital requirements for all other needs total $4.2 million and is expected to be raised internally for a grand total of $17.7 million.

The entire capital budget relies on the fact that $7.3 million will be raised from internal cash and donations between now and 2009. As mentioned above, the applicant has working capital of $9.7 million and $1.6 million in operating income, and in addition, cash flow from operations was $959,800. Funding for the project is likely if a loan commitment is achieved from Sun Trust or other lending source. Funding for the entire capital budget is not certain.

**Staffing:**
Schedule 6A indicates, by September 30, 20010 (the first year of the proposed project), the applicant forecasts 26.4 additional FTEs to its existing complement as follows: associate medical director (0.5 FTEs); advance registered nurse practitioner [ARNP] (1.0 FTEs); chaplain (1.0 FTEs); registered nurses [RNs] (9.3 FTEs); personal care specialists [PCSs] and home health aides [HHAs] (6.1 FTEs); clinical services manager (1.0 FTEs); social services counselor (1.0 FTEs); pharmacist (0.5 FTEs); cooks (1.5 FTEs); food service associate (1.0 FTEs); environmental services associates (2.0 FTEs); maintenance technician III (0.5 FTEs) and secretary/receptionist (1.0 FTEs). This total FTE count for the proposed site increases to 28.1 for year two (ending September 30, 2011), with the FTEs of the above categories reported as 0.75, 1.0, 1.0, 9.98, 6.88, 1.0, 1.0, 0.5, 1.5, 1.0, 2.0, 0.5 and 1.0, respectively. No staff categories decrease in FTE; three increase and they are as follows: PCS/HHAs increase by 0.79 FTEs to reach a total FTE of 6.88; RNs increase by 0.67 FTEs to reach a total FTE of 9.98 FTEs and the associate medical director increases by 0.25 FTEs to reach a total FTE of 0.75. In the notes to Schedule 6A, Hopes affirms these totals are based on two factors - its experience in operating three inpatient facilities and the positions that are required to satisfy necessary services.
Hope states that current recruitment and training will be sufficient to fill all proposed positions and that these positions will be open to all existing employees. Hope does not reference or describe recruitment guidelines or employee benefit programs; however, it states fringe benefits are calculated at 30.4 percent of salary costs.

**Conclusion:**
Based on the applicant’s financial position and activity, funding for this project is likely. Funding for the entire capital budget is not certain.

<table>
<thead>
<tr>
<th>CON #10005- Hope Hospice and Community Services, Inc.</th>
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<tbody>
<tr>
<td><strong>12/31/2006</strong></td>
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<tr>
<td>Current Assets (CA)</td>
</tr>
<tr>
<td>Cash and Current Investment</td>
</tr>
<tr>
<td>Assets Restricted for Capital Projects</td>
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<tr>
<td>Non-Current Assets</td>
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<tr>
<td>Total Assets (TA)</td>
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<td>Current Liabilities (CL)</td>
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<td>Net Assets (NA)</td>
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<td>Interest Expense</td>
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<td>Operating Income (OI)</td>
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<tr>
<td>Cash Flow from Operations (CFO)</td>
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<tr>
<td>Working Capital</td>
</tr>
</tbody>
</table>

| **12/31/2006** | **12/31/2005** |
| Current Ratio (CA/CL) | 2.7 | 2.1 |
| Cash Flow to Current Liabilities (CFO/CL) | 0.2 | 0.4 |
| Long-Term Debt to Net Assets (TL-CL/NA) | 0.7 | 0.7 |
| Times Interest Earned (NPO+Int/Int) | 3.1 | 2.5 |
| Net Assets to Total Assets (NA/TA) | 53.5% | 50.0% |
| Operating Margin (OI/TR) | 2.6% | 1.3% |
| Return on Assets (OI/TA) | 3.0% | 1.5% |
| Operating Cash Flow to Assets (CFO/TA) | 1.8% | 5.5% |

d. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035 (6), Florida Statutes.

Schedule 7 of the application indicates that the services to be provided are general inpatient care. The payer types identified in the application
as a percentage to total patient days are: Medicare at 86.0 percent, Medicaid at 5.7 percent, self pay at 1.1 percent, and commercial insurance at 7.2 percent.

The Department of Health and Human Services sets rates for routine home care, continuous home care, inpatient respite care, and general inpatient care. The Federal rates were calculated for Lee County, Florida wage index for Medicare Hospice payments of 0.9965 and inflated through September 2011. The average price adjustment factor used was 2.81 percent per year based on the new CMS Market Basket Price Index as published in the 3rd Quarter 2007 Health Care Cost Review.

Estimated patient days for each level of service from Schedule 7, year 2 were multiplied by the calculated reimbursement rate for that service in order to estimate the total revenue that would be generated by that number of patient days. The results were then compared to the applicant’s estimated gross revenue. The results of the calculations are summarized in the Table below.

The applicant’s projected gross revenue was 0.48 percent or $13,896 greater than the calculated gross revenue. This difference is not material; therefore the revenue projections appear to be reasonable. The applicant projected a profit of $128,558 by the end the second year of operations.

One of the two conditions to its proposed hospice program was to provide all required monitoring reports and notification to AHCA when the facility is licensed and operational on the specified site contained within the application.

**Conclusion:** This project appears to be financially feasible.
HOSPICE REVENUE TABLE
CON #10005 Hope Hospice and Community Services, Inc.
Wage Index for Lee County (0.9965)

<table>
<thead>
<tr>
<th>Wage Component</th>
<th>Wage Index</th>
<th>Adjusted Wage Amount</th>
<th>Unadjusted Component</th>
<th>Payment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routine Home Care</td>
<td>0.9965</td>
<td>$92.51</td>
<td>$42.28</td>
<td>$134.79</td>
</tr>
<tr>
<td>Continuous Home Care</td>
<td>0.9965</td>
<td>$539.91</td>
<td>$246.74</td>
<td>$786.65</td>
</tr>
<tr>
<td>Inpatient Respite</td>
<td>0.9965</td>
<td>$75.39</td>
<td>$64.11</td>
<td>$139.50</td>
</tr>
<tr>
<td>General Inpatient</td>
<td>0.9965</td>
<td>$383.36</td>
<td>$216.31</td>
<td>$599.67</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment Rate</th>
<th>Inflation Factor Year Two</th>
<th>Inflation Adjusted Amount</th>
<th>Patient Days Year 2, Sept 30-2011</th>
<th>Calculated Gross Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routine Home Care</td>
<td>1.087</td>
<td>$146.45</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>Continuous Home Care</td>
<td>1.087</td>
<td>$854.74</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>Inpatient Respite</td>
<td>1.087</td>
<td>$151.57</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>General Inpatient</td>
<td>1.087</td>
<td>$651.57</td>
<td>4,416</td>
<td>$2,877,346</td>
</tr>
</tbody>
</table>

Total: $4,416 $2,877,346
From Schedule 7: $2,891,242
Difference: $13,896
Percentage difference: 0.48%

Will the proposed project foster competition to promote quality and cost-effectiveness? Please discuss the effect of the proposed project on any of the following: ss. 408.035(7), Florida Statutes.

This application is for a new hospice inpatient Hospice House to be located in Service Area 8C by the sole hospice provider that has three existing Hospice Houses located within the southwestern portion of Service Area 8C. According to the applicant, for the year ending June 2007, the average hospice penetration rate in Area 8C was 61 percent, in comparison to the state average rate of 57 percent. The applicant further indicated that although home-based services will continue to account for over 90 percent of the services of Hope Hospice, this project will provide the availability of inpatient hospice services as an alternative to conventional medicine for end-of-life care for the residents of eastern Lee County and the residents of Hendry and Glades Counties.
The impact of the price of services on consumer choice is limited to the payer type. Most consumers do not pay directly for hospice services rather they are covered by a third-party payer. The impact of price competition would be limited to third-party payers that negotiate price for services, namely managed care organizations. Therefore, price competition is limited to the share of patient days that are under managed care plans. The applicant is projecting no patient days from managed care payers with 91.7 percent of patient days expected to come from fixed price government payer sources (Medicare and Medicaid).

With the large majority of patient care being provided from fixed price government payer sources, this project is not likely to have any discernable positive impact on price-based competition to promote cost-effectiveness. However, if approved, in comparison this project would be an alternative to the higher costs of contracted hospice inpatient services within hospitals and skilled nursing facilities. As providers offer new or enhanced services to patients and families as a means to compete on quality measures, cost-effectiveness would be impacted since the new or enhanced services would be offered despite the large percentage of fixed priced government payers. In other words, the potential exists for new or enhanced services to be provided for the same Federal and State dollars.

**Conclusion:** This project is not likely to result in price-based competition. The applicant, Hope Hospice, is the sole licensed hospice provider in Hospice Service Area 8C.

**f. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements?** ss. 408.035(10), Florida Statutes and Ch. 59A-3 or 59A-4, Florida Administrative Code.

The applicant proposes to establish a new 16-bed inpatient hospice facility (Hospice House) in Lehigh Acres, Florida. This facility is designed as a two-story fully sprinklered building. The upper floor contains administrative space and a bereavement room. All resident care areas are located on the ground floor.

All beds are located in private rooms which exceed the minimum space requirements of the Florida Building Code (FBC). As designed the rooms provide ample space to accommodate family members. All patient rooms are provided with a private toilet room attached. The project narrative indicates that all patient bedrooms and toilet rooms will be accessible.
The patient care areas are in a “T” shaped portion of the building with most of the support spaces located in a separate smoke compartment. All functional spaces have been provide and adequately positioned throughout the facility.

The construction type is listed on the schematic floor plan as FBC Type II-A and National Fire Protection Association (NFPA) Type II (111). The construction type will be sufficient to meet code requirements for the proposed size and occupancy of the building. The plans indicate that the ground floor will be divided into smoke compartments as required by the Florida Building Code and the Life Safety Code. It appears that the smoke barrier will be difficult to build in the locations shown. These barriers are required to extend to the bottom of the roof deck. As shown by the applicant, these barrier will cross several roof trusses which will penetrate the barrier. Minor modifications to the floor plans should be considered to align the smoke barriers with roof trusses. This would made construction easier and provide a more effective barrier for smoke and fire. Also storage rooms exceeding 100 square feet in area, soiled linen rooms and the vertical shafts for the stair and elevator must be enclosed with one-hour rated fire barriers.

The project is well designed and very attractive. The plans are schematic and will require further development, but there are no major code deficiencies identified at this stage.

Based on the analysis of actual cost data of a similar project, the estimated construction costs appear to be within the expected range.

The information provided in the project completion forecast appears to be reasonable.

The architectural review of the 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 owner.

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(11), Florida Statutes.

Hospice programs are required by Federal and State law to provide hospice patients with inpatient care when needed (42 Code of Federal
Regulations 418.98). Hospice care also must be provided regardless of ability to pay\(^2\).

The applicant states it has a policy and history of providing services to all persons regardless of ability to pay, including Medicaid patients and the medically indigent (CON #10005, page #60). In Schedule 7A, it proposes 5.7 percent Medicaid days and 1.1 percent self-pay (for both years of operation). In the notes to Schedule 7A, Hope states “indigent care and other write-offs are based on the experience of the applicant” (CON #10005, page #94). Charity care, per se, is not discussed otherwise in this section of the application.

F. SUMMARY

The Agency does not publish need for inpatient hospice beds. Hospice programs are required by federal and state law to provide hospice patients with inpatient care when needed (42 Code of Federal Regulations 418.98), and no more than 20 percent of a hospice’s total patient days may be inpatient days per Section 440.609(4), Florida Statutes.

After weighing and balancing all applicable review criteria, the following relevant factors are listed with regard to the establishment of a hospice freestanding inpatient facility in Hospice Service Area (HSA) 8C.

Hope Hospice and Community Services, Inc. (CON #10005), a Florida not-for-profit, 501(c)(3) entity, proposes to expand existing hospice service by establishing a 16-bed new freestanding inpatient hospice facility. The Hospice House is planned for eastern Lee County, in Lehigh Acres. The applicant has existing facilities in Fort Myers, Cape Coral and Bonita Springs, with a sum total of 56 inpatient beds and 20 residential beds. The proposed fourth facility will better accommodate eastern Lee County and counties further east (Hendry and Glades). The applicant is also a hospice provider in Service Area 6B, consisting of Polk, Hardee and Highlands Counties.

\(^2\) Florida Statutes 400.6095 Patient admission; assessment; plan of care; discharge; death.--(1) Each hospice shall make its services available to all terminally ill persons and their families without regard to age, gender, national origin, sexual orientation, disability, diagnosis, cost of therapy, ability to pay (emphasis added), or life circumstances. A hospice shall not impose any value or belief system on its patients or their families and shall respect the values and belief systems of its patients and their families.
The applicant is proposing total project costs of $9,165,639. Covered are land, building, equipment, development, financing and pre-operational start-up costs.

Hope requests the CON be predicated on the following conditions: the Lehigh Acres Hospice House will be located on Beth Stacey Blvd., Lehigh Acres, Florida and the applicant agrees it will provide all required monitoring reports and will notify the Agency when the facility is licensed and operational on the site specified in the application. Hospice CON approved projects are required to provide monitoring reports and therefore a CON condition on this reporting is not warranted.

Need/Access:

- Support of the applicant’s proposal is demonstrated by approximately 100 unduplicated letters of support that emphasize population growth in the area, the applicant’s quarter century of service to the community and the reduced travel time that would be realized by eastern Lee County and Glades and Hendry County residents who seek Hope’s inpatient hospice services.
- Hope’s existing 56 inpatient hospice house beds are well utilized and it anticipates an average inpatient census of 85 by 2012. By maintaining the existing 56 beds strung among three existing facilities in western Lee County and maintaining contracts for approximately 13 inpatient hospice beds at local hospitals and nursing homes, a deficit of 16 beds remains. The proposal captures the 16-bed deficit.
- The applicant stresses the value of savings and quality-of-life realized when it conducts inpatient hospice services as opposed to contracting for such services. The applicant anticipates a savings of $108 per patient day which leads to an estimated cost benefit of approximately $478,811 by the second year of operation (September 30, 2011).
- Lehigh Regional Medical Center has in the past partnered with Hope by allowing the hospice to use of four of the hospital’s patient care suites. However, as the demand for the hospital’s services increased with the rapid growth of Lehigh specifically and SW Florida, in general, the hospital is no longer able to accommodate Hope’s need. The project will allow Hope to provide these services in close proximity to residents of the Lehigh Acres area.

Quality of Care:

- Agency records indicate one confirmed complaint at the applicant’s existing operations, as of the three-year period ending January 8, 2008. The sole confirmed complain was on resident/patient abuse/neglect.
• Hope currently holds the Community Health Accreditation Program (CHAP) certificate [December 11, 2006 through April 10, 2008]. It reports two pharmaceutical awards – a 2003 Pinnacle Award (from the American Pharmacists Association) and a 2005 Excellence in Pharmacotherapy Outcomes Award (from the ExceleRx Institute). Hope also reports having a 2003 and 2004 Circle of Life Citation of Honor Award.

Financial Feasibility/Availability of Funds:

• The applicant has an overall “good” short-term position and overall an “acceptable” long-term position.
• Based on the financial position and activity, funding for the project is likely. Funding for the entire capital budget is not certain.
• The project appears to be financially feasible, provided that patient days and payer mixes are realized.
• The project is not likely to result in price-based competition, as the applicant is the sole licensed hospice provider in Service Area 8C.

Medicaid/Indigent/Charity Care:

• Hospice programs are required by law to provide services to all who seek them.
• The applicant is projecting that Medicaid will comprise 5.7 percent of total patient days in year one and two of the proposed project. Self-pay care is estimated at 1.1 percent of total patient days in both years. Schedule 7A and the accompanying notes do not directly state self-pay includes charity care; however, the notes state that indigent care and other write-offs are based on the experience of the applicant.

Architectural:

• The two-story, 16-bed fully sprinkled inpatient hospice facility has all private and accessible patient rooms, with attached private and accessible toilet rooms, with all patient rooms being located on the ground floor.
• Minor modifications to the floor plans should be considered to align the smoke barriers to be more effective against smoke and fire.
• Based on the analysis of actual cost data of a similar project, the estimated construction costs appear to be within the expected range and the project completion forecast appears to be reasonable.
G. RECOMMENDATION

Approve CON #10005 to establish a 16-bed new freestanding inpatient hospice facility in Hospice Service Area 8C. The total cost of the project is $9,165,639. Construction costs are $9,117,220 and the project will involve 45,732 GSF of new construction.

CONDITION: The Lehigh Acres Hospice House will be located on Beth Stacey Blvd., Lehigh Acres, Florida.
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: _____________________

_________________________
James B. McLemore
Health Services and Facilities Consultant Supervisor
Certificate of Need

_________________________
Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation