

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Hernando-Pasco Hospice, Inc. (CON #9487)
12107 Majestic Boulevard
Hudson, Florida 34667

Authorized Representative: Mr. Rodney S. Taylor
Executive Director
(727) 863-7971

2. Service District/Subdistrict

District 5, Hospice Service Area 5A (Pasco County)

B. PUBLIC HEARING

No public hearing was held or requested regarding the project, however the applicant included 70 letters of support for the project from hospitals, physicians, churches, schools, social service agencies and community members in Hernando and Pasco Counties.

C. PROJECT SUMMARY

Hernando-Pasco Hospice, Inc. (CON #9487) has been in operation as a licensed hospice since 1984, serving Hernando and Pasco Counties. This proposal is to establish a 24-bed freestanding hospice facility in Pasco County. Hernando-Pasco Hospice, Inc. proposes to locate the hospice house on a 13.3 acre site in New Port Richey as a condition of award of the CON. No other conditions to CON approval are proposed as the applicant indicates that hospice is required to serve any eligible person, without regard to ability to pay and it will serve Medicaid and charity care patients without limit. The facility will consist of 24,000 GSF on new construction at a construction cost of \$2,375,000. Total project costs are \$4,275,304.

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, Chapters 59C-1 and 59C-2, Florida Administrative Code, and local health plans. 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, the consultant, James B. McLemore, analyzed the application in its entirety with consultation from the Financial Analyst, John C. Williamson who evaluated the financial data, and the Architect, Joel Hill who evaluated the architectural and the schematic drawings as part of the application.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicates the level of conformity of the proposed projects with the criteria found in Florida Statutes Sections 408.035, and 408.037; applicable rules of the State of Florida, Chapter 59C-1 and 59C-2, Florida Administrative Code; and the Local Health Plan.

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 a fixed need for inpatient hospice beds. Hernando-Pasco Hospice and Hospice of Pasco are the two existing hospice providers in Service Area 5A. Presently, neither of the licensed hospice providers has an inpatient hospice facility. The applicant's proposal is for inpatient hospice beds and as such is not addressed under hospice need projections. Hospice projections define need for hospice programs and not inpatient hospice bed need.

Hospice programs are by law (Section 400.6085 (1), Florida Statutes,) required to provide inpatient services. Inpatient care is defined in s. 400.609 (4), Florida Statutes, as a short-term adjunct to hospice care which shall only be used for pain control, symptom management, or respite care. Inpatient services can be provided in hospitals, nursing homes, or freestanding facilities. No more than 20 percent of a hospice's total days can be inpatient days per Section 400.609 (4), Florida Statutes.

b. 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 stresses that the freestanding hospice can provide a more home like atmosphere than the utilization of hospital and nursing home beds. The applicant also indicates that it can

control the medical and supportive environment and enhance its capability to monitor costs, which will improve efficiency. The applicant also contends the hospice house will allow greater control of the hospice plan but does not demonstrate how this will occur. Hernando-Pasco Hospice also contends that just by having a hospice house, awareness of hospice availability in the community will increase.

In reference to costs, the applicant provides the following chart.

Hernando-Pasco Hospice, Inc. Allocation Cost for Hospice Inpatient Care Compared with the Per Diem Rate		
Item	YE March 31, 2005 Year One	YE March 31, 2006 Year Two
Inpatient per diem	\$464.80	\$468.64
Patient Care Expenses/Day	277.26	281.23
Administrative Expenses	57.53	47.55
Depreciation & Interest	72.24	51.67
Savings Per Inpatient Day	\$68.11	\$99.45
Projected Inpatient Days	5,844	7,794
Total Savings	\$398,014	\$775,042

Source: CON #9487, Section 1, Need Analysis, Page 4.

The chart above indicates that the applicant's hospice house will save \$68.11 per day in year one and \$99.45 per year over the contracted per diem rate. However, using the data in the chart above indicates that the total allocated cost of providing inpatient care calculates to \$407.03 per day in year one and \$380.45 in year two. This yields a saving per inpatient day of \$56.97 in year one and \$88.19 in year two over the contracted per diem rates for these years. This represents a 23 percent reduction (\$3,652,528/\$2,965,227) in the overall cost of providing inpatient hospice care during year two of the project. The applicant demonstrates a cost savings to its hospice program as a result of this proposal.

(2) Existing contractual arrangements for inpatient hospitals and nursing homes.

Hernando-Pasco Hospice indicates it contracts with every hospital in Pasco and Hernando Counties for the provision of inpatient hospice patient care. A listing of these facilities was provided in Exhibit 1-1 following page 1-18 of the application. Appendix 13 contained samples of existing contracts with these facilities. The hospice will continue to contract for inpatient beds as needed.

(3) Anticipated sources of funds for the construction.

Schedule 3 indicates the project will be funded by a combination of cash on hand and/or cash from operations and debt financing. The applicant provided a loan commitment letter from Sun Trust Bank for this project in the amount of \$4.5 million. Total project cost is projected to be \$4,275,304. Therefore, funding for the project will be available.

(4) Need Analysis

The applicant indicates that the total number of deaths in Pasco County during CY 2000 was 4,957¹. Thirty-seven percent of these or 1,940 persons died in local hospitals. However, HPH provided hospice care to only one percent of the hospice eligible hospital patients. The applicant provides an analysis of the State's hospice service areas, which have freestanding inpatient hospice facilities, compared to those that do not. HPH concludes that in areas that have freestanding hospice inpatient facilities there is an average of 5.9 percent of caseloads provided in the freestanding facility compared to only 2.2 percent provided in hospitals. The applicant contends this trend will apply to Pasco County, once its inpatient hospice project is operational. However, there is no evidence that need for inpatient services will increase because a hospice house is established. HPH indicates that utilizing its average daily census, which was 270 for the 12 months ending June 2001 and applying 5.9 percent to this, yields a need for 16 inpatient beds. Next the applicant indicates that it will increase its percentage of care to dying hospital inpatient that is hospice eligible. This is based on the support of local hospitals, higher utilization in areas with freestanding hospices and the applicant's contention that the majority of people will not choose hospitals for dying loved ones if a hospice inpatient option exists. HPH projects it will capture 40 percent of patients currently dying in hospitals. The applicant indicates that 40 percent of the 1,940 persons who died in hospital yields 839 hospice admissions or an average daily census of 130. This yields an additional seven patients for the inpatient unit (less the existing one percent).

¹ AHCA Florida Need Projections for Hospice Revised 8/7/01 shows Pasco County had 5,196 total deaths in CY 2000. However, this does not dispute the applicant's point that only one percent of Pasco County's total hospital patients received hospice care during CY 2000 and earlier years.

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With the above information as a baseline, the applicant presents the following projected utilization. The applicant indicates that in addition to the increase in the market share of six percent based on the average 5.9 caseload rate above, the following assumptions also apply to these projections. These are that the death rate to population is held constant at 0.015619, HPH will increase its market share by six percent based on increased service to the dying in hospital patient, patient days are determined based on HPH average length of stay of 56.4 for CY 2001 and increased to 60 for years 2004 and 2005. The applicant does not provide a reason for the projected increase in ALOS for 2004 and 2005.

Pasco County Projected Total In-Patient Utilization For 12 Month Periods Ending July 2001, 2004 & 2005			
	2001	2004	2005
Population	338,220	353,458	358,439
Deaths	5,283	5,521	5,598
HPH Admissions	2,588	2,704	2,743
HPH Patient Days	145,991	162,306	164,594
HPH Avg. Daily Census	400	443	450
HPH Inpatient ADC	24	26	27

Source: CON #9487, Page 1-16 from AHCA Population Estimates September 2000 and Florida Hospice Need Projections for the January 2003 Planning Horizon.

Next, the applicant breaks out its total projected utilization to show the utilization at its New Port Richey 24-bed inpatient hospice house. The following table demonstrates the applicant's projected total New Port Richey inpatient hospice utilization during year one and two of the hospice house operations.

New Port Richey Care Center Total Projected Utilization		
Projections	Year 1 Ending March 30, 2004	Year 2 Ending March 31, 2005
Beds	24	24
Total Bed Days *	8,784	8,760
Total Patient Days	5,844	7,794
Projected # Admissions	899	1,199
ALOS	923	983
Average Daily Census	16	21
Occupancy Rate	66.5%	89.2%

Source: CON #9487, page 1-16.

Note : The applicant indicates that since CY 2004 is a leap year 366 days are applied to the projected bed days.

Although the applicant contends that its projections are conservative, it assumes increases in inpatient services that are not supported. One example of the several unsupported assumptions presented by the applicant is that need for inpatient services will increase because a hospice house is established in an area. The applicant might have provided more information on the hospice's current and recent past utilization in the categories such as inpatient days and respite admits to demonstrate need for 24 inpatient beds. The applicant's projected 40 percent increase in service to hospital patients may be optimistic. However, the applicant demonstrated a cost savings for its hospice as a result of this project. Patients will still have the option to be treated in the existing contractual inpatient facilities and inpatient hospice facilities historically have had significantly higher inpatient days than contractual facilities. In summary, the project enhances the hospice's care, promotes the service, may improve access, provides a savings on expense for inpatient care and provides options for hospice patients.

2. Local Health Plan Preferences

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1)(a), Florida Statutes and Ch. 59C-1.030(2)(c), Florida Administrative Code.

District 5's CON Allocation Factors Report, approved October 2000, contains the following seven preferences relevant to certificate of need review for Hospice services. These preferences are addressed as follows.

- a. **Preference shall be given to certificate of need applications that demonstrate intent to cooperate or provide cooperative agreements with existing community inpatient facilities, nursing homes, and assisted living facilities.**

Hernando-Pasco, Inc. indicates that it operates three hospice houses to provide care alternatives for patients without caregivers or limited care giving support. These include a seven-bed hospice house in Hudson (west Pasco County), an eight-bed hospice house in Dade City (east Pasco County) and an eight-bed hospice house in Spring Hill (Hernando County – Hospice Service Area 3D). The applicant also has contracts for inpatient hospice services with all hospitals in its service areas and two Hillsborough facilities. These facilities are H. Lee Moffitt Cancer Center and University Community Hospital. The applicant indicates that it has contracts

with 17 area nursing homes and maintains good relationships with the area's assisted living facilities and foster homes. Four percent of the applicant's total admissions during the 12 months ending June 2001, were nursing home residents.

b. Preference shall be given to certificate of need applications that demonstrate intent to serve HIV infected persons.

The applicant indicates that it presently has a strong commitment to serve HIV infected and AIDS patients. At this time, Hernando-Pasco Hospice is providing support for 60 AIDS patients at a funding of about \$260,000 per year. Partial funding of about \$100,000 is received through Ryan White and Medicaid Waiver funds, with the balance coming from in agency support.

c. Preference shall be given to certificate of need applications that have a documented work plan for the training and maintenance of a corps of volunteers and an effective community education program.

The applicant provides a chart, which indicates that its volunteers gave over 75,500 hours of service during CY 2000. Exhibit 2-1 included a copy of the Volunteer Training Schedule and materials. Volunteers are recruited most effectively through word of mouth; however, the applicant also uses newspaper and radio advertising, church bulletins, posters, and volunteer recruitment incentives. The applicant states that these efforts brought 260 new volunteers in CY 2000. The applicant also discusses its speaker's bureau, which coordinates about 150 different community awareness activities per year. The applicant provides a good description of its community education and outreach programs.

d. Preference shall be given to certificate of need applications with a commitment to provide a continuity of care throughout a service area on a 24-hour a day, seven days a week basis.

The applicant indicates that it currently provides a continuity of care throughout the service area on a 24-hour a day, seven days a week basis and will commit to continue to do so.

- e. **Preference shall be given to an applicant that can document evidence of recruiting and maintaining a corps of volunteers sufficient to provide administrative or direct patient care in an amount equal to at least 10 percent of the patient care hours provided by all paid hospice employees and contract staff.**

The applicant provides a chart, which indicates that its volunteers gave over 66,568 (26 percent) of the hospices' total patient service hours during CY 2000.

- f. **Preference shall be given to an applicant that submits documented evidence of providing an array of programs and services beyond "hospice core services"; i.e., care giver program, children's hospice program, hospice residential units, bereavement care/counseling for the larger community, etc.**

Hernando-Pasco Hospice, Inc. provides a detailed listing of the services it provides to its patients. The applicant presently operates three residential hospice houses in the service area. The applicant indicates that it provides a number of programs that are not covered by insurance such as a Children's Assistance Program which includes regular grief camps and "Grief and Loss" presentations at area middle schools, community bereavement, components of its AIDS program, in-home respite care and palliative care programs. The applicant indicates that the important point is that Hernando-Pasco Hospice provides any service required by the patient or the family because hospice care is total care.

- g. **Preference shall be given to an applicant that has a documented plan to employ an experienced/credentialed clinical staff having expertise in pain and symptom management.**

Hernando-Pasco Hospice, Inc. provides a detailed description of its hospice administrator, Mr. Rodney Taylor's experience. Dr. David McGrew's, medical director, is in charge of five physicians with expertise in pain and symptom management. Initial employee training consists of a 40-hour block orientation. Follow-up mentoring activities are held within the employee's own department. Mr. Taylor and Dr. McGrew's resumes are included in Exhibit 8-9 in the application.

3. Agency Rule Criteria

a. The Agency preferences for hospice programs are contained in Rule 59C-1.0355 (4)(e), Florida Administrative Code.

(1) Preference shall be given to an applicant who has a commitment to serve populations with unmet needs.

Hernando-Pasco Hospice indicates that it provides hospice services in ~~the~~ a semi-rural two-county area (which includes Hospice District 3D - Hernando County) that has multiple communities with their own identity. The applicant indicates that when it establishes new local offices, it has experienced a doubling of the number of patients from that area accessing hospice care.

Hernando-Pasco indicates that it maintains a strong commitment to providing hospice services to patients residing in nursing homes and assisted living patients. Contracts are maintained with 17 nursing homes and nursing home patients accounted for four percent of the applicant's total admissions during the 12 months ending June 2001.

The applicant indicates that it has a commitment to provide care to those without caregivers. While there are other options for patients without caregivers, the applicant states that in many cases, a hospice house is the best choice for a patient or family and should be an available option. Exhibit 3-2 included a copy of a diagram of options available for patients without caregivers.

However, there is no documentation of any populations with unmet needs in the service area.

(2) Preference shall be given to an applicant who proposes to provide the inpatient care component of the hospice program through contractual arrangements with existing health care facilities, unless the applicant demonstrates a more cost-efficient alternative.

The applicant's response to Item 2. a. local health preference confirms that it will continue to utilize existing health care facilities for inpatient hospice care. However, the applicant demonstrated that the proposed hospice house will be a more cost-efficient alternative.

- (3) Preference shall be given to an applicant who has a commitment to serve patients who do not have primary caregivers at home; the homeless; and patients with AIDS.**

See the applicant's response to 3. a. (1) above that indicates that it is able to care for patients who do not have primary caregivers at home. The applicant also indicates that it has readily admitted homeless patients. Exhibit 3-1 included a diagram documenting Options for Patients Without Caregivers. The applicant indicates that it presently has a strong commitment to serve HIV infected and AIDS patients. At this time, Hernando-Pasco Hospice is providing support for 60 AIDS patients at a funding of about \$260,000 per year. Partial funding of about \$100,000 is received through Ryan White and Medicaid Waiver funds, with the balance coming from in agency support.

- (4) In the case of proposals for a hospice service area comprised of three or more counties, reference shall be given to an applicant who has a commitment to establish a physical presence in an underserved county or counties.**

The applicant's proposal is specific to Pasco County, which is the only county in District 5, Subdistrict A, Service Area 5A.

- (5) Preference shall be given to an applicant who proposes to provide services that are not specifically covered by private insurance, Medicaid or Medicare.**

Hernando-Pasco Hospice, Inc. provides a detailed listing of the services it provides to its patients. The applicant indicates that it provides a number of programs that are not covered by insurance such as a Children's Assistance Program which includes regular grief camps and "Grief and Loss" presentations at area middle schools, community bereavement, components of its AIDS program, in-home respite care and palliative care programs. The applicant indicates that the important point is that Hernando-Pasco Hospice provides any service required by the patient or the family because hospice care is total care.

The applicant provides a table that shows it provided 19,435 patient days to Medicaid patients (12.2 percent of its 2000 total days) and 23,724 patient days to charity care (14.8 percent of 2000s total). Charity care is projected to be five percent of the project's year one and year two patient days, while Medicaid is projected at 3.0 percent for both years.

4. Statutory Review Criteria

- a. Is need for the project evidenced by the availability, quality of care, efficiency, appropriateness and extent of existing health care facilities and health services in the applicant's service area? ss. 408.035(2), 408.035(7), Florida Statutes.**

In reference to availability, the applicant notes that the two existing providers do not have inpatient hospice facilities. The applicant states that in the last year, Hernando-Pasco Hospice (HPH) it has leased space in three nursing homes in order to provide inpatient hospice care and utilization has exceeded expectations. The addition of its inpatient hospice will allow HPH to deliver inpatient hospice care in specifically dedicated facility and will promote patient choice of settings for this care. The applicant's project would increase the availability of inpatient hospice services in the area.

Access is addressed by the applicant in terms of financial and geographical issues. Financially, the applicant indicates its project will expand hospice services to all persons regardless of their ability to pay. Geographic access is to be improved for the western part of Pasco County as the applicant's facility will be located in New Port Richey. The applicant's project should increase access to inpatient hospice services.

The applicant also discusses its quality of care (see also Item 4.b.). The applicant does not question the quality of care of the existing providers.

Efficiency of the service area is defined as a comparison of production with cost according to the applicant. The applicant demonstrated that a cost savings would occur with the addition of an inpatient hospice house. Appropriateness and adequacy of service are assured by the applicant's treatment plans. The applicant proposes to hire 38.2 new patient care staff by the end of year two (March 30, 2006) so that sufficient numbers of staff are available to meet patient needs. Only 4.0 administration FTEs will be added by the project as the applicant states that its existing hospice program will also provide administrative and other support to the inpatient hospice house.

The applicant's project should increase the efficiency, appropriateness and adequacy of inpatient hospice services in Pasco County. As previously stated, the introduction of the new inpatient hospice has strong community support and the applicant contends its need analysis supports the addition of 24 inpatient hospice beds in the service area.

Service Area 5A (Pasco County) has two hospices in operation. The following chart shows the volume for the existing providers during the 12 months ending June 30, 2001.

SERVICE AREA 5A HOSPICE ADMISSIONS JULY 2000 - JUNE 2001	
Hospice of Pasco	508
Hernando-Pasco Hospice	1,749
Service Area 5A Total	2,257
State Total	65,923

Source: AHCA Hospice Programs Background Information for the January 2003 Hospice Planning Horizon.

There were 65,923 hospice admissions provided by the 49 hospices in Florida reporting during 12-month reporting period ending June 30, 2001. This is an average of 1,345 admissions per hospice. The applicant had 1,257 admissions. The agency need methodology indicates the need for zero additional hospices in the service area. However, this project is the construction of a 24-bed inpatient hospice house.

b. Does the applicant have a history of and demonstrated the ability to provide quality care? ss. 408.035(3), Florida Statutes.

Hernando-Pasco Hospice, Inc. is a member of the National Hospice and Palliative Care Organization and the Florida Hospices and Palliative Care, Inc., Florida's state organization of hospice providers. The applicant included letters from these organizations in Exhibit 5-1. The applicant has had no licensure violations and is enrolled in both the Medicare and Medicaid programs. Hernando-Pasco Hospice provided a detailed description of its ability to provide quality care.

c. Is the applicant proposing special health care services for its service area that are not reasonably and economically accessible in adjacent service areas? ss. 408.035(4), Florida Statutes.

Hernando-Pasco Hospice, Inc. indicates that its hospice houses will be utilized for acute episodes of care and that quick accessibility is important. It is not reasonable or economically feasible to access hospices in other service areas.

- d. **Is the project to be located in a research or teaching hospital? Will the program affect the clinical needs of health professional training programs in the service area? ss. 408.035(5), Florida Statutes.**

The applicant's proposal does not involve research, physician education or health professional training programs. The proposed program should have no effect on the clinical needs of health professional training programs in the service area. However, the applicant presents a discussion of its in-service and community education. Initial employee orientation for 2000, staff in-service training sessions for 1998 through March 2000 and in-service and professional activities for 1998 and 1999 were included in Exhibits 7-1, 7-2, and 7-3.

- e. **What resources, including health manpower, management personnel and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(6), Florida Statutes.**

Health Manpower:

Hernando-Pasco Hospice, Inc. provides a detailed description of its recruitment and retention policies. Resumes of key personnel are included in Exhibit 8-9 in the application. Schedule 6 indicates that HPH proposes to hire 38.2 new patient care staff and only 4.0 new administration FTEs by the end of year two (March 30, 2006) as a result of this project. The applicant states that its existing hospice program will also provide administrative and other support for the inpatient hospice house.

Hernando-Pasco Hospice, Inc.'s audited financial statements for the periods ending December 31, 2000 and December 31, 1999 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

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	09/30/2000	09/30/1999
Current Assets	\$ 4,265,291	\$
Cash and Current Investment	\$ 2,609,659	\$ 2,864,500
Assets Restricted for Capital Projects	\$	\$
Total Assets	\$ 8,544,941	\$ 6,997,662
Current Liabilities	\$ 2,040,499	\$
Total Liabilities	\$ 2,654,013	\$ 1,721,722
Total Equity	\$ 5,890,928	\$ 5,275,940
Net Operating Revenues	\$ 16,778,301	\$ 14,645,554
Interest Expense	\$	\$
Net Profit - Operations	\$ 614,988	\$ 391,748
Net Income	\$ 614,988	\$ 391,748
Cash Flow from Operations	\$ 473,356	\$ 932,745
Working Capital	\$ 2,224,792	\$
Current Ratio (CA/CL)	2.1	
Cash Flow to Current Liabilities (CFO/CL)	0.2	
Long-Term Debt to Equity (TL-CL/TE)	0.1	0.3
Times Interest Earned (NPO+Int/Int)		
Equity to Total Assets (TE/TA)	68.9%	75.4%
Operating Margin (NPO/NOR)	3.7%	2.7%
Total Margin (NI/NOR)	3.7%	2.7%
Return on Assets (NI/TA)	7.2%	5.6%
Operating Cash Flow to Assets (CFO/TA)	5.5%	13.3%

Short-term position:

The Applicant's current ratio of 2.1 indicates current assets are more than two times larger than short-term liabilities, a good position. The working capital (current assets less current liabilities) of \$2.2 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of .2 is acceptable. Overall, the applicant has an acceptable short-term position.

Long-term position:

The ratio of long-term debt to equity of 0.1 indicates the applicant's long-term debt is low when compared to its equity. The ratio of cash flow to assets of 5.5 percent is acceptable. The most recent year had an operating profit of \$615 thousand, which resulted in a margin ratio of 3.7 percent, a good position. Total equity is \$5.9 million with the ratio of equity to assets 68.9 percent, an above average level. Overall, the applicant has an acceptable long-term position.

Capital Requirements:

Schedule 2 listed capital projects in the amount of \$9.4 million

Available capital:

The applicant states that funding will be provided from: cash on hand of \$351 thousand, cash flows of \$965 thousand and \$8.1 million currently being sought. The audited financial balance sheet indicated the applicant had cash and current investments \$2.6 million as of September 30, 2000 and annual cash flows of \$472 thousand or \$1.9 million through year one of the projects. The applicant provided a loan commitment letter from Sun Trust Bank for this project in the amount of \$4.5 million.

Conclusion:

Funding for this project should be available as needed.

f. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035(8), Florida Statutes.

Schedule 7 of the application indicates the applicant will provide inpatient care services. The payer types identified in the application are: Medicare at 87.0 percent, Medicaid at 3.0 percent, commercial insurance at 5.0 percent, and self-payers at 5.0 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 the Pasco County wage index for Medicare payments of .9563 and inflated to 2005. The price adjustment factor used 3.26 percent per year, which represents the year-over-year increase in the Medicare reimbursement rates from FY 2001 to FY 2002. The applicant stated they used current rates with a price adjustment of 1.0 percent per year in estimating revenues. The results of the calculations are summarized in the table below.

Hospice Revenue Table					
Wage Index for Florida/Pasco County (.9563)					
	Wage Component	Wage Index	Adjusted Wage Amount	Unadjusted Component	Payment Rate
General Inpatient	314.41	0.9563	300.67	176.78	477.45

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Payment Rate	Inflation Factor Year Two	Inflation Adjusted Amount	Patient Days Year 2, 2005		Extended
477.45	1.10	525.68	7,794	\$	4,097,179
		Total	7,794	\$	4,097,179
		From Schedule 7		\$	3,740,082
		Difference		\$	(357,097)
		Percentage difference			-9.55%

The table above does not consider deductions from revenue. The applicant's estimated reimbursement is 9.55 percent less than the AHCA financial reviewer calculated, a material difference that is at least in part explained by the applicant's use of an older rate and a conservative inflation factor of 1.0 percent. Revenues are probably understated.

The year two operating profit from Schedule 8 is \$1,348,347, with the project contributing \$775,042 to net profit. Financial feasibility is probable at a higher net profit.

g. Will the proposed project foster competition to promote quality assurance and cost-effectiveness? ss. 408.035(9), Florida Statutes.

The projected Medicare and Medicaid days as a percent of total days in year two is 90.0 percent. With the large majority of patient care is being provided from fixed price government payer sources, this project is not likely to have any discernable positive impact on competition to promote quality assurance or cost-effectiveness.

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

The application includes a site plan, floor plans of the one-story proposed building and larger scale plans of patient rooms and other areas. The building will have three wings with eight private patient rooms per wing. Each patient room also has access to an outside area. There are six pairs of patient rooms that share a toilet/bathroom. The other 12 rooms have private bathrooms. All showers are fully accessible and will accommodate a wheelchair. The facility will consist of 24,000 GSF on new construction at a construction cost of \$2,375,000.

A list of building codes was included in the application, and any construction will have to be in conformance with applicable codes and

rules when design development takes place. The new Florida Building Code will be in force before the Project is finalized. Chapter 59A-4 F.A.C. is referenced in the application, but this chapter does not apply to hospices. It is to the designer's/applicant's credit that they appear to be designing the facility to the standards of Chapter 59A-4 F.A.C.

Evidently the contracts with the design professionals were signed prior to submission of this application. The projected date for signing of the construction contract is February 2002. The completion date of the project is estimated in February 2003. The application does not seem to have allowed enough time for construction. Since review by the AHCA Office of Plans and Construction is not required, it is possible that construction might have already begun.

It is evident that the applicant has worked out a detailed program of spaces and needs with the designer. The resulting design is generally well planned and has all the ancillary spaces that should be needed for a hospice facility. However, there is no indication as to where the storage and dispensing of medication is going to take place.

Additionally, the placement of the kitchen is far from being ideal. There is no access to the kitchen without going through one of the dining rooms. This could present problems with delivery of goods and the process of taking garbage out of the kitchen. Deliveries must enter the building and travel down a corridor and through the dining rooms to get to the kitchen. Trash removal would have to follow the same path in reverse. Some re-design would be recommended to resolve this awkward issue.

Project costs seem to be in the acceptable range. The schematic plans submitted appear to have been done by an architectural firm with healthcare experience.

i. Does the applicant have a history of and propose the provision of health services to Medicaid patients and the medically indigent? ss. 408.035(11), Florida Statutes.

Hernando-Pasco Hospice, Inc. provided 19,435 patient days to Medicaid patients (12.2 percent of its CY 2000 total days) and 23,724 patient days to charity care (14.8 percent of CY 2000s total). The applicant provided 19,733 patient days to Medicaid patients (14.5 percent of its 1999 total days) and 20,529 patient days to charity care (15.1 percent of 1999s total). Charity care is projected to be five percent of the applicant's year one and year two inpatient days, while Medicaid is projected at 3.0 percent for both years.

F. SUMMARY

Hernando-Pasco Hospice, Inc. (CON #9487) has been in operation as a licensed hospice since 1984, serving Hernando and Pasco Counties. The applicant proposes to establish a 24-bed freestanding hospice facility in Pasco County. Hernando-Pasco Hospice, Inc. proposes to condition to the hospice house being located on a 13.3 acre site in New Port Richey. The facility will consist of 24,000 GSF on new construction at a construction cost of \$2,375,000. Total project costs are \$4,275,304.

After weighing and balancing all applicable review criteria, the following relevant factors are listed with regard to Hernando-Pasco Hospice Inc.'s inpatient hospice project in District 5, Service Area 5A:

Need:

- The Agency does not publish a fixed need pool for hospice inpatient beds. The applicant's proposal is for the establishment of a 24-bed freestanding inpatient facility.
- The applicant demonstrated that the project is a cost-efficient alternative to the use of inpatient hospital beds. The projected inpatient utilization is below HCFA's allowance.
- The applicant included 70 letters of support for the project from hospitals, physicians, churches, schools, social service agencies and community members in Hernando and Pasco Counties.

Quality of Care:

- The applicant has a history of, and demonstrates the ability of providing quality of care.

Costs/Financial Feasibility:

- Total project costs are stated to be \$4,275,304. The applicant has a \$4.5 million loan commitment from Sun Trust Bank to fund this project. Funding is stated to be coming from cash on hand and/or cash from operations and debt financing.

- The applicant projects a net operating profit of \$1,348,347 in year two with the project contributing \$775,042 to the overall net profit. Financial feasibility is probable at a higher net profit than the applicant's projections as the applicant's revenues are probably understated.

Medicaid/Charity Care:

- The applicant has a history of providing care to Medicaid and indigent patients.
- The applicant indicates it will provide services to all persons regardless of ability to pay. Since hospice providers have to serve all patients requesting hospice services, CON conditions are not warranted.
- Schedule 7A indicates that 3.0 percent of the 24 bed hospice's total patient days will be provided to Medicaid patients and 5.0 percent will be provided to charity care patients.

Architectural Analysis:

- The facility design is generally well planned and has all the ancillary spaces that should be needed for a hospice facility. However, there is no indication as to where the storage and dispensing of medication is to take place and the placement of the kitchen is less than ideal. Some re-design is recommended to address the location of the kitchen.
- Project costs appear to be in the acceptable range. However, the architectural review indicates the construction time frame may be somewhat optimistic.

G. RECOMMENDATION

Approve CON #9487 to establish a 24-bed inpatient hospice facility.

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: _____

Karen Rivera
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation