

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

VITAS Healthcare of Central Florida, Inc./CON #9498
c/o Patricia Greenberg
999 Ponce De Leon Boulevard, Suite 950
Coral Gables, Florida 33134

Authorized Representative: Patricia Greenberg
(305) 444-5007

2. Service District/Subdistrict

District 7/Hospice Service Area 7A, Brevard County

B. PUBLIC HEARING

A public hearing was requested. The hearing was held on November 2, 2001 in the offices of the Health Council of East Central Florida, Inc.

Attending the hearing were Matt Zavadsky and Paula Seigler with the Health Council of East Central Florida, Clark Taylor and Susan Scott representing VITAS of Central Florida and Bruce Wolters and Hilde Rowton representing the Hospice of St. Francis.

Mr. Bruce Wolters of Hospice of St. Francis, Inc. spoke first, introducing himself and reading a statement (see Item 1 Fixed Need) regarding his opposition to the CON #9498 application. Mr. Wolters contends that no clear need has been established by numbers or by demand from the community. He stated that the addition of another provider will not increase quality or accessibility but will be detrimental to the current level of services provided to meet community needs. Mr. Wolters contends that VITAS' application has omissions of admissions figures, usage of questionable reasonable penetration rates and utilizes an inappropriate basis for utilization projections for year one and two.

Mr. Clark Taylor of VITAS of Central Florida commented saying that VITAS is already servicing Subdistricts 7B and 7C and is requesting entry into Subdistrict 7A. The VITAS' application was submitted in response to AHCA's published fixed need pool, which indicated a need for an additional hospice program in Brevard County. He stated the published need formula used was appropriate and published for comment and stands as a matter of public record. Mr. Taylor said that the time to challenge the fixed need pool has expired and that this hearing should not be addressing that issue.

Ms. Susan Scott of VITAS then commented. She said that the VITAS program has been in Florida for over 25 years. She noted that she was here when VITAS purchased Hospice of Central Florida 10 years ago and with the competition, a change for the good occurred among the hospice providers raising the level of expectations. She said that VITAS admits within the hour, seven days a week 24 hours a day as opposed to St. Francis admissions of within 24 hours.

Ms. Hilde Rowton, a board member of Hospice of St. Francis commented that she has been with Hospice as a licensed social worker since the beginning when it was totally volunteer. She noted that she has had a very good relationship with Hospice of St. Francis and always had good experiences with them over the years.

There being no further comments, the public hearing was closed.

VITAS Healthcare Corporation of Central Florida included letters submitted by 13 individuals residing or working in the Brevard County area indicating that VITAS of Central Florida was the oldest hospice in the state of Florida and VITAS would provide expert hospice care if approved. Clint Grissom, Regional Manager of Nurse Staffing, Inc. submitted a letter that indicates his agency nurses have had rewarding experiences providing palliative care through the VITAS organization. Ms. Laurie Surprise, Director of Marketing for Life Care Center of Melbourne, indicates that she would be very interested in establishing a working relationship with VITAS. She indicates that she believes VITAS would be of great value to specific Life Care residents and their families. Ms. Stacy Stabler, MS, NHA, Administrator with Huntington Place Rehabilitation and Nursing Center in Rockledge, indicates her facility would readily entertain the prospect of contracting with VITAS for hospice inpatient beds.

C. PROJECT SUMMARY

VITAS Healthcare Corporation of Central Florida. (CON #9498) is a Florida corporation, which presently provides hospice services in hospice service areas 7B and 7C. The applicant is an affiliate of VITAS Healthcare Corporation, a for-profit corporation¹, which provides hospice services throughout the United States. VITAS, the parent corporation began operating in Florida in 1978 and the applicant indicates that the establishment of VITAS in Hospice Service Area 7A will enable the formation of a coordinated central Florida delivery of hospice services and enable it to enhance economies of scale for its hospice operations. The applicant has the financial resources necessary for this project. Project costs total \$141,804.

The applicant proposes to condition CON approval on providing 10 percent of its annual hospice admissions to charity care and Medicaid patients, 2.5 percent to Alzheimer's patients, a minimum of 55 percent non-cancer and penetration of 20 percent of HIV related deaths. The applicant also proposes to provide a pediatric patient program and states that it will become JCAHO accredited. Schedule 7A shows the applicant projects 24.51 percent of year two's total patient days will be provided to Medicaid patients. However, hospice providers have to serve all patients requesting hospice services, so CON conditions are not warranted.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by assessing the responses provided in the application, and independent information gathered by the reviewer.

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

¹ Section 400.061, Florida Statutes defines a hospice as a centrally administered corporation not for profit, as defined in chapter 617, providing a continuum of palliative and supportive care for the terminally ill patient and his or her family. Although a for profit corporation, the applicant is able to apply for this program because of section 400.602 (6), Florida Statutes, which allows this particular hospice to obtain a license for additional hospice programs because it met provisions set in section 400.602(5), Florida Statutes that allowed a for profit hospice to purchase a not-for-profit hospice.

Section 59C-1.010(2) (b), Florida Administrative Code, allows no application amendment information subsequent to the application being deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, the consultant, James B. McLemore analyzed the application in its entirety with consultation from the Financial Analyst, John C. Williamson who evaluated the financial data.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed projects with the criteria and application content requirements 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 (F.A.C.); and Local Health Plans.

1. Fixed Need Pool

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Ch. 59C-1.008(2), Florida Administrative Code.**

The Agency published a fixed need for one additional hospice program to serve Service Area 7A in Volume 27, Number 30 of the Florida Administrative Weekly dated July 27, 2001. This application is in response to published need.

As noted above, Hospice of St. Francis contends that, based on its revised figures, there is no need for an additional hospice in Subdistrict 7a.

However, the VITAS application was submitted in response to AHCA's published fixed-need pool which indicated a need for an additional hospice program in Brevard County. The revised need shows 351 projected minus current admissions, which result in the need for one additional hospice in service area 7A. The published need formula used is appropriate and St. Francis did not challenge the fixed need pool.

2. Local Health Plan Preferences

Is need for the project proposed supported by the applicable district plan? ss. 408.035(1); 408.037(1), Florida Statutes.

The Health Council of East Central Florida, Inc. adopted the following Certificate of Need Allocation Factor in October 2000 with regard to hospice projects. These preferences are addressed as follows.

a. Preference shall be given to applicants who provide a comprehensive assessment of the impact of their proposed new services on existing hospice providers in the proposed service areas. Such an assessment should include, but not be limited to:

1. A projection of the number of Medicare/Medicaid patients to be drawn away from existing hospice providers versus the projected number of new patients in the service area;

The applicant indicates that 94 percent of its projected 181 year one or 170 admissions will be Medicare or Medicaid patients. VITAS contends that all admissions are incremental to the existing market penetration and therefore there will no impact on existing providers.

2. A projection of area hospice cost increases/decreases to occur due to the addition of another hospice;

The applicant indicates that because it currently provides hospice services in District 7, this proposed expansion into Brevard County should enable it to achieve some economies of scale and is not expected to increase the cost of providing hospice services in the subdistrict.

3. Projection of the ratio of administrative expenses to patient care expenses;

VITAS indicates that its ratio of administrative expenses to patient care expenses is reasonable. However, the applicant does not state what that ratio is. Schedule 8A indicates that administrative expenses per diem in year two are \$1 and patient care expenses per diem are (-\$3). This appears to be an obvious error. While the applicant's narrative indicates it will provide a full a continuum of palliative and supportive care for the terminally ill patient and his or her family, its financial projections do not demonstrate that it will.

4. Identification of sources of private donations and fundraising activities and their effect on current providers; and

VITAS indicates that it does not solicit donations from the community. VITAS is a for profit corporation. The applicant indicates that VITAS is large enough to benefit from economies of scale and be viable. VITAS contends that as it is not dependent on donated resources, therefore it will have no impact on the donations to other area providers.

5. Projection of the number of volunteers to be drawn away from the available pool for existing hospice providers.

VITAS does not provide any specific number of volunteers that its project will utilize. However, the applicant indicates that it maintains active volunteers in its other District 7 programs. The applicant contends that since the majority of patients in its Brevard County hospice will be incremental to the existing patient base and volunteers are often family members of the deceased, the project should have minimal impact on existing providers.

b. Preference shall be given to an applicant who will serve an area where hospice care is not available or where the patient must wait more than 48 hours for admission, following physician approval, to a hospice program. Documentation should include the number of patients who have been identified by providers of medical care and the reasons for the delay in obtaining care.

VITAS indicates that its project is in response to the published need and not in response to delayed market admissions and the associated not normal circumstances.

c. Preference shall be given to applicants who will serve persons with HIV/AIDS, minorities, nursing home residents, and other members of subpopulations who are hard to serve or have difficulty obtaining services.

VITAS indicates that it considers AIDS patients and nursing home patients to be within the scope of the normal hospice population and will provide services to these patients as well as others it considers to have difficulty accessing hospice care.

- d. Preference shall be given to applicants who commit to contract with existing acute care providers for the use of beds.**

VITAS indicates that it will provide inpatient services through contractual arrangements with area nursing homes and area hospitals. Letters of support from two area nursing homes were submitted, but no letters of support were submitted from area hospitals. In addition, it is noted that in Schedule 7A, the applicant does not show any continuous home care or inpatient care in its projected year one and year two patient days. However, Schedule 8A shows less expense to the hospice for continuous care, inpatient care and nursing home care as a result of this project. It is also noted that two of the service area's existing hospice providers are affiliated with local hospitals.

3. Agency Rule Preferences

- 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.**

VITAS indicates that a commonly accepted measure of hospice services in a given area is the level of service area penetration, defined at that percentage of the service area's needs (cases) which are being met. The applicant compares the percentage of the service area's terminally ill patients who receive hospice care to the State of Florida average and concludes that while there is an overall need, services to non-cancer patients are especially needed. The applicant indicates it will commit to a significant number of non-cancer patients (proposed 55 percent) and cites its proposed condition of 2.5 percent of its patients being diagnosed with Alzheimer's disease. However, as discussed below, need methodologies based on penetration levels are not good indicators of need.

The applicant proposes to provide care to a minimum of 20 percent of Brevard County's HIV related deaths. However, the Florida Vital Statistics Annual report for CY 2000 indicates Brevard County (Service Area 7A) had only 31 HIV related deaths. This equates to only 0.6 percent of the service area's total deaths during CY 2000 and there is no evidence these patients are underserved. The state average of HIV deaths to total deaths was 1.11 percent (1,809/162,839).

VITAS also proposes to condition CON approval to 10 percent of its total payer mix consisting of charity care and Medicaid patients. However, hospice is required to serve all eligible patients regardless of payer source.

There are variations among the state's hospice service areas in terms of service by type of deaths, age groups and overall hospice penetration. The varying penetration rate could be due to a number of reasons, such as the general acceptance of hospice by physicians and residents of the area, area referral patterns, hospice recruitment efforts, hospice staffing or other reasons. However, although the applicant discusses non-cancer patients and AIDS/HIV+ patients, it does not provide evidence that any particular service area population's needs are currently not being met by existing providers.

- (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.**

VITAS indicates it will utilize existing health care facilities for inpatient hospice care. VITAS provides a copy of its hospice 'Nursing Homes Contract List' in Volume 3, Section 14 of the application and sample 'Agreement for Nursing Facility Services' in Volume 3, Section 20. VITAS also provided the corporate sample contract for the provision of inpatient hospice care in Volume 3, Section 19 of the application. VITAS indicates that it has already engaged in discussions with Harborside Health Care of Brevard for respite and general inpatient beds. While the applicant's narrative on pages 53 and 54 indicates it will provide inpatient and nursing home patient care through contractual arrangements and the primary focus of the project is to allow the patient to remain in their own home or home of a relative; Schedules 7A and 8A do not document that the applicant will provide hospice care as required by Section 400.609 Florida Statutes.

- (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.**

VITAS indicates that its primary focus will be to enable patients to remain in the least restrictive and emotionally supportive environment possible. The applicant states every effort will be made to ensure those patients without a primary caregiver are able to find volunteer support to remain at home. The applicant proposes to condition the CON approval to a minimum of 20 percent of the HIV patient deaths having hospice care. In reference to the homeless, VITAS indicates it will assist patients without resources to obtain residential care in a hospice unit within an assisted living facility or nursing home.

The Florida HIV/AIDS, STD and TB Surveillance Report published by the Bureau of HIV/AIDS, of the Florida Department of Health, Division of Disease Control indicates that as of December 31, 2000, there were 769 persons with HIV/AIDS living in Brevard County. This is 1.39 percent (769/55,060) of the state's total cases. The most recent data from the Florida Department of Health, Office of Vital Statistics, indicates that during CY 2000, 31 Brevard County residents died as a result of HIV. VITAS projects 6 HIV/AIDS hospice admissions for year two (ending August 2004) of the project.

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

Service Area 7A consists of only Brevard County. Therefore this preference is not applicable.

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

VITAS restates its proposed conditions and indicates that it will serve all medically-qualified patients without regard to ability to pay or any other distinction. As stated earlier, the applicant has agreed to condition award of the CON upon providing 10 percent of its care to the medically indigent. Schedule 7A shows charity care in year two of \$28,033 and Medicaid as 24.51 percent of projected patient days.

b. **Chapter 59C-1.0355, Florida Administrative Code contains the following general provisions and review criteria to be considered in reviewing hospice programs.**

(1) Consistency with Plans (Rule 59C-1.0355 (5) Florida Administrative Code). An applicant for a new hospice program shall include evidence in the application that the proposal is consistent with the needs of the community and other criteria contained in the Local Health Council Health Plans. The application for a new hospice shall include letters from health organizations, social services organizations, and other entities within the proposed service area that endorse the applicant's development of a hospice program.

VITAS included two letters of support from service area nursing homes, which were discussed in Item B.

(2) Required Program Description (Rule 59C-1.0355(6) Florida Administrative Code): An applicant for a new hospice program shall provide a detailed program description in its certificate of need application, including:

(a) Proposed staffing, including use of volunteers.

VITAS does not provide the number of volunteers it will utilize nor does it provide a description of the functions volunteers will perform. However, Volume 3, Sections 24 and 25 includes a description of the VITAS volunteer duties. The applicant indicates that there will be part time positions due to the allocation of personnel from VITAS' existing operations in Subdistricts 7B and 7C. Schedule 6A indicates that 11.5 FTEs will be needed by the end of year two. These include 5.0 Administrative FTEs, 0.2 medical director/physician FTE, 1.0 nursing director FTE, 1.2 RN FTEs, 1.9 nurses aides, 0.6 on-call representative, 0.2 other home care FTE, 0.5 social worker FTE, 0.4 chaplain FTE and 0.5 volunteer/bereavement manager.

(b) Expected sources of patient referrals.

VITAS indicates that it will receive patient referrals from area physicians, hospitals, nursing homes and other healthcare providers, family members and the patients themselves. The applicant also states it will develop programs and services geared to referral sources.

- (c) **Projected number of admissions, by payer type, including Medicare, Medicaid, private insurance, self-pay, and indigent care patients for the first two years of operation.**

VITAS Corporation of Central Florida Projected Number and Percentage of Admissions By Payer Type				
Payer Source	Year One		Year Two	
Medicare	127	70.16%	276	70.95%
Medicaid	43	23.75%	95	24.42%
Indigent	1	0.55%	1	0.25%
Insurance/Mgr care/other	10	5.52%	17	4.37%
Total	181	99.98%	389	99.99%

Source: CON #9498, page 57.

Note : VITAS indicates that its year one and two end August 31, 2003 and 2004, respectively.

While VITAS indicates that it will have only one indigent patient during both years one and two of the project, Schedule 7A indicates that charity care will account for \$21,714 in year one and \$28,033 in year two. However, since the other column is not defined it could include insurance, Medicaid and other write-offs to reach the charity care level in the financial projections.

- (d) **Projected number of admissions, by type of terminal illness, for the first two years of operation.**

The following table demonstrates the applicant's response:

Projected Number of Admissions By Type of Terminal Illness		
	Year One	Year Two
Cancer	81	175
Non-cancer	100	214
Total Admissions	181	389

Source: CON #9498 page 57.

VITAS defined the non-cancer illnesses in six categories and an "other" category. VITAS projected cancer patients to represent about 44.75 percent of its total caseload in year one (ending August 31, 2003) and 44.98 percent in year two (2004). The Agency projects that cancer will account for approximately 50.15 percent of the hospice deaths during the 12 months ending December 2003. Therefore, VITAS plans to serve more patients in the non-cancer category, which it contends is underserved.

- (e) **Projected number of admissions, by two age groups, under 65 and 65 or older, for the first two years of operation.**

Projected Number of Admissions By Age Group		
	Year One (2003)	Year Two (2004)
Age<65	41	84
Age 65 & over	140	305
Total Admissions	181	389

Source: CON #9498, page 58.

The applicant projects that 78.40 percent of all patients during year two are expected to be age 65 and over. The Agency's hospice need projections indicate that 82.87 percent of the hospice patients during the CY 2003 planning horizon will be age 65 and over.

Therefore, VITAS plans to serve a slightly younger patient mix than the projected subdistrict average.

- (f) **Identification of the services that will be provided directly by hospice staff and volunteers and those that will be provided through contractual arrangements.**

VITAS indicates that it will provide the core services, including physician services, nursing services, social work services, pastoral/counseling, dietary counseling through staff and volunteers. Functions such as physical, massage and occupation therapy, and speech-language pathology may be contracted (Schedule 6A shows no FTEs for these functions). Support functions such as general bookkeeping, accounts payable, financial reporting, education and training, quality assurance, information technology and human resources, which includes payroll and benefits administration, will be provided by the applicant's Subdistrict 7B and 7C operations and the consultancy agreement with VITAS Healthcare Corporation (the parent).

- (g) **Proposed arrangements for providing inpatient care.**

VITAS indicates that it will have inpatient contracts with area nursing homes and hospitals. The applicant indicates that it will be able to enter into arrangements for per diem contracts and as need arises, develop inpatient units within existing facilities to meet the needs of its hospice patients. However, as stated earlier, proformas do not support this contention (Refer to E.4.f. below for further discussion.)

- (h) Proposed number of inpatient beds that will be located in a freestanding inpatient facility, in hospitals, and in nursing homes.**

The applicant's proposal does not involve a freestanding inpatient facility. VITAS does not provide specific numbers of inpatient beds in hospitals or nursing homes that would be utilized.

- (i) Circumstances under which a patient would be admitted to an inpatient bed.**

The applicant indicates that inpatient episodes for respite care or for stays of short duration could be used to allow the caregiver/family a break in their care duties. Hospice patients may also be admitted if their pain/symptoms cannot be adequately managed at home. Once stabilized the patient can return home.

- (j) Provisions for serving persons without primary caregivers at home.**

See the applicant's response to Agency preference in Item 3 a. 3.

- (k) Arrangements for the provision of bereavement services.**

The applicant indicates that it will have an organized comprehensive program for formal and informal bereavement counseling and supportive services to the patient and family. The bereavement program will be under the direction of the VITAS Volunteer/Bereavement Manager who is responsible for setting guidelines and running the day to day bereavement program. The applicant provides a good description of its bereavement program.

(l) Proposed community education activities concerning hospice programs.

VITAS indicates that it has a well-established community outreach and education program in place. The applicant also provides a listing of 10 educational activities VITAS presently provides and a listing of 27 projects VITAS is involved in. VITAS indicates it will educate the community and participate in programs such as the above.

(m) Fundraising activities.

VITAS indicates that it will not actively raise funds from the community and therefore will not adversely impact the existing hospice providers. The applicant indicates that it firmly believes it will be able to fund its charity care commitments through its operations and does not require donations to support these costs. It appears the applicant expects to receive any funding necessary through the efforts of VITAS Healthcare Corporation funding activities.

4. Statutory Review Criteria

a. Is need for the project evidenced by the availability, quality of care, efficiency, 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.

The Agency published need for an additional hospice program and the applicant is responding to published need. The applicant indicates that appropriateness, effectiveness and efficiency will be enhanced with its (VITAS Healthcare Corporation's) arrival to the area. Letters from two area nursing home administrators provided by the applicant support this claim. The applicant states it will place high priority on training its clinicians in high quality effective services which include: managing customer expectations, training and obtaining expert staff, making each customer encounter successful, proactive quality monitoring, and applying research experience to improve patient care. The applicant concludes by restating its commitment to Medicaid recipients and charity care patients.

The addition of another hospice provider in Service Area 7A, assuming that provider has the ability to provide a continuum of palliative and supportive care for the terminally ill who have elected hospice services, should improve availability and access, quality of care, efficiency and adequacy of hospice services in the service area. However, VITAS has shown little support from the area's healthcare providers.

Service Area 7A has three hospice programs in operation. The following chart shows the volume for these programs.

SERVICE AREA 7A HOSPICE ADMISSIONS JULY 2000 - JUNE 2001	
Hospice of Health First	767
Hospice of St. Francis	227
Wuesthoff Brevard Hospice	886
Service Area 7A Total	1,880
State Total	65,923

Source: AHCA Hospice Programs Background Information for the January 2003 Hospice Planning Horizon (Revised 8/7/01).

There were 65,923 hospice admissions provided by the 49 hospices reporting during the 12 month reporting period ending June 30, 2001. This is an average of 1,345 admissions per hospice. None of the existing hospices reached the state average hospice admissions. St. Francis Hospice had only 227 admissions; the service area's combined average was 626 (1,880/3) per hospice. The Service Area 7A average admissions per hospice were 46.54 percent below the state average. The Agency need methodology indicates the need for one additional hospice in the service area.

b. Does the applicant have a history of and demonstrated the ability to provide quality care? ss. 408.035(3), 408.035(12), Florida Statutes.

VITAS indicates that it has extensive experience in hospice throughout the central Florida area and has been a licensed hospice for in excess of 25 years. The applicant discusses its corporate quality assurance program and outcome management program. Volume 3, Section 17 included VITAS Quality Improvement Section of its Policy and Procedure Implementation Handbook. The applicant demonstrated the 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.**

VITAS states that its project does not address special health services in adjacent districts nor is it providing special services available in adjacent districts. The applicant concludes this criterion is not applicable.

- 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 indicates that the proposal is not located in a teaching hospital and does not involve research. However, the applicant does provide a discussion of its professional education and in-service programs.

- e. **What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.037(6), Florida Statutes.**

In reference to health manpower, the applicant indicates that VITAS Healthcare Corporation of Central Florida has extensive managerial and operational resources and relies on the parent corporation for additional managerial and operational resources. The applicant provides brief bibliographies of key VITAS Corporate officers who would oversee the operation. Resumes of key management personnel were included in Volume 3, Section 18. The applicant provides a brief description of its recruitment and retention policies for salaried employees on page 74, in its quality of care response. Schedule 6 indicates there will be 5.0 administrative FTEs, 0.2 medical director/physician FTE, 1.0 nursing director FTE, 1.2 RN FTEs, 1.9 nurses aides, 0.6 on-call representative, 0.2 other home care FTE, 0.5 social worker FTE, 0.4 chaplain FTE and 0.5 volunteer/bereavement manager for a total of 11.45 new FTEs as a result of this project. However, the actual FTEs shown on Schedule computes to 11.5. The applicant will utilize existing personnel from the adjacent areas for the provision of this some of this program's services.

VITAS Healthcare Corporation of Central Florida projects that the financial impact of the project will include the initial project cost of \$141,804 and incremental operating costs of \$1,067,258. The applicant's audited financial statements for the periods ending September 30, 2000 and September 30, 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:

Financial Indicators & Ratios	09/30/2000	09/30/1999
Current Assets	\$ 2,901,218	\$ 1,695,606
Cash and Current Investment	\$ 500	\$ 5,500
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 7,622,481	\$ 6,610,585
Current Liabilities	\$ 2,080,699	\$ 1,450,083
Total Liabilities	\$ 5,281,715	\$ 5,884,281
Total Equity	\$ 2,340,766	\$ 726,304
Net Operating Revenues	\$ 23,568,513	\$ 15,841,793
Interest Expense	\$ 0	\$ 0
Net Profit – Operations	\$ 2,628,166	\$ 782,077
Net Income	\$ 1,614,462	\$ 485,077
Cash Flow from Operations	\$ 5,109,281	\$ 3,265,872
Working Capital	\$ 820,519	\$ 245,523
Current Ratio (CA/CL)	1.4	1.2
Cash Flow to Current Liabilities (CFO/CL)	2.5	2.3
Long-Term Debt to Equity (TL-CL/TE)	1.4	6.1
Times Interest Earned (NPO+Int/Int)		
Equity to Total Assets (TE/TA)	30.7%	11.0%
Operating Margin (NPO/NOR)	11.2%	4.9%
Total Margin (NI/NOR)	6.9%	3.1%
Return on Assets (NI/TA)	34.5%	11.8%
Operating Cash Flow to Assets (CFO/TA)	67.0%	49.4%

Short-term position:

The applicant's current ratio of 1.4 is a moderately weak position, but is influenced by the applicant's participation in the parent company central cash management program. All of the applicant's cash receipts are remitted to the parent and the parent funds all cash disbursements. As a result, minimum cash is kept on the books of the applicant. The working capital (current assets less current liabilities) of \$820 thousand is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 2.5 is strong. Overall, the applicant has a good short-term position.

Long-term position:

The ratio of long-term debt to equity of 1.4 indicates the applicant's long-term debt is high when compared to its equity. The ratio of cash flow to assets of 67.0 percent is strong. The most recent year had an operating profit of \$1.6 million, which resulted in a margin ratio of 11.2 percent, a good position. Total equity is \$2.3 million with the ratio of equity to assets 30.7 percent is adequate. Overall, the applicant has a good long-term position.

Capital Requirements:

Schedule 2 listed capital projects in the amount of \$354 thousand. In addition, the applicant has \$905 thousand in noncancelable operation leases through year 2 of the project.

Available capital:

The audited financial balance sheet indicated the applicant had cash on hand of \$500. The applicant states that funding will be provided from cash on hand. The financial statements provided do not support this statement. However, cash flows from operations for the year ended September 30, 2000 were \$5.1 million.

Conclusion:

If cash flow were to continue at this level, then sufficient funds would be available. Based on the audited financial statements of the applicant, funding for this project and all other capital projects should be available as needed.

f. What is the immediate and long-term financial feasibility of the proposal? ss. 408.037(8), Florida Statutes.

Schedule 7A of the application indicates that routine home care is the only service to be provided. The payer types identified in the application are: Medicare at 70.88 percent, Medicaid at 24.51 percent, self-payers at .20 percent, commercial insurance at .49 percent, HMO/PPO at 1.85 percent and other payers at 3.78 percent.

Florida Statutes require a Hospice to provide "a continuum of palliative and supportive care for the terminally ill patient and his or her family." (Section 406.601(3), Florida Statutes). The applicant did not provide financial data and does not appear to plan to provide the services required of a hospice program under Section 400.609, Florida Statutes.

A hospice program must provide continuous home care, inpatient respite care, and general inpatient care as well as routine home care in order to satisfy the licensing requirements of Section 400.609, Florida Statutes.

The proposed hospice program does not appear to meet the requirements under Chapter 400, Florida Statutes; therefore the project is not financially feasible.

g. Will the proposed project foster competition to promote quality 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 95.4 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.

There is no construction involved in the project.

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.

VITAS indicates that it has a history of providing services to Medicaid and medically indigent patients as it has been operating in Florida since 1978. VITAS (the parent) has four affiliated hospice programs in Florida. The applicant indicated that approximately eight percent of VITAS' services were provided to Medicaid patients during the last two fiscal years. The applicant's audited financial statements indicate that Medicaid revenue represented 31 and 29 percent of accounts receivable during FY 2000 and FY 1999, respectively. Charity care was shown at \$110,000 and \$38,000 for FTE September 30, 2000 and 1999.

As previously stated, the applicant proposes to condition CON approval to provide 10 percent of its services to Medicaid and charity care patients. However, since hospice providers have to serve all hospice eligible patients who request hospice services, CON conditions are not warranted. Schedule 7A indicates that 24.51 percent of the hospice's year two (ending August 2004) total patient days will be provided to Medicaid patients. Schedule 7A indicates that charity care revenue will account to \$28,033 in year two or 2.04 percent of year two's net revenues.

F. SUMMARY

VITAS Healthcare Corporation of Central Florida (CON #9498) is a Florida for profit corporation, which presently provides hospice services in hospice Service Areas 7B and 7C. The applicant is an affiliate of VITAS Healthcare Corporation. VITAS purposes to establish a hospice program to serve Brevard County, hospice service area 7A. Project costs total \$141,804.

After weighing and balancing all applicable review criteria, the following relevant factors are listed with regard to the hospice project in District 7, Service Area 7A, Brevard County by VITAS Healthcare Corporation of Central Florida.

The Fixed Need Pool published in Volume 27, Number 30, dated July 27, 2001 of the Florida Administrative Weekly, projects one additional hospice program need in District 7, Service Area 7A. The applicant proposes to establish a hospice program in response to the projected need.

VITAS Healthcare of Central Florida presented various data in support of its application including an analysis of the existing service area providers and contrasting the service area with Service Areas 7B and 7C where it presently operates. The applicant included 13 standardized letters of support from individuals residing or working in the Brevard County area. Two letters were from nursing home professionals who indicate their interest in working with VITAS. Another was from a nurse staffing agency manager, which cited his agency nurse's rewarding experiences providing palliative care through the VITAS organization. However, there were no letters of support from area hospitals and despite the applicant's contentions that it will provide a continuum of palliative care, proformas indicate that it does not plan to provide this continuum of care.

Quality of Care:

- VITAS Healthcare Corporation of Central Florida has a history of providing quality care and demonstrates the ability of providing quality of care.

Costs/Financial Feasibility:

- The applicant's audited balance sheet indicated the applicant has only \$500 cash on hand and funding is stated to be coming from the applicant's cash on hand. The financial statements do not support this. However, cash flows from operations for the year ended September 30, 2000 were \$5.1 million. If cash flow were to continue at this level, funding for this project and all capital projects should be available.
- The applicant did not provide financial data and does not appear to plan to provide the services required of a hospice program under Section 400.609, F. S. The proposed hospice program does not appear to meet the requirements under Chapter 400, Florida Statutes; therefore the project is not financially feasible.

Medicaid/Charity Care:

- The applicant's audited financial statements indicate that Medicaid revenue represented 31 and 29 percent of accounts receivable during FY 2000 and FY 1999, respectively. Charity care was shown at \$110,000 and \$38,000 for FTE September 30, 2000 and 1999.
- The applicant proposes to condition CON approval to provide 10 percent of its hospice admissions to Medicaid and charity care patients.
- Schedule 7A indicates that 24.51 percent of the hospice's year two total patient days will be provided to Medicaid patients. Schedule 7A Schedule 7A indicates that charity care revenue will account to \$28,033 in year two or 2.04 percent of year two's net revenues.

G. RECOMMENDATION

Deny CON #9498.

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