

**STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED**

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Innovative Medical Management Solutions, LLC/CON #10506
4042 Park Oaks Boulevard, Suite 300
Tampa, Florida 33610

Authorized Representative: Ronald J. Swartz
VP and C.F.O.
Greystone Healthcare Management Corp.
(813) 635-9500

2. Service District/Subdistrict

District 3/Subdistrict 3-7 (Lake and Sumter Counties)

B. PUBLIC HEARING

A public hearing was not held or requested regarding the proposed project.

Letters of Support

The Agency received several letters of support submitted by the applicant. The letters were composed by various health care providers and physicians all conveying an established professional affiliation with the applicant and the shared sentiment of endorsement for the proposed project.

C. PROJECT SUMMARY

Innovative Medical Management Solutions, LLC (CON application #10506), hereafter referred to as IMMS or the applicant, proposes to add 20 community nursing home beds to a previously approved IMMS 60-bed facility (CON application #10267), resulting in a new 80-bed skilled

nursing facility (SNF) in District 3/Subdistrict 3-7, Lake County. IMMS will be managed by Greystone Healthcare Management (referred to as Greystone throughout this document).

Greystone operates 26 SNFs and one assisted living facility (ALF) in Florida:

- Alhambra Health and Rehabilitation Center
- Apollo Health and Rehabilitation
- Carlton Shores Health and Rehabilitation Center
- Club Health and Rehabilitation Center
- Greenbriar Health and Rehabilitation Center
- Grove Health and Rehabilitation Center
- Isle Health and Rehabilitation Center
- Lady Lake Specialty Care Center
- Lehigh Acres Health and Rehabilitation Center
- Lexington Health and Rehabilitation Center
- North Beach Rehabilitation Center
- North Rehabilitation Center
- Park Meadows Health and Rehabilitation Center
- Ridgecrest Nursing and Rehabilitation Center
- Riverwood Health and Rehabilitation Center
- Rockledge Health and Rehabilitation Center
- Sunset Lake Health and Rehabilitation Center
- Terrace Health and Rehabilitation Center
- The Gardens Health and Rehabilitation Center
- The Lodge Health and Rehabilitation Center (New Horizon)
- Unity Health and Rehabilitation Center
- Viera Health and Rehabilitation Center
- Villa Health and Rehabilitation Center
- Village Place Health and Rehabilitation Center
- Wilton Manors Health and Rehabilitation Center
- Woodland Grove Health and Rehabilitation Center
- The Springs Lake Lady (ALF)

The project involves 9,120 gross square feet (GSF) of renovation at of cost of \$150,000. The proposed 20-bed addition does not involve any new construction. Total project cost is \$240,000. Project cost includes building, equipment and project development cost.

The applicant does not wish to accept any conditions for the proposed project.

Total GSF and Project Costs of Co-Batched Applicants					
Applicant	CON #	Project	GSF	Costs \$	Cost Per Bed
IMMS	10506	20-Bed Addition	9,120	\$240,000	\$12,000

Source; CON application 10506, Schedule 1 and 9

D. REVIEW PROCEDURE

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

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

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

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

As part of the fact-finding, the consultant, Dwight Aldridge analyzed the application with consultation from the financial analyst, Eric West of the Bureau of Central Services, who evaluated the financial data and Scott Waltz of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project 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.

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? Rule 59C-1.008 (2), Florida Administrative Code.**

In Volume 43, Number 189 of the Florida Administrative Register dated September 29, 2017, a fixed need pool of 20 community nursing home beds was published for Subdistrict 3-7 for the July 2020 planning Horizon.

After publication of this fixed need pool, zero existing Subdistrict 3-7 facilities filed exemption requests or filed expedited CON reviews to increase or add community nursing home beds.

As of November 15, 2017, Subdistrict 3-7 had 1,857 licensed and 180 approved community nursing home beds. During the 12-month period ending June 30, 2017, Subdistrict 3-7 experienced 88.71 percent utilization at 16 existing community nursing homes. Below is a table illustrating nursing home patient days and total occupancy within Subdistrict 3-7.

Lake and Sumter Counties Nursing Home Patient Days and Occupancy July 1, 2016-June 30, 2017					
Facility	Comm. Nursing Home Bed Inventory	Bed Days	Patient Days	Total Occupancy	Medicaid Occupancy
Lake County					
Avante at Leesburg, Inc.	116	42,340	34,542	81.58%	69.06%
Avante at Mt. Dora, Inc.	116	42,340	37,653	88.93%	52.61%
Bayview Center	120	43,800	37,324	85.21%	79.43%
Clermont Health and Rehabilitation Center	182	66,430	64,026	96.38%	83.08%
Edgewater at Waterman Village	120	43,800	37,400	85.39%	37.08%
Lady Lake Specialty Care Center	145	52,925	49,698	93.90%	61.63%
Lake Eustis Health and Rehabilitation Center	90	32,850	31,369	95.49%	64.96%
Lake Harris Health Center	110	40,150	28,855	71.87%	45.29%
North Campus Rehabilitation and Nursing	90	32,850	30,404	92.55%	47.39%
Rehabilitation and Health Care Center	20	7,300	5,639	77.25%	22.88%
Ruleme Center	138	50,370	43,053	85.47%	76.74%
South Campus Care Center	120	43,800	37,505	85.63%	67.99%
Villages Rehabilitation and Nursing Center	120	43,800	41,823	95.49%	12.82%
Sumter County					
Cypress Care Center	180	65,700	62,425	91.97%	70.45%
Freedom Pointe at the Villages Rehab.& Healthcare Center	10	3,650	1,668	45.70%	0.00%
Osprey Point Nursing Center	60	21,900	21,014	95.95%	59.95%
Total	1,857	634,005	562,398	88.71%	60.31%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2017 Batching Cycle

The reviewer notes the current and projected population of Subdistrict 3-7 for the planning horizon. The projected population growth, both numerically and by percent are illustrated below.

Current and Projected Population Growth Rate Lake and Sumter Counties, District 3, and Florida January 2017 and January 2020						
County/ Area	January 1, 2017 Population			January 1, 2020 Population		
	0-64	65+	Total	0-64	65+	Total
Lake	248,441	82,348	330,789	261,914	92,132	354,046
Sumter	60,769	61,246	122,015	63,798	73,197	136,995
District 3	1,295,163	442,806	1,737,969	1,331,328	495,728	1,827,056
Florida	16,360,629	3,879,874	20,240,503	16,804,097	4,277,046	21,081,143
County/ Area	2017-2020 Increase			2017-2020 Growth Rate		
	0-64	65+	Total	0-64	65+	Total
Lake	13,473	9,784	23,257	5.42%	11.88%	7.03%
Sumter	3,029	11,951	14,980	4.98%	19.51%	12.28%
District 3	36,165	52,922	89,087	2.79%	11.95%	5.13%
Florida	443,468	397,172	840,640	2.71%	10.24%	4.15%

Source: Florida Agency for Health Care Administration Population Estimates, February 2015

The community nursing home bed ratio per 1,000 residents for the age 65+ cohort in the subdistrict, district and state are shown below.

Beds per 1,000 Residents Age 65 and Older					
County	Community Beds	2017 Pop. Aged 65+	2017 Beds per 1,000	2020 Pop. Aged 65+	2020 Beds per 1,000
Lake	1,487	82,348	18	92,132	16
Sumter	370	61,246	6	73,197	5
District 3	7,752	442,806	17	495,728	15
Florida	80,412	3,879,874	21	4,277,046	19

Source: Florida Agency for Health Care Administration Population Estimates, February 2015 and Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2017 Batching Cycle

IMMS states it analyzed Subdistrict’s 3-7 population estimates by ZIP Codes in for years 2017 and 2022, specially examining service area five-year growth rates for the elderly population aged 65+ within a five, 10 and 15-mile radii of the proposed facility location in Clermont. The applicant maintains that the proposed project improves access to the southern portion of the service area (within a 15-mile radius) for residents of Lake County. IMMS notes that within a five-mile radius of the proposed site, there are 12,085 elderly (age 65+) and 23,426 elderly within a 10-mile radius. The applicant indicates that by 2020, population estimates project an elderly population within a 10-mile radius of 29,226, exerting demand on existing subdistrict nursing homes, underscoring the need for additional beds within the southern portion of Lake County.

The applicant declares that growth rates for the elderly population exceed that of the population of the under 65 age cohort. The applicant notes that by year 2022, the 65+ age cohort will experience a growth of 22.6 percent, 24.8 percent and 26.1 percent respectively, within a five, 10 and 15-mile radii of the proposed facility. In contrast, the under age 65 population will experience growth rates of 8.1 percent, 8.4 percent and 6.8 percent respectively for the same radii and time period. The applicant indicates that population trends are expected to continue while retirees continue to relocate to Florida, creating a high demand for health services throughout the area.

IMMS states that the proposed project responds to the published need of 20 community nursing home beds, adding to the 60-bed facility (CON application #10267)¹ currently under development. The applicant states that the proposed project will provide several benefits to the residents of Clermont and the surrounding area, including:

- Improved access to a growing elderly population with an array of health services
- Beds will be placed into service by April 1, 2019, in advance of the July 2020 planning horizon
- Construction costs are minimal, as the current 60-bed facility under development can easily accommodate 20 additional beds
- The project is economically feasible
- Places beds into service where availability is limited

- 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:**

The applicant is responding to the Agency's published fixed need pool, so this criterion is not applicable.

2. Agency Rule Preferences

Please indicate how each applicable preference for the type of service proposed is met. Chapter 59C-1.036, Florida Administrative Code.

Chapter 59C-1.036 of the Florida Administrative Code does not contain preferences relative to community nursing home beds nor does the

¹ CON application #10267 was approved and CON was issued 9/17/2015 to Innovative Medical Management Solutions, LLC to establish a 60-bed community nursing home in District 3, Subdistrict 7, Lake County.

Agency publish specific preferences for these facilities. However, the rule does contain standards the Agency utilizes in assessing an applicant's ability to provide quality care to the residents.

- a. Geographically Underserved Areas. In a competitive certificate of need review within the nursing home subdistrict as defined in 59C-2.200, Florida Administrative Code, the Agency shall award a certificate of need if the applicant meets all applicable criteria for a geographically underserved area as specified in subsection 408.032(18), Florida Statutes, and if the applicant meets the applicable statutory certificate of need review criteria specified in section 408.035, Florida Statutes, including bed need according to the relevant bed need formula contained in this rule. If the applicant is awarded a certificate of need based on the provisions of this paragraph, the applicant shall agree that the nursing facility will be located in a county without a nursing facility, or in the center of an area within the subdistrict of a radius of at least 20 miles which meets the definition of a geographically underserved area. The center of the geographically underserved area shall be the proposed nursing home location in the application.**

The application was not submitted to remedy a geographically underserved area as defined above.

- b. Proposed Services. Applicants proposing the establishment of Medicare-certified nursing facility beds to be licensed under Chapter 400, Florida Statutes, shall provide a detailed description of the services to be provided, staffing pattern, patient characteristics, expected average length of stay, ancillary services, patient assessment tools, admission policies and discharge policies.**

IMMS states that it analyzed 5,300 hospital discharges to nursing homes for Lake County residents aged 65+ in order to determine the level of need for specific services to be offered. The applicant indicates that it examined the Major Diagnostic Categories (MDCs) followed by the most frequent diagnostic related groups (DRGs) and notes that the analysis assists in identifying the conditions and disorders that are most likely to be discharged to a SNF. The applicant lists the top 20 DRGs on page 2-3 of CON application #10506. The table below shows the top 10 MDCs discharged to nursing homes within Lake County in CY 2016.

Hospital Discharges to Nursing Homes in 2016 by Major Diagnostic Category (MDC) Lake County Residents Aged 65+		
MDC	CY 2016 Cases	Percent of Total
08-Musculoskeletal System & Conn Tissue	1,393	26.3%
05-Circulatory System	876	16.5%
04- Respiratory System	570	10.8%
01-Nervous System	521	9.8%
11-Kidney & Urinary Tract	464	8.8%
18-Infectious & Parasitic Diseases, Systemic or Unspecified Sites	418	7.9%
06-Digestive System	384	7.2%
10-Endocrine, Nutritional & Metabolic Diseases & Disorders	150	2.8%
09-Skin, Subcutaneous Tissue & Breast	124	2.3%
00-Pre MDC	68	1.3%
Subtotal	4,968	93.7%
Balance of MDCs	332	6.3%
Total	5,300	100.0%

Source: CON application #10506, page 2-3

IMMS also compared the Lake County hospital discharges to elderly Lake County residents residing within a 10-mile radius of the site. The applicant indicates that this analysis illustrated differences between the discharges experienced as a whole by elderly Lake County residents, and those experienced by Lake County elders residing within the four Lake County ZIP Codes within a 10-mile radius of the new facility. See the table below.

Hospital Discharges by MDC to Nursing Homes in 2016 Lake County Residents Aged 65+ Compared to Elderly Residents within 10-Mile Radius of Clermont				
MDC	Cases	Percent of Cases	Cases in 10-Mile Radius	Percent of Cases 10-mile Radius
08-Musculoskeletal System & Conn Tissue	1,393	26.3%	199	25.1%
05-Circulatory System	876	16.5%	111	14.0%
04- Respiratory System	570	10.8%	76	9.6%
01-Nervous System	521	9.8%	93	11.7%
11-Kidney & Urinary Tract	464	8.8%	66	8.3%
18-Infectious & Parasitic Diseases, Systemic or Unspecified Sites	418	7.9%	79	10.0%
06-Digestive System	384	7.2%	64	8.1%
Subtotal	4,626	87.3%	688	86.9%
Balance of MDC	674	12.7%	104	13.1%
Total	5,300	100.00%	792	100.0%

Source: CON application #10506, page 2-4

IMMS states that the data above illustrates that approximately the same proportion (87 percent) of discharges falling into seven MDCs holds for both the county as a whole and elderly residents residing within 10-miles of the proposed Clermont site. The applicant notes that MDCs 08 and 05 also show similarities in that they represent the first and second largest number of discharges to nursing

homes. The applicant indicates that elderly residents within a one-mile radius of the facility are more likely to be discharged with a stroke or a similar condition. For MDC 18, IMMS maintains that the proposed 40 private rooms are able to accommodate elders with an infectious disease, reducing risk to other residents.

The applicant states to have examined the most frequently occurring DRGs within the top seven MDCs and identified DRG 470 (joint replacement) as having the largest number of discharges from hospitals to nursing homes for elderly Lake County residents, representing 393 discharges. IMMS maintains that physical and occupational therapies are important for ensuring residents are able to resume their previous lifestyle and return home for hip replacement. The applicant indicates the proposed facility will feature a 4,100 square feet therapy/gym area to accommodate the various therapies and necessary equipment. The applicant provides the top six DRG hospital discharges to SNFs for Lake County residents aged 65+ for CY 2016, noting that all other DRGs had fewer than 100 discharges to nursing homes for the same age cohort. See the table below.

Hospital Discharges by DRG to Nursing Homes CY 2016 Lake County Residents Aged 65+	
DRG	Discharges
470-Major Joint Replacement or Reattachment of Lower Extremity	393
871-Septicemia or Severe Sepsis w/o Mv>96 Hours w MCC	246
481-Hip & Femur Procedures Except Major Joint w CC	170
291-Heart Failure & Shock w MCC	126
065-Intracranial Hemorrhage or Cerebral Infraction	110
690-Kidney & Urinary Tract Infections w/o MCC	105
Total	1,150
Percent of All Lake County Discharges to Nursing Homes	21.7%

Source: CON application #10506, page 2-5

IMMS indicates that the proposed facility will be dually certified in Medicare and Medicaid and will feature 20 semi-private and 40 private rooms. The reviewer notes that the approved 60-bed facility (CON application #10267) featured all private rooms and the current project converts 20 of the 60 rooms into semi-private rooms, resulting in a bed compliment of 40 private rooms and 20 semi-private rooms.

The applicant does indicate that each semi-private room is configured in an “L” shape to offer the maximum amount of privacy and will feature a private toilet, wheelchair accessible shower and view.

The applicant maintains that licensed nursing staff will be available 24 hours daily. The applicant states it will specifically offer:

- Physical, occupational and speech therapy
- Orthopedic rehabilitation
- Neurological rehabilitation
- Pulmonary rehabilitation
- Medical management
- Palliative care
- Hospice care
- Wound care

Regarding admission procedures, the applicant states each resident obtains admission to a SNF based on a physician's recommendations. IMMS notes that the admission procedure requires facility staff to provide an orientation to the facility and its policies to the resident and/or their family while also providing an initial assessment. IMMS indicates that assessment is conducted by a Registered Nurse with the assistance of health professionals and is designed to capture aspects of resident needs, strengths, goals, life history, preferences and includes a review of the resident's status pertaining to:

- Routines
- Cognitive patterns
- Communication
- Vision
- Mood and behavior patterns
- Psychological well-being
- Physical functioning
- Continence
- Diseases diagnosis and health conditions
- Dental status
- Nutritional status
- Skin conditions
- Activity pursuit
- Medications
- Special treatments and procedures

IMMS describes resident care planning as a baseline care plan established within 48 hours of admission, assuring that the resident's immediate needs are met. The applicant states that within seven days, an interdisciplinary team collaborates to

complete a comprehensive care plan for the patient/resident. The applicant states that the resident’s care team maintains the care plan in an effort to attain and/or maintain the highest level of function achievable by each resident.

In regards to discharge planning, the applicant explains that a resident-specific discharge plan begins at admission and incorporates the resident’s care goals and treatment preferences as well as the needs associated with reducing preventable readmissions. The applicant asserts that the interdisciplinary team ensures that discharge plans include an assessment of care giver needs. \

IMMS indicates that the projected average length of stay (ALOS) will reflect the proposed project’s focus on long and short-term rehabilitation. The applicant’s Schedule 7 indicates an ALOS of 27.1 days for both years one and two of operation. Schedule 6A illustrates that FTEs for year one (ending March 31, 2020) and year two (ending March 31, 2021) both total 117.3 for the facility as a whole (80 beds). Schedule 6A indicates that the applicant proposes 25.2 additional FTEs in both the first year and second year of operation for the proposed addition. See the table below.

Innovative Medical Management Solutions, LLC (CON application #10506) Projected Year One and Year Two Staffing		
	Year One FTEs	Year Two FTEs
Administration		
Secretary	0.4	0.4
Medical Records	0.5	0.5
Nursing		
RNs	2.5	2.5
LPNs	2.9	2.9
Nurses’ Aides	9.5	9.5
Other	0.5	0.5
Ancillary		
Physical Therapist	2.5	2.5
Speech Therapist	0.5	0.5
Occupational Therapist	2.0	2.0
Dietary		
Cooks	0.7	0.7
Dietary Aides	1.3	1.3
Social Services		
Activities Assistant	0.5	0.5
House Keeping		
Housekeeper	0.9	0.9
Plant Maintenance		
Other	0.5	0.5
Total	25.2	25.2

Source: CON application #10506, Schedule 6A

c. Quality of Care. In assessing the applicant's ability to provide quality of care pursuant to ss. 408.035 (1) (c), Florida Statutes, the Agency shall evaluate the following facts and circumstances:

- 1. Whether the applicant has had a Chapter 400, Florida Statutes, nursing facility license denied, revoked or suspended within the 36 months prior to the current application.**

The applicant states it is a newly created entity and therefore this criterion does not apply.

- 2. Whether the applicant has had a nursing facility placed into receivership at any time during the period of ownership, management or leasing of a nursing facility in the 36 months prior to the current application?**

The applicant states it is a newly created entity and therefore this criterion does not apply.

- 3. The extent to which the conditions identified within subparagraphs 1 and 2 threatened or resulted in direct significant harm to the health, safety or welfare of the nursing facility residents.**

The applicant indicates that this provision is not applicable.

- 4. The extent to which the conditions identified within subparagraph 3 were corrected within the time frames allowed by the appropriate state agency in each respective state and in a manner satisfactory to the Agency.**

The applicant indicates that not having had any violations, this provision is not applicable.

- 5. Rule 59C-1.036 (4) (f) Harmful Conditions. The Agency shall question the ability of the applicant to provide quality of care within any nursing facility when the conditions identified in the subparagraph (e) 1 and (e) 2 result in the direct, significant harm to the health, safety or welfare of a nursing facility resident, and were not corrected within the time frames allowed by the appropriate state agency in each respective state and in a manner satisfactory with the Agency.**

The applicant indicates that not having had any violations, this provision is not applicable.

- d. Rule 59C-1.036 (5) Utilization Reports. Within 45 days after the end of each calendar quarter, facilities with nursing facility beds licensed under Chapter 400, Florida Statutes shall report to the Agency, or its designee, the total number of patient days, which occurred in each month of the quarter, and the number of such days that were Medicaid patient days.**

The applicant indicates that it will provide all required data to the Well Florida Council that serves Health Planning District 3 and to the Agency.

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 (1)(b) and (e), Florida Statutes.**

There are 66 licensed community nursing homes with a total of 7,752 community nursing home beds in District 3. Subdistrict 3-7 is composed of Lake and Sumter Counties and has 16 licensed SNFs with a total of 1,857 community nursing home beds. The subdistrict averaged 88.71 percent total occupancy for the 12-month period ending June 30, 2017.

The applicant expresses that there is a scarcity of beds in the southern portion of Subdistrict 3-7, noting that there is only one SNF (Clermont Health and Rehabilitation Center with 182 beds), operating at 96.38 percent occupancy for the most recent 12-month period. IMMS indicates that the high occupancy rate results in the residents of the Clermont area being forced to seek service by out-migrating to Orange County. The applicant asserts that the proposed project will remedy the issue of limited availability.

Utilizing Claritas population estimates, the applicant states that Subdistrict 3-7 has 12 beds per 1,000 persons aged 65+, increasing to 15 beds per 1,000 elderly within a 15-mile radius of the proposed project site. The applicant indicates that the majority of beds are located in Orange County (east of the project site), limiting availability to Lake County residents who reside north, south and west of the Clermont site.

The applicant provides a table (CON application 10506, page 3-2) illustrating the number of community nursing home beds per 1,000 persons aged 65+ in a 15-mile radius of the project site, the subdistrict, district and state for years 2017 and 2022.

The applicant contends that when given a choice, residents will choose to remain close to their homes for SNF care that can average three weeks for short-term rehabilitation and longer for stays requiring long-term care. To determine utilization for the first two years of operation, IMMS applies a use rate of 3,486 patient days per 1,000 persons aged 65+ in Subdistrict 3-7 and for the 15-mile radius within Lake County. The applicant forecasts an occupancy rate of 82.77 percent and 85.57 percent respectively for year one (2020) and year two (2021) of operation. See the table below.

Projected Patient Days and Occupancy for the 15-Mile Radius of Projected Site First Two Years of Operation 2020 and 2021			
Baseline Statistics	Subdistrict 3-7	Lake County Within 15-Mile Radius	Subdistrict 3-7 Use Rate
Licensed Community Beds	1,857	182	
Projected Licensed Beds, 2020	2,057	262	
Community Patients Days (7/16-6/17)	562,398	64,026	
Average Daily Census (7/16-6/17)	1,541	175	
Average Occupancy	88.71%	96.38%	
2017 Population	161,344	29,288	
Use Rate (days per 1,000)	3,486	2,186	
CY 2020 Projections			
Projected Community Beds	2,057	262	
Projected Population 65+	178,273	32,854	
Use Rate (days per 1,000)	3,486	2,186	3,486
Projected Days	621,406	71,822	114,521
Average Daily Census	1,702	197	314
Projected Occupancy	82.77%	75.10%	119.75%
CY 2021 Projections			
Projected Community Beds	2,057	262	
Projected Population 65+	184,305	34,137	
Use Rate (days per 1,000)	3,486	2,186	3,486
Projected Days	642,433	74,627	118,992
Average Daily Census	1,760	204	326
Projected Occupancy	85.57%	78.04%	124.43%

Source: CON application #10506, page 1-15

In regards to quality care, the applicant states that Greystone is dedicated to improving the quality of care standards at their facilities and consistently investing in upgrades and renovations to the facilities and engages staff in quality improvement initiatives and education. The applicant indicates that the proposed facility will be developed with rehabilitation in mind to promote recovery and return to the community, while also providing long-term care.

IMMS provides a forecasted utilization based on recent new facility start-ups for Greystone affiliates. The applicant states the expectation that by the second year of operation, the new facility will fill to 95 percent occupancy, similar to the experience of existing SNFs within the 15-mile radius and consistent with other recent start-ups within District 3. The applicant provides the projected utilization for the proposed 20-bed addition and the 80-bed facility resulting in the approval of this project. See the table below.

Projected Utilization First Two Years of Operation 20-Bed Addition and Resulting 80-Bed Facility				
20-Bed Addition	Admissions	Patient Days	Occupancy Rate	ADC
Year One Ending March 31, 2020	125	3,381	46.2%	9
Year Two Ending March 31, 2021	256	6,935	95.0%	19
Total Facility of 80-Beds				
Year One Ending March 31, 2020	744	20,132	68.8%	55
Year Two Ending March 31, 2021	1,025	27,740	95.0%	76

Source: CON application #10506, page 1-16

The applicant also provides projected admission, patient days, ALOS and average daily census (ADC) for the first two years of operation. See the table below

Projected Utilization First Two Years of Operation for the 20-Bed Addition and Resulting 80-Bed Facility				
	20-Bed Addition		80-Bed Facility	
	Year One	Year Two	Year One	Year Two
Admissions	125	256	744	1,025
Patient Days	3,381	6,935	20,132	27,740
ALOS	27.1	27.1	27.1	27.1
ADC	9	19	55	76

Source: CON application #10506, page 2-10

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

IMMS states that it is managed by an experienced nursing home operator, Greystone Healthcare Management, which operates 26 SNFs throughout Florida. The applicant indicates that through this affiliation, it will utilize Greystone tools and methods to best serve residents of Lake County.

The applicant asserts that the proposed project will feature Greystone’s quality programs and initiatives, including Greystone Health Network™ and provides its vision statement in regards to quality of care-BELIEVE, which describes a dedication and commitment to providing a Ritz-

Carlton level of customer service. The applicant explains that each letter of BELIEVE has a specific meaning, along with standards, processes and tools that are designed to assist each facility or agency in achieving this level of customer service for residents, patients, visitors, families, and staff. The applicant provides an overview of the BELIEVE culture of care program (CON application #10506, page 4-3) and contends that Greystone encourages and promotes a culture of caring through a recognition and reward program, and indicates that because of this program the culture of care is lived and supported throughout the organization.

IMMS indicates that it will implement a formal Quality Assurance (QA) Program and associated policies and procedures. The applicant declares that the QA Program will be designed to objectively and systematically monitor and evaluate the extent to which the care management, care coordination services and interventions provided by IMMS to patients are consistent with the established goals of the facility, in compliance with state and federal regulations and interpretive guidelines and are efficacious and cost-effective. IMMS provides a summary of the five stages of Greystone's QA and performance improvement program (QAPI), which encompass the following:

- Design and scope
- Governance and leadership
- Feedback, data systems and monitoring
- Performance Improvement Projects (PIPS)
- Systematic analysis and systematic action

The applicant points out that five Greystone Florida SNF received the U.S. News and World Report's distinction of "Best Nursing Homes 2017-2018. The applicant describes individual facility accolades and provides a list of Greystone facilities who received a Five-Star CMS quality rating in Exhibit 4-1 of CON application #10506.

Agency complaint records indicate, for the three-year period ending December 27, 2017, that 24 of 26 Greystone Healthcare facilities had 104 substantiated complaints in total. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

Greystone Substantiated Complaint Categories for the Past 36 Months Ending December 27, 2017	
Complaint Category	Number Substantiated
Quality of Care/Treatment	62
Resident/Patient/Client Rights	12
Admission, Transfer, Discharge Rights	11
Nursing Services	11
Dietary Services	9
Physical Environment	8
Resident/Patient/Client Assessment	5
Resident/Patient/Client Abuse	3
Infection Control	2
Life Safety Code	2
Administration/Personnel	1
Falsification of Records/Reports	1
Restraints/Seclusion General	1

Source: Agency for Healthcare Administration Complaint Records

- 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 (1)(d), Florida Statutes.**

Analysis:

The purpose of our analysis for this section is to determine if the applicant has access to the funds necessary to fund this and all capital projects. Our review includes an analysis of the short and long-term position of the applicant, parent, or other related parties who will fund the project. The analysis of the short and long-term position is intended to provide some level of objective assurance on the likelihood that funding will be available. The stronger the short-term position, the more likely cash on hand or cash flows could be used to fund the project. The stronger the long-term position, the more likely that debt financing could be achieved if necessary to fund the project. We also calculate working capital (current assets less current liabilities) a measure of excess liquidity that could be used to fund capital projects.

Historically we have compared all applicant financial ratios regardless of type to bench marks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a particular CON project it is a reasonable proxy for health care related entities. The applicant provided audited financial statements for Greystone & Co Holdings II, LLC, its parent company, where the short term and long term measures fall on the scale (highlighted in gray) for the most recent year.

Greystone & Co Holdings II, LLC		
	Current Year	Previous Year
Current Assets	\$77,121,175	\$91,513,700
Total Assets	\$283,862,917	\$296,983,250
Current Liabilities	\$56,053,739	\$68,022,135
Total Liabilities	\$269,732,493	\$303,846,196
Net Assets	\$14,130,424	(\$6,862,946)
Total Revenues	\$408,875,611	\$399,099,055
Excess of Revenues Over Expenses	(\$5,511,271)	\$2,316,251
Cash Flow from Operations	\$21,888,432	\$42,446,198
Short-Term Analysis		
Current Ratio (CA/CL)	1.4	1.3
Cash Flow to Current Liabilities (CFO/CL)	39.05%	62.40%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	1512.2%	-3436.2%
Total Margin (ER/TR)	-1.35%	0.58%
Measure of Available Funding		
Working Capital	\$21,067,436	\$23,491,565

Position	Strong	Good	Adequate	Moderately Weak	Weak
Current Ratio	above 3	3 - 2.3	2.3 - 1.7	1.7 – 1.0	< 1.0
Cash Flow to Current Liabilities	>150%	150%-100%	100% - 50%	50% - 0%	< 0%
Debt to Equity	0% - 10%	10%-35%	35%-65%	65%-95%	> 95% or < 0%
Total Margin	> 12%	12% - 8.5%	8.5% - 5.5%	5.5% - 0%	< 0%

Capital Requirements and Funding:

The applicant indicates on Schedule 2 capital projects totaling \$17,917,760, which includes this project (253,600) and CON application #10267. The applicant states on Schedule 3 that funding for this project will come from cash on hand. The applicant provided audited financial statements showing over \$21 million in working capital. Additionally, the applicant provided a letter of interest from SunTrust (Who has a current lending relationship with the parent). Although not a firm commitment to lend, these letters of interest document a history of lending to the parent organization. A letter from Greystone was submitted pledging financial support for this project.

Conclusion:

Funding for this project is available. Funding for the total capital projects is likely, but not guaranteed.

- d. **What is the immediate and long-term financial feasibility of the proposal? ss. 408.035 (1) (f), Florida Statutes.**

Analysis:

The immediate and long-term financial feasibility of the project is tied to expected profitability. The purpose of our analysis for this section is to evaluate the reasonableness of the applicant’s profitability projections and, ultimately, whether profitability is achievable for this project. Our analysis includes an evaluation of net revenue per patient day (NRPD), cost per patient day (CPD), nurse staffing ratios and profitability. We compared the NRPD, CPD, and profitability to actual operating results from SNFs as reported on Medicaid cost reports (2015, 2016, and 2017 cost report years). For our comparison group, we selected SNFs with similar Medicaid utilizations to the utilization projected by the applicant on a per patient day basis (PPD). Comparison group data was adjusted for inflation to match the second year projection (inflation factor was based on the New CMS Market Basket Price Index as published in the 3rd Quarter 2017, Health Care Cost Review).

NRPD, CPD and profitability or operating margin that fall within the group range are considered reasonable projections. Below is the result of our analysis.

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	12,824,208	462	2,135	522	299
Total Expenses	11,154,895	402	2,110	522	342
Operating Income	1,669,313	60	182	-10	-492
Operating Margin	13.02%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	27,740	95.00%	99.31%	85.90%	37.49%
Medicaid	6,935	25.00%	29.84%	18.62%	0.00%
Medicare	20,805	75.00%	99.59%	30.16%	5.51%

The projected NRPD, CPD and profit fall within the group range and are considered reasonable. Therefore, the overall profitability appears achievable.

Staffing:

Section 400.23(3)(a)(1), Florida Statutes, specifies a minimum certified nursing assistant staffing of 2.5 hours of direct care per resident per day and a minimum licensed nursing staffing of 1.0 hour of direct resident care per resident day. Based on the information provided in Schedule 6, the applicant meets this requirement.

Conclusion:

This project appears to be financially feasible based on the projections provided by the applicant.

- e. Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035 (1)(e) and (g), Florida Statutes.**

Analysis:

Strictly from a financial perspective, the type of competition that would result in increased efficiencies, service, and quality is limited in health care. Cost-effectiveness through competition is typically achieved via a combination of competitive pricing that forces more efficient cost to remain profitable and offering higher quality and additional services to attract patients from competitors. Since Medicare and Medicaid are the primary payers in the nursing home industry, price-based competition is limited. With a large portion of the revenue stream essentially fixed on a per patient basis, the available margin to increase quality and offer additional services is limited. In addition, competitive forces truly do not begin to take shape until existing business' market share is threatened. The publication of need in this area suggests that there is an unmet and untapped customer base for a new entrant to absorb. Since nursing home services are limited to available beds and the need formula suggest excess capacity in the market to fill those beds, the impact on market share would be limited. The combination of the existing health care system's barrier to price-based competition via fixed price payers and the existence of unmet need in the district limits any significant gains in cost-effectiveness and quality that would be generated from competition.

Conclusion:

Strictly from the financial schedules, this project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

- f. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035 (1) (h), Florida Statutes; Ch. 59A-4, Florida Administrative Code.**

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project provided in Schedule

9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant. Approval from the Agency for Health Care Administration’s Office of Plans and Construction is required before the commencement of any construction involving a hospital, nursing home, or intermediate care facility for the developmentally disabled (ICF/DD).

- g. Does the applicant have a history of and propose the provision of 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 (1) (i), Florida Statutes.**

A five-year history of Medicaid patient days and occupancy for the subdistrict, district and state is provided in the table below by fiscal year.

Medicaid Patient Days and Medicaid Occupancy Subdistrict 3-7, District 3 and Florida June 30, 2013 through June 30, 2017					
Medicaid Patient Days					
Area	JUL 2012- JUN 2013	JUL 2013- JUN 2014	JUL 2014- JUN 2015	JUL 2015 JUN 2016	JUL 2016- JUN 2017
Subdistrict 3-7	316,144	321,829	331,525	328,344	339,205
District 3	1,532,474	1,546,865	1,538,825	1,560,134	1,591,929
Florida	15,676,855	15,837,261	15,875,092	16,097,612	16,077,665
Medicaid Occupancy					
Area	JUL 2012- JUN 2013	JUL 2013- JUN 2014	JUL 2014- JUN 2015	JUL 2015 JUN 2016	JUL 2016- JUN 2017
Subdistrict 3-7	57.93%	57.42%	57.97%	58.20%	60.31%
District 3	62.26%	62.31%	61.58%	62.52%	64.24%
Florida	61.58%	62.05%	61.88%	62.73%	63.34%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict, October 2013-October 2017 Batching Cycles

IMMS states that it is a newly formed entity and thus has no history of providing services to Medicaid recipients and the medically indigent. The applicant indicates that Greystone affiliated facilities serve these patients and presents the Medicaid history of the seven Greystone facilities operating in District 3. The applicant notes that District 3 averaged 64.2

percent Medicaid occupancy during the most recent 12-month period (FY 2017). IMMS notes one of the Greystone facilities in District 3 (The Club at the Villages) did not provide any Medicaid days. Greystone’s District 3 facilities, on average, provided approximately 65.4 percent of their total patient days to residents covered by Medicaid. The applicant provides the patient days, Medicaid days and percentage of Medicaid days for Greystone’s affiliated District 3 facilities. See the table below.

Greystone District 3 Skilled Nursing Facilities Resident and Medicaid Days FY 2017				
Greystone District 3 Facilities	Number of Beds	Resident Days	Medicaid Days	Medicaid Occupancy
Parks Meadows Health & Rehab Center	154	51,998	51,998	92.3%
Terrance Health and Rehab Center	120	41,268	16,720	40.5%
Riverwood Health and Rehab Center	120	40,144	30,263	75.4%
Grove Health and Rehab Center	120	40,598	30,628	75.4%
Lady Lake Specialty Center	145	49,698	30,628	61.6%
The Lodge Health and Rehab Center	99	34,884	22,818	65.4%
The Club Ctr at The Villages	68	21,179	0	0.0%
Greystone District 3 Total	826	279,769	183,049	65.4%
District 3 Total	7,752	2,478,184	1,591,929	64.2%

Source: CON application #10506, page 9-1

The reviewer notes that the applicant inaccurately stated the Medicaid days a Medicaid occupancy for Parks Meadows Health and Rehab Center. According to the Agency data, the facility reported 36,937 Medicaid days with an occupancy rate of 71.4 percent. The reviewer notes that correcting the data formulates a Greystone District 3 Medicaid occupancy rate of 60.05 percent instead of the purported 65.4 percent.

The reviewer compiled the following Medicaid occupancy data for all Greystone Florida facilities from July 1, 2016 through June 30, 2017. See table below.

Greystone Florida Medicaid Occupancy July 1, 2016-June 30, 2017			
Facility	Total Days	Medicaid Days	Medicaid Occupancy
Alhambra Health and Rehabilitation Center	20,338	10,160	49.96%
Apollo Health and Rehabilitation	33,234	16,724	50.32%
Carlton Shores Health and Rehabilitation Center	34,519	18,391	53.28%
Citrus Hills Health and Rehabilitation Center	40,598	30,622	75.43%
Club Health and Rehabilitation Center	21,179	--	0.00%
Greenbriar Health and Rehabilitation Center	27,838	12,862	46.20%
Isle Health and Rehabilitation Center	35,632	19,138	53.71%
Lady Lake Specialty Care Center	49,698	30,628	61.63%
Lehigh Acres Health and Rehabilitation Center	41,139	28,042	68.16%
Lexington Health and Rehabilitation Center	54,142	33,989	62.78%
North Beach Rehabilitation Center	33,184	24,611	74.17%
North Rehabilitation Center	14,683	7,147	48.68%
Park Meadows Health and Rehabilitation Center	51,998	36,937	71.04%
Ridgecrest Nursing and Rehabilitation Center	46,333	28,540	61.60%
Riverwood Health and Rehabilitation Center	40,144	30,263	75.39%
Rockledge Health and Rehabilitation Center	36,166	20,847	57.64%
Sunset Lake Health and Rehabilitation Center	40,430	24,579	60.79%
Terrance Health and Rehabilitation Center	41,268	16,720	40.52%
The Gardens Health and Rehabilitation Center	36,208	21,770	60.12%
The Lodge Health and Rehabilitation Center (New Horizon)	34,884	22,818	65.41%
Unity Health and Rehabilitation Center	93,444	70,649	75.61%
Viera Health and Rehabilitation Center	37,456	16,966	45.30%
Villa Health and Rehabilitation Center	39,325	25,438	64.69%
Village Place Health and Rehabilitation Center	33,383	20,647	61.85%
Wilton Manors Health and Rehabilitation Center	37,416	21,701	58.00%
Woodland Grove Health and Rehabilitation Center	41,293	28,715	69.54%
Total	1,015,932	618,904	60.92%

Source: Florida Nursing Home Bed Need Projections by District and Subdistrict September 29, 2017

The applicant’s Schedule 7 indicates that Medicaid and self-pay represent 25.0 percent and 0.0 percent, respectively, of both year one and year two annual total patient days for the total facility (80 beds).

F. SUMMARY

Innovative Medical Management Solutions, LLC (CON application #10506) proposes to add 20 community nursing home beds to a previously approved 60-bed IMMS facility (CON application #10267) in District 3/Subdistrict 3-7, Lake County.

The project involves 9,120 GSF of renovation at a cost of \$150,000. The proposed 20-bed addition does not involve any new construction. Total project cost is \$240,000. Project cost includes building, equipment and project development costs.

The applicant does not wish to accept any conditions for the proposed project.

Need:

In Volume 43, Number 189, of the Florida Administrative Register dated September 29, 2017, a fixed need pool of 20 community nursing home beds was published for Subdistrict 3-7 for the July 2020 Planning Horizon.

As of November 15, 2017, Subdistrict 3-7 had 1,857 licensed and 180 approved community nursing home beds. During the 12-month period ending June 30, 2017, Subdistrict 3-7 experienced 88.71 percent utilization at 16 existing community nursing homes.

IMMS indicates that its application was submitted in response to the publication of need. The applicant notes that growth rates for the elderly population exceed that of the population of the under 65 age cohort. The applicant notes that by year 2022, the 65+ age cohort will experience a growth of 22.6 percent, 24.8 percent and 26.1 percent respectively, within a five, 10 and 15-mile radii of the proposed facility.

The applicant states that the proposed project will provide several benefits to the residents of Clermont and the surrounding area including:

- Improved access to a growing elderly population while offering an array of health services
- Beds are placed into service by April 1, 2019, in advance of the July 2020 planning horizon
- Construct cost are minimal, as the current 60-bed facility under development can easily accommodate 20 additional beds
- The project is economically feasible
- Places beds into service where availability is limited

The applicant's Schedule 7 indicates an ALOS of 27.1 days for both years one and two of operation.

The Agency finds that, on balance, the applicant demonstrated the applicable criteria specified in statute and rule to merit approval of the proposed project.

Quality of Care:

The applicant is a new entity and does not have any operational history for quality of care, however the applicant described its ability to provide quality care.

Agency complaint records indicate that for the three-year period ending December 27, 2017 Greystone affiliated SNFs had 104 substantiated complaints.

Financial Feasibility/Availability of Funds:

Funding for this project is available. Funding for the total capital projects is likely, but not guaranteed. This project appears to be financially feasible based on the projections provided by the applicant. Based on the information provided in Schedule 6, the applicant meets the staffing requirements of Section 400.23 (3)(a)(1), Florida Statutes.

Strictly from the financial schedules, this project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

Medicaid/Charity Care:

The applicant does not propose to condition project approval to a percentage of Medicaid days.

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 25.0 percent and 0.0 percent, respectively, of both year one and year two annual total patient days for the total facility (80 beds).

Architectural:

The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

G. RECOMMENDATION

Approve CON #10506 to add 20 community nursing home beds. The total project cost is \$240,000. The project involves 9,120 GSF of renovation at a cost of \$150,000.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Marisol Fitch
Health Administration Services Manager
Certificate of Need