

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

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

First Coast Health Ventures LLC/CON #10507
2380 Sadler Road, Suite 201
Fernandina Beach, Florida 32034

Authorized Representative: Steven W. Sell
Managing Member
(904) 321-1909

2. Service District/Subdistrict

District 4/Subdistrict 4-1 (North Duval and Nassau Counties)

B. PUBLIC HEARING

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

Letters of Support

The Agency did not receive any letters of support regarding the proposed project. The applicant did not include any letters of support within CON application #10507.

C. PROJECT SUMMARY

First Coast Health Ventures, LLC (CON application #10507), hereafter referred to as First Coast or the applicant, wholly owned by Five Points Health Care, Ltd (also referred to as Five Points) proposes to add five community nursing home beds to a previously approved 111-bed skilled

nursing facility (SNF) (CON application #10270)¹ in District 4/Subdistrict 4-1, north Duval County. The proposed facility will be a 116-bed SNF will be managed by Florida based Health Care Managers, Inc. (HCM), an affiliated party management company.

Five Points is the licensed provider of two SNFs in Florida, which are also managed by HMC:

- Lakeside Nursing and Rehabilitation Center
- Park Ridge Nursing Center

The project involves 2,160 gross square feet (GSF) of renovation with a construction cost of \$50,000. Total project cost is \$113,750. Project cost includes land, building, equipment, project development, financing and start-up costs.

The applicant did not submit any conditions for the proposed project.

Total GSF and Project Costs of Co-Batched Applicants					
Applicant	CON #	Project	GSF	Costs \$	Cost Per Bed
First Coast Health Ventures, LLC	10507	5-Bed Addition to approved 111-Bed Facility	2,160	\$113,750	\$23,750

Source; CON application 10507, 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.

¹ CON application #10270 was originally issued to Five Points Health Care, Ltd to establish a new 111-bed SNF in District 4/Subdistrict 4-1, North Duval County. On April 20, 2017, CON application #10270 was transferred via CON application #10475 to First Coast Health Ventures, LLC.

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 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, 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 five beds was published for Subdistrict 4-1 for the July 2020 planning horizon.

After publication of this fixed need pool, zero existing Subdistrict 4-1 facilities filed exemption requests or filed expedited CON reviews to increase or add community nursing home beds.

As of November 15, 2017, Subdistrict 4-1 had 1,125 licensed and 123 approved community nursing home beds. During the 12-month period ending June 30, 2017, Subdistrict 4-1 experienced 91.90 percent utilization at nine existing community nursing homes. Below is a table illustrating nursing home patient days and total occupancy within Subdistrict 4-1.

Duval and Nassau 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
North Duval County					
Cathedral Gerontology Center, Inc.	120	43,800	37,357	85.29%	76.95%
Edgewood Nursing Center	60	21,900	19,573	89.37%	78.06%
Harts Harbor Health Care Center	180	65,700	61,919	94.25%	80.73%
Jacksonville Nursing and Rehabilitation	163	59,495	56,229	94.51%	77.00%
Lakeside Nursing and Rehabilitation Center	122	44,530	39,684	89.12%	53.20%
Lanier Terrace	120	43,800	42,655	97.39%	74.01%
Summer Brook Health Care Center	120	43,800	40,867	93.30%	83.90%
Nassau County					
Life Care Center of Hilliard	120	43,800	38,640	88.22%	70.52%
Quality Health of Fernandina Beach	120	43,800	40,452	92.36%	54.30%
Total	1,125	410,625	377,376	91.90%	72.47%

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

The reviewer notes the current and projected population of the individual counties in Subdistrict 4-1, District 4 and the state for the planning horizon.

Current and Projected Population Growth Rate Subdistrict 4-1, District 4, and Florida January 2017 and January 2020						
County	January 1, 2017 Population			January 1, 2020 Population		
	0-64	65+	Total	0-64	65+	Total
Duval	782,162	123,634	905,796	793,365	138,605	931,970
Nassau	64,268	16,019	80,287	66,497	18,777	85,274
Subdistrict 4-1	846,430	139,653	986,083	859,862	157,382	1,017,244
District 4	1,713,655	363,623	2,077,278	1,760,263	408,929	2,169,192
Florida	16,360,629	3,879,874	20,240,503	16,804,097	4,277,046	21,081,143
County	2017-2020 Increase			2017-2020 Growth Rate		
	0-64	65+	Total	0-64	65+	Total
Duval	11,203	14,971	26,174	1.43%	12.11%	2.89%
Nassau	2,229	2,758	4,987	3.47%	17.22%	6.21%
Subdistrict 4-1	13,432	17,729	31,161	1.59%	12.70%	3.16%
District 4	46,608	45,306	91,914	2.72%	12.46%	4.42%
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 beds per 1,000 residents for the age 65+ cohort in the subdistrict 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
Duval	885	123,634	7	138,605	6
Nassau	240	16,019	14	18,777	13
Subdistrict 4-1	1,125	139,653	8	157,382	7
District 4	9,446	363,623	26	408,929	23
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

First Coast states that nursing home utilization is high throughout District 4, with the district experiencing an average occupancy rate of 85.49 percent in 9,446 community beds, for the 12-month period ending June 30, 2017. The applicant notes that for the same period, Subdistrict 4-1 (which encompasses Nassau County and the northern portion of Duval County), half of the facilities within Subdistrict 4-1 all averaged occupancy rates exceeding 90 percent. The applicant contends that adding the proposed beds to an already approved new facility, within northern Duval County where average occupancy is the highest, enhances availability and improves accessibility of services in the community to skilled nursing services.

The applicant indicates that the facility will be located proximate to the University of Florida (UF) Health North campus which includes a 92-bed inpatient hospital providing an array of specialty services. First Coast states that the proposed facility will be located outside the I-295 beltway, specifically near the corner of Max Leggett Parkway and Owens Road within ZIP Code 32218. The applicant contends that the proposed site will provide skilled nursing care within Duval and makes the facility accessible to those individuals outside of Jacksonville via major roads and highways. The applicant proclaims that the proposed project offers several benefits including:

- An experienced developer enables the facility to develop on time and on budget
- Proven quality-affiliate facilities have high quality ratings
- Existing relationships with discharge planners and area providers assure referral sources for successful operations
- Improves the viability of the proposed facility through additional beds, spreading fixed costs over a greater number of beds
- Improved access-located in a high growth area with a large concentration of seniors

- 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 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 applicant did not submit CON application #10507 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.**

First Coast indicates that in order to determine the level of need for specific services to be offered, it analyzed hospital discharges to nursing homes for District 4 residents aged 65+. The applicant examined all Major Diagnostic Categories (MDCs) to determine the types of conditions and disorders that would be admitted to a SNF. Based on their analysis, the applicant identified the cases and prevalence for the top 10 MCDs discharged from acute, rehabilitation and long-term care hospitals to SNF for District 4 residents age 65+. See the table below.

District 4 Discharges to SNF by MDC For Residents Age 65+, CY 2016		
MDC (Top 10)	Cases	Percent
08-Musculoskeletal System & Conn Tissue	5,491	25.0%
05-Circulatory System	3,028	13.8%
04-Respiratory System	2,337	10.7%
18-Infectious & Parasitic Diseases, Systemic or Unspecified Sites	2,329	10.6%
11-Kidney & Urinary Tract	2,091	9.5%
01-Nervous System	1,998	9.1%
06-Digestive System	1,572	7.2%
10-Endocrine, Nutritional & Metabolic	677	3.1%
09-Skin, Subcutaneous Tissue & Breast	505	2.3%
23-Factors Influencing Hlth Stat & Other Contracts with Hlth Services	350	1.6%
Other	1,558	7.1%
Total	21,936	100%

Source: CON application #10507, page 2-9

First Coast notes that the top seven MDCs above represents 86 percent of District 4’s hospital to nursing home discharges for the age 65+ cohort, with the top three MDCs accounting for 49 percent (10,856) hospital to nursing home discharges. The applicant indicates that HCM affiliated facilities have a variety of specialized programs and continue to innovate in order to best meet resident needs. The applicant asserts that the proposed facility’s design emphasizes rehabilitation and includes a large therapy suite and outdoor therapy courtyard with restorative programs that focus on avoiding hospital admissions or readmission.

The applicant indicates that the proposed facility will be certified for both Medicare and Medicaid as well as provide a broad range of nursing and restorative care to manage short-term rehabilitation,

long-term care and complex medical conditions. The applicant notes services that will be provided at the proposed facility include but are not limited to the following:

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

First Coast states that staff will receive appropriate training regarding resident rights and federal requirements of said rights, thus ensuring that all staff are prepared and trained to provide residents with the highest measure of dignity, courtesy and care. The applicant indicates that the proposed project will utilize the policy and procedures of affiliated facilities managed by HCM, including care planning, admission and discharge procedures. First Coast maintains that upon admission, each resident is evaluated for special needs by a multidisciplinary team consisting of the nursing administrator, medical director and other health care professionals with a care plan developed. Upon admission the applicant states that each resident receives an Admission Packet containing applicable facility forms (CON application #10507, page 2-5).

The applicant discusses discharge planning, noting that discharge plans begin with the initial assessment during admissions and involve an interdisciplinary team approach. First Coast asserts that a resident will only be discharged on the orders of the attending physician and at the time of discharge, a record is made of the resident's care, with an appropriate discharge summary of prior treatment, diagnosis, rehabilitation potential, physician orders pertaining to immediate care and other pertinent information. First Coast notes that at the time of discharge, the director of nursing and social services director will discuss the aftercare plans with the resident, their families and any other pertinent aftercare providers.

The applicant indicates the expectation for the proposed facility to fill during the first year of operation achieving an average daily census (ADC) of 71.9 days and 106.6 days in the second year of operation. The applicant notes that the five-bed addition will account for 3.1 and 4.6 days respectively, for the first two years of operation. First Coast indicates the proposed facility will also experience an average length of stay (ALOS) of 73 days (total 116-bed) by the second year of operation. The applicant provides the following table detailing its projected utilization, ALOS and ADC for the first two years of operation. See the table below.

Projected Admissions, Patient Days, ALOS and ADC				
First Two Years of Operation for the Five-Bed Addition and 116 Bed Facility				
	Five-Bed Addition		116 Beds	
	Year One	Year Two	Year One	Year Two
Admissions	15	23	358	531
Patient Days	1,131	1,677	26,249	38,910
ALOS	75.4	72.9	73.3	73.3
ADC	3.1	4.6	71.9	106.6

Source: CON application #10507, page 2-8

The applicant’s Schedule 6 illustrates that full-time employees (FTEs) for year one (ending March 31, 2020) total 91.0 and total 120.8 for year two (ending March 31, 2021). Schedule 6A indicates that the applicant proposes 2.2 additional FTEs in the first year of operation and 3.3 FTEs in the second year of operation for the proposed addition. See the table below.

First Coast Health Ventures, LLC (CON application #10507)		
Projected Year One and Year Two Staffing		
	Year One FTEs	Year Two FTEs
Nursing		
LPNs	0.6	0.8
Nurses’ Aides	1.6	2.5
Total	2.2	3.3

Source: CON application #10507, Schedule 6A

c. Quality of Care. In assessing the applicant’s ability to provide quality of care pursuant to s. 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 that they are 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 that as a newly formed entity, it has no operational history.

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 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 this provision is not applicable, since there have been no violations.

- 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 states that it will provide the required data to the applicable local health council 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 applicants' service area? ss. 408.035 (1)(b) and (e), Florida Statutes.**

There are 78 licensed community nursing homes with a total of 9,446 community nursing home beds in District 4. Subdistrict 4-1 is composed of north Duval and Nassau Counties and has nine licensed community nursing homes with a total of 1,125 community nursing home beds. The subdistrict averaged 91.90 percent total occupancy for the 12-month period ending June 30, 2017.

Utilizing Claritas population estimates to assess availability, the applicant indicates that Subdistrict 4-1 currently has 24 beds per 1,000 elderly residents aged 65+, decreasing to 22 beds per 1,000 by year 2022. First Coast notes that if 7,968 per 1,000 elderly resident days is applied to the projected 2020 population of 57,111 elderly, patient days increase to 455,055 yielding an ADC of 1,247 persons, exceeding 100 percent occupancy on the projected 1,241 subdistrict beds. The applicant provides a summary of current and projected subdistrict beds per 1,000 and contends that the proposed project improves availability in an area of high demand. See the table below.

Number of Community Nursing Homes Beds Per 1,000 Elderly Age 65+ 2017 and 2020						
Existing Availability						
	Licensed Community Beds	July 2017 Population 65+	Beds per 1,000	7/16-6/17 Patient Days	Days per 1,000	Average Occupancy
Subdistrict 4-1	1,125	47,362	24	377,376	7,968	91.90%
District 4	9,446	389,773	24	2,947,572	7,562	85.49%
Projected Availability						
	Projected Beds*	2020 Population 65+	Beds per 1,000	Estimated 2020 Patient Days	Days Per 1,000	Average Occupancy
Subdistrict 4-1	1,241	57,111	22	455,055	7,968	100.46%
District 4	9,868	469,049	21	3,547,079	7,562	98.48%

Source: CON application #10507, page 3-2

*Excludes the approved 12-bed exemption for Summer Brook Health Care Center that expired on 3/20/2017

First Coast discusses quality of care and reiterates that the proposed facility will be managed by HMC, which also manages two other District 4 facilities. The applicant provides the facility star ratings for Subdistrict 4-1 (CON application #10507, page 3-3) from CMS and notes a 3.1 star rating average for the subdistrict. The reviewer confirms the facility star ratings and subdistrict star rating average presented by the applicant.

First Coast states that the Agency inspection rating received by Lakeside Nursing and Rehabilitation Center and Park Ridge Nursing Center (five-star and four-star respectively) are higher than most facilities within the subdistrict. The applicant asserts that HMC’s leadership team strives to achieve excellence in all areas, as evidenced by the high inspection ratings of the two managed facilities.

The applicant maintains that quality is also impacted by the environment of care, pointing out that existing subdistrict SNFs primarily offer semi-private accommodations, with two facilities still operating three-beds per room configurations. The applicant describes the architectural design, stating that the proposed 81,076 square foot, one-story facility will feature 40 private rooms, with one room specifically designed to accommodate bariatric patients, 38 semi-private rooms-each with its own bathroom and shower. First Coast points out that each semi-private room will utilize an L-shaped design to maximize privacy and provide each resident with a window view.

With respect to accessibility, the applicant states that the proposed facility is centrally located within Subdistrict 4-1, amid an area experiencing high population growth, adjacent to the new acute care hospital, UF Health North. First Coast indicates that 95 percent of Subdistrict 4-1’s population (total population and elderly age 65+) reside

within a 30 minute drive-time contour² of ZIP Code 32218 (proposed site location). The applicant asserts that the proposed cite location maximizes access to SNF care within a 30-mintue drive.

The applicant provides a table depicting the five-year growth rate (2017-2022) for the total population and elderly population age 65+, by county, ZIP Code and within a 30-minute drive contour of the proposed site. First Coast highlights ZIP Code 32218, noting that it has the highest concentration of elderly among Duval County ZIP Codes. See the table below.

Population Within Subdistrict 4-1 and Within the 30-Minute Drive Time Contour							
		2017 Population			2022 Population		
County	ZIP Code	0-64	65+	Total	0-64	65+	Total
Nassau	32011	11,927	2,365	14,292	12,165	2,787	14,952
Nassau	32034	24,372	9,605	33,977	24,942	11,445	36,387
Nassau	32097	15,675	2,757	18,432	16,561	3,424	19,985
Nassau Subtotal		51,974	14,727	66,701	53,668	17,656	71,324
Duval	32202	7,312	1,228	8,540	7,555	1,420	8,975
Duval	32206	15,488	2,300	17,788	15,246	2,745	17,991
Duval	32208	26,366	5,544	31,910	25,990	6,421	32,411
Duval	32209	26,233	5,757	31,990	25,894	6,251	32,145
Duval	32218	54,003	7,563	61,566	57,186	9,808	66,994
Duval	32219	10,899	1,887	12,786	11,282	2,351	13,633
Duval	32220	11,648	1,920	13,568	11,877	2,479	14,356
Duval	32226	16,231	2,387	18,618	17,362	3,167	20,529
Duval	32254	12,654	1,690	14,344	12,561	2,066	14,627
Duval Subtotal		180,834	30,276	211,110	184,953	36,708	221,661
Total Within 30 Minutes		232,808	45,003	277,811	238,621	54,364	292,985
Remaining Nassau		11,209	2,359	13,568	11,368	2,747	14,115
Total Subtotal 4-1		244,017	47,362	291,379	249,989	57,111	307,100

Source: CON application #10507, page 1-8

The applicant provides further analysis, presenting data which depicts the five-year population increase estimates and growth rates by age cohort, ZIP Code and 30-minute drive time contour from the proposed site location. According to the applicant, the data shows that over the next five years, the age 65+ cohort for Subdistrict 4-1 will grow from 47,362 in 2017 to 57,111 in 2022, an increase of 9,749 representing a

² The reviewer notes that the 30-minute drive time contour describe by the applicant is an asymmetrical outline and is not representative of a 30-minute drive time radius to the proposed facility location.

20.6 percent growth rate. First Coast notes that in contrast, the non-senior population (age 0 to 64) will increase by 5,972 from 244,017 in 2017 to 249,989 in 2022, representing a 2.4 percent growth rate. The applicant states that the proposed facility’s home ZIP Code of 32218 will experience a 29.7 percent growth over the same period. See the table below.

Population Within Subdistrict 4-1 and Within the 30-Minute Drive Time Contour							
		2017-2022 Population Increase			2017-2020 Population Growth Rate		
County	ZIP Code	0-64	65+	Total	0-64	65+	Total
Nassau	32011	238	422	660	2.0%	17.8%	4.6%
Nassau	32034	570	1,840	2,410	2.3%	19.2%	7.1%
Nassau	32097	886	667	1,553	5.7%	24.2%	8.4%
Nassau Subtotal		1,694	2,929	4,623	3.3%	9.9%	6.9%
Duval	32202	243	192	435	3.3%	15.6%	5.1%
Duval	32206	-242	445	203	-1.6%	19.3%	1.1%
Duval	32208	-376	877	501	-1.4%	15.8%	1.6%
Duval	32209	-339	494	155	-1.3%	8.6%	0.5%
Duval	32218	3,183	2,245	5,428	5.9%	29.7%	8.8%
Duval	32219	383	464	847	3.5%	24.6%	6.6%
Duval	32220	229	559	788	2.0%	29.1%	5.8%
Duval	32226	1,131	780	1,911	7.0%	32.7%	10.3%
Duval	32254	-93	376	283	-0.7%	22.2%	2.0%
Duval Subtotal		4,119	6,432	10,551	2.3%	21.2%	5.0%
Total Within 30 Minutes		5,813	9,361	15,174	2.5%	20.8%	5.5%
Remaining Nassau		159	388	547	1.4%	16.4%	4.0%
Total Subtotal 4-1		5,972	9,749	15,721	2.4%	20.6%	5.4%

Source: CON application #10507, page 1-9

First Coast maintains that the proposed facility’s location will improve geographic access by ensuring residents have reasonable access to available beds within proximity to their residences. The applicant notes that the proposed facility will offer a wide range of services to address various patient needs such as short-term rehabilitation, complex care and long-term needs.

Regarding the extent of utilization in Subdistrict 4-1, the applicant provides occupancy data (CON application #10507, page 3-7) for the nine existing subdistrict community nursing homes. The applicant reiterates for the most recent 12-month period, the subdistrict experienced high occupancy rates exceeding 91 percent, which limits accessibility to SNF care. First Coast declares that absent the progression of the proposed project, utilization would be limited to a stagnant supply, forcing residents to seek treatment outside the service area. The applicant conveys that the five-bed addition assures that a sufficient number of beds are provided to support project utilization in accordance the

Agency's need calculation. First Coast asserts that the proposed project is expected to improve access and enhance availability as well as utilization within Subdistrict 4-1.

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.

The applicant states that as a newly formed entity, it does not have a history of providing health care services. However, the applicant affirms an affiliation with two District 4 licensed providers, Lakeside Nursing and Rehabilitation Center and Park Ridge Nursing Center, through management company HCM, who will also manage the proposed facility, bringing experience and knowledge that enables the applicant to achieve consistent quality of care.

First Coast indicates compliance with the Federal Quality Assurance and Performance Improvement (QAPI) program, released in December 2012 by Centers for Medicare and Medicaid Services (CMS). The applicant states that the processes described in the QAPI (CON application #10507, page 4-1) are effective in assuring quality throughout the range of services provided-leading to ongoing enhancements in service delivery. First Coast declares that its QAPI will be similar to the program already in place at the facilities managed by HCM. The applicant further states that the proposed facility will have a strategic quality plan which ensures that a planned, systematic, facility-wide performance improvement process is deployed. First Coast affirms that the performance improvement process focuses on the continuous improvement and delivery of care and services to residents.

The applicant states that all departments are involved as appropriate, to address key facility practices, adding that a Performance Improvement Committee is comprised of the following members:

- Administrator/Chairperson
- Medical Director or designee
- Director of Nursing
- QI/Risk Manager
- Dietary Director
- Environmental Service Director
- Representatives from all key departments

First Coast discusses the QAPI committee responsibilities (CON application #10507, page 4-3), noting that quality control findings will be reported quarterly and that the committee will develop plans of

corrections for areas that are in need of correction, including assigning a designee for performance improvement as needed. The applicant indicates that it is essential to utilize this quality control process for early detection of any problems, thus minimizing adverse consequences and initiating corrective actions. First Coast states that the objective of the facility's performance improvement process is to support efforts that continuously improve work processes and delivery systems.

The applicant indicates staff utilization of Daily Huddle Clinical Meetings or "shift huddles", which are described as brief meetings at the start and end of each shift to reinforce teamwork and communication as well as the improvement of care. First Coast lists the subjects and information conveyed during shift huddles and provides a copy of the QAPI policy (CON application #10507, Exhibit 4-2), which includes a copy of a Daily Huddle Clinical Meeting Agenda and Tip Sheet (Exhibit 4-3). The applicant contends that the increasing complexity of the long-term care environment in recent years and the growing demands and expectations on the regulatory process affords both an opportunity and a need to efficiently incorporate internal processes for providing quality and individualized patient care. First Coast declares that it will take advantage of a variety of programs by industry associations such as the Florida Health Care Association³.

The applicant discusses rehabilitative therapy stating that HCM contracts with Select Medical Rehabilitation Services (SMRS), Inc. to offer a full range of physical, occupational and speech therapy services. First Coast indicates the therapy suite will feature state-of-the-art equipment such as OmniVR Virtual Rehabilitation System. The applicant provides a detailed description of SMRS therapy programs and the OmniVR system and states that this rehabilitation system is currently deployed at affiliate SNF Lakeside Nursing and Rehabilitation Center. Continuing the testament of their ability to provide quality care, First Coast describes additional quality measures to be established at the proposed facility and explores such topics as Electronic Health Records (EHR), resident rights, facility activities and dietary services.

Agency's Florida Health Finder.gov website <http://www.floridahealthfinder.gov/index.html>, indicates that neither of the two affiliated facilities, Lakeside Nursing and Rehabilitation Center

³According to <http://www.fhca.org/>, the Florida Health Care Association is a federation representing 81 percent of the state's nursing centers. Membership includes more than 1,000 individuals and nearly 600 centers that provide skilled nursing, post-acute and sub-acute care, short-term rehabilitation, assisted living and other services to the frail elderly and individuals with disabilities in Florida. The Association works to promote the importance of investing in the well-being of Florida's frail elders and individuals with disabilities and to ensure their continued access to high-quality long-term care.

nor Park Ridge Nursing Center has the Gold Seal designation and are not on the Nursing Home Watch List.

Agency complaint records indicate that the two affiliated nursing homes associated with the same shared controlling interest as the applicant, for the three-year period ending December 27, 2017, had two substantiated complaints at two facilities. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

Nursing Homes affiliated with First Coast Health Ventures, LLC and Health Care Managers, Inc.	
Complaint Category	Number Substantiated
Infection Control	1
Quality of Care / Treatment	1

Source: Florida Agency for Health Care 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 First Coast Health Ventures, LLC, a development stage company. The applicant did not provide audited financial statements for the parent company.

Capital Requirements and Funding:

The applicant indicates on Schedule 2 capital projects totaling \$24,630,957, which includes this project (\$125,456) and CON 10475.

The applicant states on Schedule 3 that funding for this project will come from non-related company financing. The applicant provided a letter of interest from Pillar Financial. However, a letter of interest is not a commitment to lend.

Conclusion:

Funding for this project is in question.

- 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 skilled nursing facilities with similar Medicaid utilizations to the utilization projected by the applicant on a per patient day basis (PPD). Comparison group data was adjusted for inflation to match the second year projection (inflation factor was based on the New CMS Market Basket Price Index as published in the 3rd Quarter 2017, Health Care Cost Review).

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

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	13,344,991	343	446	361	297
Total Expenses	12,912,399	332	505	362	296
Operating Income	432,592	11	46	3	-68
Operating Margin	3.24%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	38,912	91.90%	99.18%	92.08%	45.21%
Medicaid	25,292	65.00%	69.99%	62.48%	50.27%
Medicare	9,728	25.00%	36.25%	17.98%	4.57%

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:

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.**

First Coast Health Ventures, LLC (CON #10507): 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 4-1, District 4 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 4-1	277,691	283,497	274,258	272,056	273,487
District 4	1,836,666	1,855,866	1,829,999	1,852,060	1,850,525
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 4-1	73.91%	75.31%	72.16%	71.16%	72.47%
District 4	61.08%	61.52%	60.83%	61.50%	62.78%
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

First Coast indicates that it is a newly formed entity and has no history with respect to Medicaid recipients and the medically indigent. However, the applicant contends that its controlling interest's of two affiliated SNFs (both located in District 4) has established relationships with hospital discharge planners and health practitioners throughout the planning area and that this will contribute to a quick fill rate and ongoing referrals (for the proposed project).

The applicant affirms that it will accept a variety of payer sources at the proposed facility including but not limited to: Medicare, Medicare HMO, Medicaid HMO and other managed care. The applicant states the proposed projects 25,292 total Medicaid HMO patient days for the 116-bed facility in the second year, with 1,090 attributed to the additional five beds. Reflective of the expected demand, the applicant states the Medicaid HMO accounts for 65 percent of total patient days for the first two years of operation. The expected payer sources are provided below.

Projected Admissions and Patient Days, First Two Years of Operation, Five-Bed Addition					
Payer	Year One: CY2020		Year Two: CY2021		Percent of Days
	Admits	Days	Admits	Days	
Medicare	6	190	9	281	16.8%
Medicare Managed Care	3	93	5	138	8.3%
Medicaid Managed Care	4	735	6	1,090	65.0%
Other Managed Care	1	23	1	34	2.0%
Self-Pay	0	34	0	50	3.0%
Other	1	57	1	84	5.0%
Total	15	1,131	23	1,677	100%
Occupancy	61.8%		91.9%		

Source: CON application #10507, page 9-2

Projected Admissions and Patient Days, First Two Years of Operation, Total Facility (116 Beds)					
Payer	Year One: CY2020		Year Two: CY2021		Percent of Days
	Admits	Days	Admits	Days	
Medicare	146	4,397	217	6,518	16.8%
Medicare Managed Care	72	2,165	107	3,210	8.3%
Medicaid Managed Care	94	17,061	140	25,292	65.0%
Other Managed Care	17	525	26	778	2.0%
Self-Pay	6	788	8	1,168	3.0%
Other	22	1,313	33	1,946	5.0%
Total	358	26,249	531	38,910	100%
Occupancy	61.8%		91.9%		

Source: CON application #10507, page 9-2

The reviewer compiled the following Medicaid occupancy data for Five Points operated Florida facilities for July 1, 2016 to June 30, 2017. See the table below.

Five Points Health Care Florida Medicaid Occupancy July 1, 2016 through June 30, 2017			
Facility Name	Total Patient Days	Medicaid Day	Medicaid Occupancy
Lakeside Nursing and Rehabilitation Center	39,684	21,113	53.20%
Park Ridge Nursing Center	32,942	24,445	74.21%
Total	72,626	45,448	62.58%

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

The applicant Schedule 7 indicates that Medicaid and self-pay represent 65.0 percent and 3.0 percent, respectively, of year one and two annual total patient days.

F. SUMMARY

First Coast Health Ventures, LLC (CON application #10507) proposes to add five community nursing home beds to an approved 111-bed SNF, creating a 116-bed SNF in District 4/Subdistrict 4-1, north Duval County. The proposed facility will be managed by HCM, an affiliate management company.

First Coast's controlling interest is Five Points Health Care, Ltd., who is also the licensed provider of two SNFs in Florida, both managed by HCM.

The project involves 2,160 GSF of renovation with a construction cost of \$50,000. Total project cost is \$113,750. Project cost includes land, building, equipment, project development, financing and start-up 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 five beds was published for Subdistrict 4-1 for the July 2020 planning horizon.

As of November 15, 2017, Subdistrict 4-1 had 1,125 licensed and 123 approved community nursing home beds. During the 12-month period ending June 30, 2017 Subdistrict 4-1 experienced 91.90 percent utilization at nine existing community nursing homes.

The applicant states that the proposed project offers several benefits including:

- An experienced developer enables the facility to develop on time and on budget
- Proven quality-affiliate facilities have high quality ratings
- Existing relationship with discharge planners and area providers assure referral sources for successful operations
- Improves the viability of the proposed facility through additional beds, spreading fixed costs over a greater number of beds
- Improved access-located in a high growth area with a large concentration of seniors

The applicant's Schedule 7 indicates an ALOS of 73.3 days both years one and two of operation for the total facility (116 beds).

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:

As a newly formed entity the applicant does not have any operational history for quality of care. However the applicant demonstrated its ability to provide quality of care.

Agency records indicate that for the three-year period ending December 27, 2017, the controlling interest's two affiliated Florida SNFs had two substantiated complaints.

Financial Feasibility/Availability of Funds:

- Funding for this project is in question
- 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 set forth in Section 400.23(3)(a)(1), Florida Statutes.
- This project is not likely to have a material impact on competition to promote quality and cost-effectiveness

Medicaid/Charity Care:

First Coast Health Ventures, LLC does not propose to condition project approval to a percentage of Medicaid days.

The applicant states its affiliates have a history of providing skilled nursing care to Medicaid recipients.

The applicant's Schedule 7 indicates that Medicaid and self-pay represent 65.0 percent and 3.0 percent, respectively, of year one and two annual total patient days for the total facility (116 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 #10507 to add five community nursing home beds. The total project cost is \$113,750. The project involves 2,160 GSF of renovation and a construction cost of \$50,000.

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