

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

**HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC/
CON #10217**

6300 La Calma Drive, Suite 170
Austin, Texas 78752

Authorized Representative: Ronald T. Luke, JD, PhD
President, Research & Planning
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(512) 371-8166

**The Villages Tri-County Medical Center, Inc.
d/b/a The Villages Regional Hospital/CON #10218**

600 East Dixie Avenue
Leesburg, Florida 34748

Authorized Representative: Donald G. Henderson, FACHE
President and Chief Executive Officer
Central Florida Health Alliance
(352) 323-5001

2. Service District/Subdistrict

District 3 (Alachua, Bradford, Citrus, Columbia, Dixie, Gilchrist,
Hamilton, Hernando, Lafayette, Lake, Levy, Marion, Putnam, Sumter,
Suwannee and Union Counties)

B. PUBLIC HEARING

A public hearing was not requested or held for these proposed projects.

Letters of Support:

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) includes three letters of support dated during April 4 – 7, 2014. Two of these were from former patients and their spouses who are residents of The Villages. These two letters compliment the treatment the patient received at HealthSouth Ocala. The third was from Randall L. Braddom, MD, MS, FAAPMR, who prepared the “Continuity of Care and the Rehabilitation Continuum of Care SNF vs. CMR” portion of HealthSouth’s CON application #10217.¹ Dr. Braddom states he has extensive academic and administrative experience in physical medicine and rehabilitation, being the founder of two rehabilitation units and CEO of Wishard Memorial Hospital in Indianapolis. He states the local situation has improved with HealthSouth opening an “excellent rehabilitation center” in Ocala, Florida. However, Dr. Braddom indicates HealthSouth Ocala is “already full” and that “The Villages and indeed the entirety of Lake and Sumter Counties are in dire need of an inpatient rehabilitation center”. The reviewer notes that HealthSouth Ocala has exemption (#140001) approved January 10, 2014 to add 10 comprehensive medical rehabilitation beds.

Dr. Braddom states that “I have now learned that there is actually an existing inpatient rehabilitation center in Leesburg, Florida..(however the community) largely considers the facility to deliver a SNF level of care, and I was quite surprised to learn that it was actually licensed as a comprehensive medical rehabilitation unit”. Dr. Braddom also indicates the Leesburg unit is “simply not adequate to serve the needs of all of Lake and Sumter Counties” and “while the local LTAC (Long Term Acute Care Hospital) and nursing homes can handle some of the acute rehabilitation needs, optimal care in an acute inpatient medical rehabilitation facility is clearly the missing link in the local provision of a full spectrum of quality medical care services”. He provides the following seven reasons in support of CON application #10217.

- It is well known that HealthSouth has one of the best overall records of quality outcomes of any system of inpatient physical rehabilitation hospitals in the county.
- HealthSouth can “hit the ground running”, while other providers in the area would likely undergo a “shake-down cruise” of learning by trial and error.

¹ SNF refers to a skilled nursing facility and CMR to a comprehensive medical rehabilitation facility. Dr. Braddom is not licensed to practice medicine in the State of Florida, as of April 10, 2014. His resume is included in CON application #10217, Attachment 12.

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- Inpatient rehabilitation is HealthSouth’s main business, with records of outstanding clinical results, patient satisfaction and remarkable overall efficiency.
- A freestanding rehabilitation hospital has the best chance of avoiding intra-hospital/internal department competitions and problems and pitfalls that result from local hospital policies and jealousies...by being a neutral and non-threatening facility.
- HealthSouth’s more ample capital investment will provide for state-of-the-art technology and inpatient-specific training programs.
- HealthSouth’s financial capacity and architectural know-how will maximize clinical care efficiency and avoid initial errors in design and construction.
- HealthSouth is as “for-profit” organization, which means it will pay property and other taxes to the local, state and federal government, alleviating the burden placed on local taxpayers.

The applicant includes six letters dated during December 19, 2011 through August 24, 2012 citing quality treatment provided at various HealthSouth facilities nationwide (CON application #10217, Attachment 18). This attachment also includes seven unsigned and undated patient testimonials and signed letters from two former HealthSouth patients citing quality care provided by HealthSouth facilities and staff. One of the testimonials addresses care received during April - May 2013—the two letter writers cite treatment received during late 2011 and mid-2012.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) includes 162 unduplicated letters of support in CON application #10218 and the Agency independently received 14 unduplicated letters of support. Of the 176 support letters, 174 are dated during February 4, 2014 through March 30, 2014. The reviewer notes that two support letters provided in the application indicate signature dates past the omissions deadline date of April 9, 2014 and therefore could not have been signed on the dates indicated. One hundred seventy of the 176 letters of support indicate a District 3 address (of Sumter, Lake or Marion County origin, primarily from The Villages, Leesburg, Lady Lake or Summerfield). Of the remaining six support letters, four have no address and two have a Florida but non-District 3 address. Four of these letters are from elected officials/The Villages representatives and eight are from area physicians.

D. Alan Hays, DMD, State Senator, District 11, The Florida Senate, states “The Villages Regional Hospital offers the best option to expand the health care services needed in our community”.

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Ruth Kussard, Mayor/Commissioner, Town of Lady Lake, states The Villages and surrounding communities consist of an older population and that “many of our patients have experienced strokes and other debilitating illnesses”. She also states that many residents of The Villages “find it difficult to travel to Leesburg or Ocala for continued care” and their family and friends also find it difficult to travel to those locations. She further states “Navigating and driving on Interstate 75 and other busy roadways makes many of us uncomfortable – we are not as young as we used to be”. She indicates that “The Villages Regional Hospital has done a wonderful job of serving the residents of The Villages”, that the hospital is local, non-profit, patient and community centered and “is my choice for a provider of inpatient comprehensive medical rehabilitation services”. The applicant’s letters (162) from the community are of the form letter variety and restate Mayor Kussard’s comments.

Mark Morse, President, The Villages, Florida, states that “as a high quality health care provider that is locally governed and controlled, The Villages Regional Hospital offers the best option for expanding the health care services needed in our community”. Per Mr. Morse, the project “is yet another necessity (for) our residents in order to ensure that appropriate services are available across the continuum of care” and the project “is the only suitable model that will ensure our residents receive the treatment planning and care appropriate to meet their health care needs”.

Gary Lester, Vice President of Community Relations, The Villages, Florida states he has served in this capacity for 14 years and that “we owe it to our seniors to keep them as healthy as possible for as long as possible”. Mr. Lester further states that with over 2,200 clubs, 540 holes of golf and an incredible array of additional amenities, it is “imperative that after a medical set-back, the residents of our community are able to resume their normal activities as much as possible”. Per Mr. Lester, the project will “give The Villages residents the greatest chance of being able to achieve their highest level of functioning possible”.

Robert Maiello, MD, Central Florida Physical Medicine & Rehabilitation, PA, and Leesburg Regional’s medical director for rehabilitation states that the physiatrists practicing in the area have privileges at Leesburg Regional Medical Center and The Villages Regional Hospital and are well known to area physicians. He contends that the continuity of care from acute hospitalization to acute rehabilitation is “much smoother when the physicians are familiar with each other” and that “an acute care rehabilitation hospital affiliated with The Villages Regional Hospital ensures better medical/surgical care than can be provided at a freestanding rehabilitation hospital”. Dr. Maiello emphasizes that the senior population “need and deserve an acute rehabilitation hospital

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within their community”. He also states that Central Florida Health Alliance has been successful for getting applicable Medicaid approval for rehabilitative services in the current situation and that the same efforts will likely be successful for the new project.

Dr. Maiello states that while HealthSouth will offer advanced/latest equipment, “a lot of this equipment is inappropriate or unnecessary during acute rehabilitation hospitalization”. He asserts that most people who get inpatient rehabilitation prior to discharge home will do so in a sub-acute skilled nursing facility and that this is appropriate but that for those who are appropriate for inpatient hospital rehabilitation this latter scenario “can be disastrous for their outcome”.

Two neurologists - Alexander Smirnoff, MD and William Hammesfahr, MD emphasize the value of continuity of care that the project would provide. Dr. Smirnoff states The Villages residents are golf cart dependent and do not have access to transportation when their loved one is in a facility out of the area. He also states an advantage to the project is that it will have “needed professionals who are on-staff and on-premises with services readily available to the patient”. Dr. Hammesfahr states that he has been a chief reviewer for projects of the National Institute of Disability and Rehabilitation Research (NIDRR) and that he has been identified by the Florida Department of Health as “...the first physician...to restore deficits (injuries) caused by stroke”. The reviewer notes that the NIDRR is a component of the U.S. Department of Education's Office of Special Education and Rehabilitative Services and is the main federal agency that supports applied research, training and development to improve the lives of individuals with disabilities². Per Dr. Hammesfahr, the applicant has the resources and commitment to be successful in the proposed project.

David Sustarsic MD, FACS, certified by the American Board of Surgery and Jose Rosado, MD, FACC, Clinical Assistant Professor, University of Florida, Florida Heart and Vascular Center, state they believe the project will lead to better health care outcomes, with better medical and functional recovery and shorter stays for their patients. They also indicate the project will reduce set-backs, medical complications and overall stress that is more likely when an acute care patient in need of inpatient rehabilitation is transported to another location for inpatient rehabilitation.

² Source: <http://www2.ed.gov/about/offices/list/osers/nidrr/index.html?src=mr>.

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Michelle Wood, MD, FACOG, OB-GYN Associate of Mid-Florida, P.A., states that oftentimes, due to the stress on the spouse, her patients are “forced to receive their rehabilitation from a skilled nursing facility in the area.... I often find their recovery was laden with medical complications and they were not able to regain the function that I had anticipated was possible”. Dr. Wood concludes that “The Villages Regional Hospital would deliver expert comprehensive rehabilitation... resulting in better medical outcomes and the chance to recover closer to home”.

Marc S. Schwartzberg, MD, Director of Vascular and Interventional Radiology, Leesburg Regional Medical Center and The Villages Regional Hospital and Chief of Surgery at Leesburg Regional Medical Center, states the project should “provide care over a more seamless continuum from acute care to independent living”. Dr. Schwartzberg states that because the two hospitals “are already electronically connected, this (the project) will allow for instantaneous access to medical information and reduction, if not elimination of costly redundant services”.

Daniel Spurrier, MD, Central Florida Neurological Clinic, states his patients who live in Leesburg are able to receive inpatient rehabilitation at Leesburg Regional Hospital and that he is “very pleased with their medical and functional progress there”. He also states that his patients who live in The Villages “are not able to enjoy the same benefits as those in Leesburg due to the extreme stress and inability to travel of family members to the Leesburg facility”. Dr. Spurrier indicates that many of these patients are hospitalized longer and instead of being able to go home, “end up going to a skilled nursing facility” which is unacceptable. He further states “if my patients would have been able to receive (rehabilitation services) in an inpatient rehabilitation facility, they would have the ability to get back home faster and most would be able to resume their normal lives”. Dr. Spurrier concludes that The Villages Regional Hospital CMR unit would ensure against “unnecessary setbacks to my patients such as not having to endure the additional traumatic experience (and unnecessary ambulance expense) of being transported to the rehabilitation facility...and also ensuring that they have the continuity of care with me and their specialists, who are readily available to them at the hospital”.

M. Bryan Day, Senior Vice President, Promise Healthcare, Inc., indicates that his organization’s market is experiencing “a considerable increase in patients who require hospitalization for stroke, neurological disorders, neurosurgery, and complex orthopedic issues”. Per Mr. Day, the project would provide “another vital part of the continuum of care” to the area.

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Joe Shipes, Executive Vice President, Leesburg Partnership, states he has been in the Leesburg area for over 18 years and that the level and quality of care provided by the Central Florida Health Alliance (CFHA) “is unparalleled”. The reviewer notes that the Leesburg Partnership is an association of residents, government, business people and resources that are focused on the goal of aiding in the physical, economic, and social revitalization of the Leesburg Community³.

C. PROJECT SUMMARY

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217), also referenced as HealthSouth, proposes to establish a new 50-bed inpatient comprehensive medical rehabilitation hospital, in northeastern Sumter County in or near The Villages, Florida. The applicant indicates the project is scheduled to begin operations on June 21, 2016.

The total project cost is estimated at \$25,855,430. The project involves 53,192 gross square feet (GSF) of new construction at a construction cost of \$12,207,933. Project cost includes land, building, equipment, project development, and start-up costs.

HealthSouth states the following four “not normal circumstances” justify project approval.

- District 3 is the largest planning district in the state and underutilized programs in other acute care subdistricts are not reasonably accessible to residents of Subdistrict 3-7 (Lake and Sumter Counties). While not every hospital should provide a tertiary service like CMR, state of the art programs should be reasonably accessible to all residents of the district. Therefore, a lack of published need in the district does not necessarily indicate a lack of need in all acute care subdistricts.⁴

³ Source: Leesburg Partnership website at <http://www.leesburgpartnership.com/history.html>.

⁴ The reviewer confirms that per Rule 59C-1.039 (5), Florida Administrative Code, the CMR bed need is based on a districtwide basis.

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- Leesburg Regional Medical Center-North (Leesburg - North, the only existing program in the subdistrict, is an underutilized minimal program because it is only marginally different than the rehabilitation services offered by nursing homes. After 20 years of operation, CFHA has failed to renovate the facility, purchase the equipment, and provide staffing necessary to provide a state of the art program. The CON program is not intended to protect providers from competition or to deny residents access to state of the art services.
- Leesburg - North has failed to provide sufficient access to CMR services to Medicaid and self-pay/charity care patients.
- The reason Leesburg - North is underutilized is due to CFHA's lack of commitment to its program, the lack of community acceptance and the lack of financial access. Sumter County was the most rapidly growing Metropolitan Statistical Area in the United States in 2013 and Lake County's population is also growing. CMR use rates and referrals to CMR services in the subdistrict have been depressed by inadequacies in the Leesburg - North program. If the subdistrict had state of the art CMR services there would be demand sufficient to fully utilize 54 additional CMR beds now and 71 additional beds by 2019.

The applicant proposes the following conditions to CON approval on the application's Schedule C.

1. As a condition of approval of this application, the hospital will provide a minimum of 2.5 percent of patient days to the combination of Medicaid patients and uninsured patients who meet the definition of charity care patients under Florida Statutes. HealthSouth will work with acute care hospitals, state human service agencies and private organizations to identify uninsured persons in need of CMR inpatient services in District 3.
2. The hospital will institute a stroke rehabilitation program when it opens and will obtain specialty certification from the Joint Commission in stroke rehabilitation within the first three years of operation.
3. The hospital will institute a hip fracture rehabilitation program when it opens and will obtain specialty certification from the Joint Commission in hip fracture rehabilitation within the first three years of operation.

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4. The hospital will provide an auto ambulator and the other equipment described below as part of technology package when the hospital opens. If technological change makes better equipment available by the time of purchase the hospital may substitute more modern equipment that serves the same functions.
 - Auto Ambulator
 - ReoGo Ambulator
 - Balance System SD
 - Saebo Hand Unit
 - VitalStim
 - Bioness
 - Adnodyne Unit.
5. The hospital will be accredited by the Joint Commission. The applicant will seek accreditation from the Joint Commission accreditation within the first year of operation.
6. The hospital will provide, at no charge to the community, education programs on disability awareness and community reentry to improve the independence and quality of life of persons with disabilities and their caretakers. The hospital will make existing conference space available to support group meetings and for community education programs developed by HS and others.
7. HealthSouth will provide \$10,000 annually for three years (\$30,000 total commitment) for scholarships for nursing or allied health professionals at educational institutions in the service area. In order to qualify for scholarships, students will have to meet the following criteria:
 - Must be a Subdistrict 3-7 resident
 - Must be registered in a degree program in nursing or a rehabilitation therapy
 - Must maintain a 3.0 GPA.
8. HealthSouth will provide \$5,000 annually for three years (\$15,000 total commitment) to sponsor community education programs jointly with disability advocacy groups located in the service area.

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NOTE: Section 408.043 (4), Florida Statutes, prohibits accreditation by any private organization as a requirement for the issuance or maintenance of a certificate of need, so Joint Commission accreditation (Conditions #2, #3 and #5) will not be cited as conditions to approval. Should the project be approved, the applicant's proposed conditions would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218), also referenced as TVRH, proposes to relocate an existing 22-bed comprehensive medical rehabilitation program from Leesburg Regional Medical Center North to TVRH, in Sumter County, Florida. The Villages Regional Hospital is a Class I general acute care hospital with a total of 223 licensed acute care beds. The facility has notification #120030 for a 100 acute care bed addition; however, the applicant indicates that it will add the 22 CMR beds in this CON application and 54 acute care beds to its north tower addition, resulting in a proposed 299 bed facility. The hospital provides Level I adult cardiovascular services and is a designated primary stroke center.

The total project cost is estimated at \$8,855,914. The total project involves 28,597 gross square feet (GSF), including 27,217 GSF of new construction and 1,380 GSF of renovation, at a total construction cost of \$5,561,466. Project cost includes building, equipment, project development, and start-up costs.

The applicant indicates that the need for the proposed relocation is based on the following two primary reasons.

- *The current conditions and limitations of the physical plant.* The 22-bed CMR unit is currently located on the third floor of the Leesburg Regional Medical Center's North Campus, in an aging building. The physical plant was constructed over 40 years ago. While renovations have been made over the years, the useful life of the facility has been reached. The physical plant no longer directly contributes to the efficient delivery of care with the promotion of a healing environment for the rehabilitation patient. It cannot be easily modernized.

The proposed new location will be designed to promote the efficient delivery of high quality care. The newly constructed unit will allow the CMR program to operate in an updated, efficient physical plant

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structure, and allow for future expansion. All patients will have immediate access to TVRH's large and comprehensive medical staff, readily available when the need arises as well as on-site diagnostics and labs, whereby results are expeditious and immediate. These benefits will impact patient care and outcomes.

- *Demographic trends and projected growth which necessitates the applicant to develop a physical infrastructure consistent with the needs of rehabilitation patients.* The applicant's demographic analysis reveals strong population bases and growing age 65-plus populations, particularly in Sumter County, and CFHA must be prepared to provide rehabilitation to its growing population. Relocating the CMR program from the southwest corner of the service area to a more central location will make the services more accessible for all residents of the service area.

The applicant proposes the following conditions to CON approval on the application's Schedule C.

1. The existing 22 CMR beds located at the Leesburg Regional Hospital North will be delicensed concurrent with the 22 TVRH CMR beds being licensed and certified. At no time will both units be in simultaneous operation.
2. The proposed facility will be a distinct part CMR unit and located within existing space currently being developed in The Villages Regional Hospital, The Villages, Florida.
3. TVRH proposes to provide a minimum of 1.3 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (included in self-pay) patients.
4. TVRH will seek CARF (Commission on Accreditation of Rehabilitation Facilities) accreditation for its CMR program 12 months after serving the first patient in the CMR unit.
5. TVRH will institute a stroke rehabilitation program upon opening its CMR program and will maintain its specialty certification in stroke rehabilitation from the Joint Commission.
6. TVRH will provide equipment described below as part of the rehabilitative technology that will be available at TVRH when its CMR program opens. TVRH may substitute different equipment of equal or better capability.

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- a. Lite Gait
 - b. Mobile Arm Support
 - c. Bioness
 - d. Recumbent Cross Training
 - e. Rehab Cycle
 - f. Upper Body Exerciser
 - g. Stand-in Table
 - h. Shuttle Balance
 - i. VitalStim
 - j. Sona-Speech software
 - k. Automobile Transfer Simulator (Mock Car)
 - l. Golf Car Transfer Training
 - m. Rickshaw.
7. TVRH will provide to area hospitals and nursing homes, a liaison to provide educational programs on CMR clinical specialization on no less than a quarterly basis.

TVRH will prepare a list of all community education programs held that relate to this condition.

- a. The list will show the title of the course, the instructors, the dates of the courses and the intended audience.
 - b. The hospital will include in the report the curricula vita of any person filling the position of care manager/outreach coordinator during the calendar year and their dates of service. The report will also include a description of his or her activities throughout the year.
 - c. The hospital will prepare a list of all meeting held in the hospital that relate to this condition. The list will show the nature of the meeting, the group holding the meeting, and the dates of the meeting.
8. TVRH will assure the system wide McKesson Electronic Health Record (EHR) will be integrated and available for all CMR patients.
9. TVRH will offer comprehensive outpatient rehabilitation programs and services.

Note: Section 408.043 (4), Florida Statutes, prohibits accreditation by any private organization as a requirement for the issuance or maintenance of a certificate of need, so CARF and Joint Commission accreditation (Conditions #4 and #5, respectively) will not be cited as conditions to approval. The reviewer notes the applicant states the provision of annual compliance reports to the Agency consistent with all requirements of Rule 59C-1.018 (3)(a), Florida Administrative Code.

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However, should the project be approved, the applicant's proposed conditions would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes, rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code, and local health plans. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses 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 (subdistrict), applications are comparatively reviewed to determine which applicant(s) best meets the review criteria.

Rule 59C-1.010(2) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the applicant.

As part of the fact-finding, the consultant, Steve Love, analyzed the application with consultation from the financial analyst, Derron Hillman, Bureau of Central Services, who reviewed the financial data and Said Baniahmad 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 and 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? ss. 408.035(1) (a), Florida Statutes. Rule 59C-1.008(2), Florida Administrative Code and Rule 59C-1.039(5), Florida Administrative Code.

In Volume 40, Number 12, dated January 17, 2014 of the Florida Administrative Register, a fixed need pool of zero beds was published for CMR beds in District 3 for the July 2019 planning horizon.

District 3 has 198 licensed and zero approved CMR beds.⁵ HealthSouth Rehabilitation Hospital of Marion County, LLC (CON application #10097) d/b/a HealthSouth Rehabilitation Hospital of Ocala, was licensed for 40 CMR beds, effective November 27, 2012. During the 12-month period ending June 30, 2013, District 3 experienced 74.69 percent CMR bed utilization. **CON application #10217** proposes to add 50 CMR beds to the existing 198 CMR bed complement within District 3. **CON application #10218** proposes to relocate 22 CMR beds within the existing 198 CMR bed complement (which would add no CMR beds to District 3).

⁵ HealthSouth Rehabilitation Hospital of Ocala was approved by Exemption #140001 to add 10 CMR beds effective January 10, 2014. This is subsequent to the December 16, 2013 cut-off date for approved bed inventory as required in Rule 59C-1.039 (2)(a) F.A.C.

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- b. According to 59C-1.039 (5)(d) of the Florida Administrative Code, need for new comprehensive medical rehabilitation inpatient services shall not normally be made unless a bed need exists according to the numeric need methodology in paragraph (5)(c) of this rule. Regardless of whether bed need is shown under the need formula in paragraph (5)(c), no additional comprehensive medical rehabilitation inpatient beds shall normally be approved for a district unless the average annual occupancy rate of the licensed comprehensive medical rehabilitation inpatient beds in the district was at least 80 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

As shown in the table below, District 3’s 198 licensed CMR beds experienced an occupancy rate of 74.69 percent during the 12-month period ending June 30, 2013. District 3’s last five years of utilization is illustrated below.

District 3 Comprehensive Medical Rehabilitation Bed Utilization Five Year Periods Ending June 30, 2009—2013						
Facility	Beds	12 Months Ending June 30				
		2009	2010	2011	2012	2013
Shands Rehabilitation Hospital	40	75.01%	67.06%	74.23%	78.21%	75.91%
HealthSouth Rehabilitation Hospital of Ocala*	40	N/A	N/A	N/A	N/A	70.10%
Seven Rivers Regional Medical Center**	16	16.96%	48.61%	59.67%	56.47%	72.05%
Leesburg Regional Medical Center-North***	22	90.58%	76.73%	69.38%	62.82%	55.57%
HealthSouth Rehab Hospital of Spring Hill****	80	93.16%	82.83%	76.29%	77.84%	81.22%
District 3 Total	198	86.19%	74.30%	73.12%	73.68%	74.69%

Source: Florida Hospital Bed Need Projections & Service Utilization by District for January 2010-2014.

Notes: *HealthSouth Rehabilitation Hospital of Ocala’s 40-bed CMR hospital was licensed November 27, 2012.

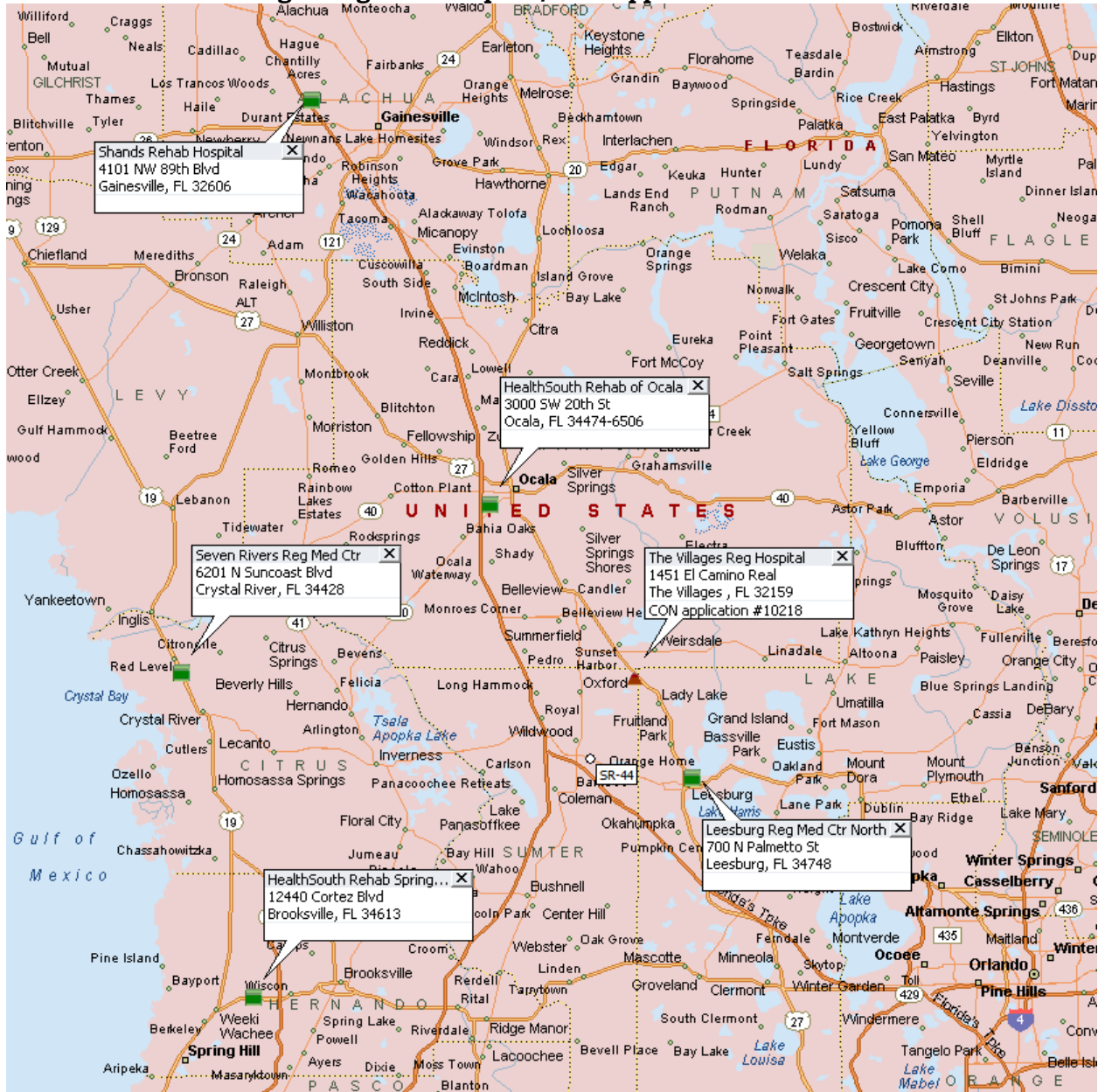
**Seven Rivers Regional Medical Center’s 16-bed CMR unit was licensed May 27, 2009.

***Leesburg Regional Medical Center – North added seven beds effective March 23, 2010.

****HealthSouth Rehab Hospital of Spring Hill added 10 beds effective October 7, 2009.

The map below shows current District 3 CMR providers and CON application #10218’s proposed location. HealthSouth (CON application #10217) states a northwestern Sumter County location, in or near The Villages, Florida area but no exact location is offered.

**District 3 Licensed Comprehensive Medical Rehabilitation Facilities and
The Villages Regional Hospital/CON application #10218**



Source: Microsoft® MapPoint® 2013.

MapQuest directions obtained September 17, 2013 indicate that the existing facilities are located within the following approximate driving miles/driving times (in minutes) from the applicants and each other:

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Driving Distance in Miles—Existing Facilities and Proposed Sites

Facility	The Villages Regional Hospital	HealthSouth Rehabilitation Hospital of Ocala	HealthSouth Rehabilitation Hospital of Spring Hill	Leesburg Regional Medical Center North	Seven Rivers Regional Medical Center	Shands Rehab Hospital
The Villages Regional Hospital (CON application #10218)		22.66 Miles	56.45 miles	15.18 miles	48.25 miles	57.26 miles
HealthSouth Rehabilitation Hospital of Ocala	22.66 miles		59.30 miles	33.69 miles	36.30 miles	37.84 miles
HealthSouth Rehabilitation Hospital of Spring Hill	56.45 miles	59.30 Miles		56.30 miles	35.06 miles	88.87 miles
Leesburg Regional Medical Center North	15.18 miles	33.69 Miles	56.30 miles		53.45 miles	68.05 miles
Seven Rivers Regional Medical Center	48.25 miles	36.30 Miles	35.06 miles	53.45 miles		58.32 miles
Shands Rehabilitation Hospital	57.26 miles	37.84 Miles	88.87 miles	68.05 miles	58.32 miles	

Source: MapQuest.

Note: HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) indicates that the facility will be in northeastern Sumter County but no exact location is offered.

Driving Distance in Minutes (Min.)—Existing Facilities and Proposed Sites

Facility	The Villages Regional Hospital	HealthSouth Rehabilitation Hospital of Ocala	HealthSouth Rehabilitation Hospital of Spring Hill	Leesburg Regional Medical Center North	Seven Rivers Regional Medical Center	Shands Rehab Hospital
The Villages Regional Hospital (CON application #10218)		36 min.	76 min.	24 min.	66 min.	79 min.
HealthSouth Rehabilitation Hospital of Ocala	36 min.		83 min.	57 min.	53 min.	42 min.
HealthSouth Rehabilitation Hospital of Spring Hill	76 min.	83 min.		70 min.	44 min.	118 min.
Leesburg Regional Medical Center North	24 min.	57 min.	70 min.		75 min.	93 min.
Seven Rivers Regional Medical Center	66 min.	53 min.	44 min.	75 min.		68 min.
Shands Rehabilitation Hospital	79 min.	42 min.	118 min.	93 min.	68 min.	

Source: MapQuest.

Note: HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) indicates that the facility will be in northeastern Sumter County but no exact location is offered.

As shown in the two tables above, the closest CMR providers to The Villages Regional Hospital (CON application #10218) are Leesburg Regional Medical Center North (15.18 miles/24 minutes) and HealthSouth Rehabilitation Hospital of Ocala (22.66 miles/36 minutes), respectively.

The table below shows the total number of Sumter County adult residents discharged from a Florida CMR provider (regardless of whether a CMR freestanding or an in-hospital CMR distinct unit) in the 12-month period ending June 30, 2013.

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Sumter County Adult Residents Discharged from CMR Providers 12 Months Ending June 30, 2013					
Facility Name	Facility District/County	Total Discharges	Percent Total Discharges	Total Patient Days	Percent Patient Days
Leesburg Regional Medical Center-North	3/Lake	90	52.94%	1,185	49.35%
Shands Rehab Hospital	3/Alachua	24	14.12%	419	17.45%
HealthSouth Rehabilitation Hospital of Spring Hill	3/Hernando	22	12.94%	330	13.74%
HealthSouth Rehabilitation Hospital of Ocala	3/Marion	20	11.76%	272	11.33%
Total District 3 Facilities*		159	93.53%	2,253	93.84%
Other Florida Facilities		11	6.47%	148	6.17%
Total		170	100.0%	2,401	100.0%

Source: Florida Center for Health Information and Policy Analysis database—CMR. MS-DRGs 945 and 946.

Note: District 3 total includes three patients discharged from other District 3 facilities.

The reviewer notes that, in the 12-month period ending June 30, 2013, according to data from the Florida Center for Health Information and Policy Analysis:

- Of the 170 adult Sumter County residents discharged from CMR providers, 159 (93.53 percent) were discharged from a District 3 provider and 11 (6.47 percent) were discharged from a non-District 3 CMR provider.

The table below shows the total number of Lake County adult residents discharged from a Florida CMR provider (regardless of whether a CMR freestanding or an in-hospital CMR distinct unit) in the 12-month period ending June 30, 2013.

Lake County Adult Residents Discharged from CMR Providers 12 Months Ending June 30, 2013					
Facility Name	Facility District/County	Total Discharges	Percent Total Discharges	Total Patient Days	Percent Patient Days
Leesburg Regional Medical Center-North	3/Lake	206	50.61%	2,708	49.13%
Orlando Regional Medical Center	7/Orange	66	16.22%	834	15.13%
Winter Park Memorial Hospital	7/Orange	29	7.13%	333	6.04%
HealthSouth Rehabilitation Hospital of Spring Hill	3/Hernando	22	5.41%	488	8.85%
Florida Hospital Orlando	7/Orange	20	4.91%	238	4.32%
Shands Rehab Hospital	3/Alachua	19	4.67%	254	4.61%
HealthSouth Rehabilitation Hospital of Ocala	3/Marion	9	2.21%	90	1.63%
Total District 3 Facilities		256	62.90%	3,540	64.22%
Total District 7 Facilities*		117	28.75%	1,437	26.07%
Other Florida Facilities		34	8.35%	535	9.71%
Total		407	100.0%	5,512	100.0%

Source: Florida Center for Health Information and Policy Analysis database—CMR. MS-DRGs 945 and 946.

Note: District 7 total includes two patients discharged from other District 7 facilities.

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The reviewer notes that, in the 12-month period ending June 30, 2013, according to data from the Florida Center for Health Information and Policy Analysis:

- Of the 407 adult Lake County residents discharged from CMR providers, 256 (62.90 percent) were discharged from a District 3 provider, 117 (28.75 percent) were discharged from a District 7 provider and 34 (8.35 percent) were discharged from other Florida facilities. Florida Hospital Oceanside, a District 4 CMR provider, discharged 12 (or 2.95 percent of Lake County total) Lake County patients. No other facility had more than eight discharges.

c. Other Special or Not Normal Circumstances

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states that there has not been a published need for CMR beds in over seven years and that a factor in this is that existing CMR providers can add up to 10 beds without full CON review, if they are operating at or over 80 percent capacity. The applicant states that Subdistrict 3-7 is a separate medical market within District 3 for most inpatient hospital services and that the need for CMR services should be assessed at the medical market level. HealthSouth states the use of Agency hospital discharge data (October 1, 2012 through September 30, 2013) to contend that Subdistrict 3-7 is its own medical market. See the figure below.

Subdistrict 3-7 Acute Care Patient Migration

Patient County	Facility County				Total	% of Patients that remain in the Subdistrict
	Lake	Sumter	Subdistrict 3-7	Other Facility County		
Lake	29,087	4,289	33,376	11,897	45,273	74%
Sumter	4,444	6,168	10,612	4,884	15,496	68%
Subdistrict 3-7	33,782	10,457	43,988	16,781	60,769	72%
Other Patient County	3,251	3,278	6,529			
Total	36,782	13,735	50,517			
Percent of hospital patients from the subdistrict	91%	76%	87%			

Source: CON application #10217, page 26, Figure 5.

The applicant shows that approximately 72 percent of Subdistrict 3-7 acute care patients remained in the subdistrict for acute care.

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HealthSouth contends that population growth in the entirety of Subdistrict 3-7, rather than just The Villages development, is a factor in its need argument. HealthSouth uses a July 1 midpoint in the Agency’s Population Estimates 2010 to 2030 publication, issued September 2013, to account for Subdistrict 3-7’s population growth outpacing Florida’s. See the figure below.

Total Population Growth in Subdistrict 3-7 and Florida

	2010	2014	2019	Change 2010-2014		Change 2014-2019	
				Absolute	Percent	Absolute	Percent
Lake	297,487	312,558	353,060	15,071	5%	40,502	13%
Sumter	94,204	108,224	129,305	14,020	15%	21,081	19%
Subdistrict 3-7	391,691	420,782	482,365	29,091	7%	61,583	15%
Florida	18,827,007	19,552,248	20,937,474	725,241	4%	1,385,226	7%

Source: CON application #10217, page 32, Figure 9.

Population Growth in Subdistrict 3-7 and Florida, Ages 18-64

	2010	2014	2019	Change 2010-2014		Change 2014-2019	
				Absolute	Percent	Absolute	Percent
Lake	163,858	174,096	193,013	10,238	6%	18,917	11%
Sumter	44,589	47,142	49,678	2,553	6%	2,536	5%
Subdistrict 3-7	208,447	221,238	242,691	12,791	6%	21,453	10%
Florida	11,548,451	11,885,571	12,454,024	337,120	3%	56,845,311	5%

Source: CON application #10217, page 32, Figure 10.

Population Growth in Subdistrict 3-7 and Florida, Ages 65 and Over

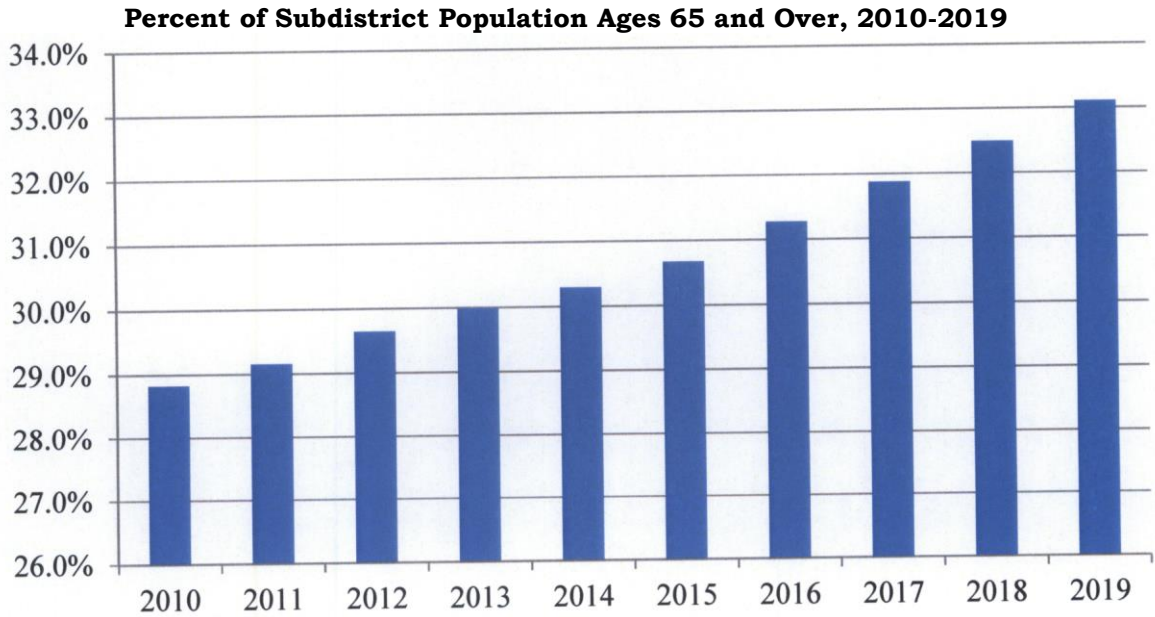
	2010	2014	2019	Change 2010-2014		Change 2014-2019	
				Absolute	Percent	Absolute	Percent
Lake	71,873	75,962	91,452	4,089	6%	15,490	20%
Sumter	41,072	51,553	68,246	10,481	26%	16,693	32%
Subdistrict 3-7	112,945	127,515	159,698	14,570	13%	32,183	25%
Florida	3,275,342	3,595,188	4,219,391	319,846	10%	624,203	17%

Source: CON application #10217, page 33, Figure 11.

HealthSouth’s figures above indicate that on a percentage basis, from 2010 to 2014 and from 2014 to 2019, Subdistrict 3-7’s total population, the population ages 18-64 and those ages 65 and over all grew and will continue to grow at a faster rate than the state overall.

HealthSouth uses a July 1 midpoint in the Agency’s Population Estimates 2010 to 2030 publication, issued September 2013, to show the percent of Subdistrict 3-7’s estimated population grow ages 65 and over from 2010 to 2019 (see below).

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Source: CON application #10217, page 33, Figure 12.

HealthSouth reiterates the “not normal” circumstances previously stated in the application project summary.

HealthSouth indicates an average CMR use rate of 1.7 per 1,000 adult residents (age 18 plus) for Lake and Sumter Counties, over the three-year period ending 2013. This use rate is compared to a stated 2.5 use rate for the same age cohort, statewide, when compared to non-CMR and the full universe of CMR categories (#1 through #4 in the figure below). HealthSouth indicates the highest CMR use rate (3.5 per thousand population) is in subdistricts with freestanding CMR facilities only. See the figure below.

Three-Year Average CMR Use Rates

County	Three-Year Average CMR Use Rate Per 1,000 Pop 2011, 2012 and 2013		
	18-64	65+	Total 18+
Lake	0.7	4.1	1.7
Sumter	0.6	2.6	1.6
Subdistrict 3-7	0.7	3.6	1.7

Category	18-64	65+	Total 18+
1. No CMR	0.7	4.7	1.6
2. Hospital Unit Only	0.7	4.9	1.7
3. Freestanding Only	1.0	12.1	3.5
4. Freestanding & Unit	1.1	11.7	3.4
Florida Resident Total	0.9	8.0	2.5
Freestanding (with or w/o unit)	1.1	11.9	3.5

Source: CON application #10217, page 42, Figure 17.

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Based on the above figure, the reviewer notes the 1.7 use rate for Lake and Sumter County residents is the same as the “hospital unit only” rate but lower than the 3.5 use rate for “freestanding only”.

HealthSouth states that Subdistrict 3-7 has the second lowest adult CMR use rate of any subdistrict statewide with a freestanding CMR program, with the lowest use rate (1.5) being in Subdistrict 3-2 and a statewide average use rate of 3.3, for the first three quarters of 2013.

HealthSouth contends the low use rate in Subdistrict 3-7 is due to “the minimal Leesburg North program”.

HealthSouth also compares CMR use rates for adult residents of Subdistrict 3-7 (with a CMR program operated by CFHA) and CMR use rates for the same age cohort for the same period in Marion County (with the recently licensed HealthSouth-Ocala). The applicant indicates higher use rates in Marion County with the opening of its facility.

HealthSouth compares the 2012 CMR use rate per thousand population in Subdistrict 3-7 of 1.68, which declined to 1.65 in 2013 to the Marion County CMR use rate of 0.68, which improved to 3.04 in 2013.

HealthSouth attributes the 2012 data to a program with no CMR program (Marion County) compared to a program with a “minimal program” (Subdistrict 3-7). In turn, HealthSouth attributes the 2013 data for a program with a “minimal program” (Subdistrict 3-7) compared to a “state of the art program” (the newly operational HealthSouth Rehabilitation Hospital of Ocala. Per the applicant “Clearly, patients choose to use state of the art CMR services at rates much higher than they do when offered only a minimal CMR program”.

HealthSouth states that Subdistrict 3-7 has the lowest adult CMR retention rate (53 percent) of any subdistrict statewide with a freestanding CMR program, for the nine-month period ending September 30, 2013. The applicant indicates the average retention rate is 93 percent. Per the applicant “If Leesburg North had the community acceptance by subdistrict patients and physicians its average census would be substantially higher...”.

HealthSouth states that Leesburg North has not made CMR services financially accessible to Medicaid and uninsured subdistrict residents. The applicant compares Leesburg North’s CMR discharge data payor mix information for calendar year 2012 to all HealthSouth Florida facilities for the three years ending 2013. See the figures below.

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Leesburg Regional Medical Center-North CMR Payor Mix – CY 2012

Payor	CMR Patients	Payor Mix
Commercial	24	6.7%
Medicaid	1	0.3%
Medicaid Managed Care	1	0.3%
Medicare	300	83.8%
Medicare Managed Care	31	8.7%
Other	1	0.3%
Self-Pay or Charity	0	0.0%
Total	358	100.0%

Source: CON application #10217, page 48, Figure 20 based on Florida Center for Health Policy & Analysis hospital discharge data.

**HealthSouth Florida Hospitals' CMR Patient by Payor
CY 2010-2013**

Payor Group	2010	2011	2012	Three Year Total
Commercial	1,541	1,680	2,043	5,264
Medicaid	31	54	117	202
Medicaid Managed Care	259	234	215	708
Medicare	10,107	10,221	10,156	30,484
Medicare Managed Care	620	693	725	2,038
Other	188	216	206	610
Self-Pay or Charity	86	140	302	528
Grand Total	12,832	13,238	13,764	39,834
% Medicaid	0.2%	0.4%	0.9%	0.5%
% Medicaid Managed Care	2.0%	1.8%	1.6%	1.8%
% Self-Pay/Charity	0.7%	1.1%	2.2%	1.3%
Subtotal	2.9%	3.2%	4.6%	3.6%

Source: CON application #10217, page 49, Figure 21 based on Florida Center for Health Policy & Analysis hospital discharge data.

The reviewer notes that **CON application #10217** conditions for a minimum of 2.5 percent of patient days to the combination of Medicaid patients and uninsured patients who meet the definition of charity care patients under Florida Statutes and **CON application #10218** conditions for a minimum of 1.3 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (included in self-pay) patients.

HealthSouth also offers additional reasons to contend that Leesburg-North is not meeting the subdistrict's needs. These include the following—limited equipment, limited facilities, limited rehabilitation programs and CARF survey report.

If the project is approved, HealthSouth anticipates the subdistrict's CMR use rate and retention rate will increase “substantially” to about the average for other districts with freestanding CMR facilities. More specifically, HealthSouth expects the project would generate sufficient admissions and patient days to support a total of 76 CMR beds at 85 percent occupancy now, and 93 beds by 2019. See the figure below.

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Subdistrict 3-7 CMR Bed Need

County	2012			2018		
	18-64	65+	Total 18+	18-64	65+	Total 18+
CMS Discharges at Freestanding Use Rate						
Lake	182	884	1,067	204	1,052	1,256
Sumter	50	582	632	53	771	824
Sub District 3-7	232	1,466	1,699	257	1,823	2,080

County	CMS Patient Days at Freestanding Use Rate					
Lake	2,515	12,205	14,720	2,814	14,512	17,326
Sumter	690	8,030	8,721	731	10,642	11,373
Sub District 3-7	3,206	20,235	23,441	3,545	25,154	28,699

County	Average Daily Census (ALOS = 13.8)					
Lake	7	33	40	8	40	48
Sumter	2	22	24	2	29	31
Sub District 3-7	9	55	64	10	69	79

County	Bed Need at 85% Occupancy					
Lake	N/A	N/A	47	N/A	N/A	56
Sumter	N/A	N/A	28	N/A	N/A	37
Sub District 3-7	N/A	N/A	76	N/A	N/A	93

CMR Beds at LRMC	N/A	N/A	22	N/A	N/A	22
Sub District 3-7	N/A	N/A	54	N/A	N/A	71

Source: CON application #10217, page 55, Figure 22.

HealthSouth states that its assumptions consider other nearby existing non-Subdistrict 3-7 CMR providers but do not assume any in-migration. The applicant estimates that the capture of approximately 70.2 percent of the CMR patients projected at the average freestanding hospital use rate, would allow both HealthSouth and Leesburg North to reach 85 percent occupancy.

HealthSouth indicates that its experience in the Marion County market is evidence of what happens when “a state of the art CMR program opens in a medical market that previously relied heavily on nursing home rehabilitation services”. The applicant reports that between December 2012 and March 2014, HealthSouth Ocala experienced an average occupancy rate of 83 percent.

Per HealthSouth, there will be sufficient demand for state of the art CMR programs to fill 93 beds at 85 percent occupancy by 2018 with no in-migration and with a reasonable retention rate. Again, per HealthSouth, if CFHA upgrades its existing CMR program, it will fill its 22 beds with HealthSouth as a second program in the subdistrict but if CFHA does not, it will not fill its 22 beds, even without a competing program in the subdistrict. According to the applicant, any adverse impact the CFHA CMR program experiences “will be due to its own management decisions and not to AHCA approval of the HealthSouth application”.

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HealthSouth discusses increasing the use rate for CMR services primarily by offering education to the area’s hospital discharge planners and physicians regarding: clinical research on the scope of patients that can benefit from inpatient rehabilitation; the specialized rehabilitation technology available at HealthSouth hospitals; coordination of clinical pathways when working with a HealthSouth hospital and the “superior” outcomes delivered by HealthSouth.

HealthSouth states it is a low cost, efficient and high quality rehabilitation provider, whether compared to other freestanding providers, distinct part units, or both. The applicant indicates that per the Centers for Medicare and Medicaid Services (CMS) Fiscal Year 2014 Rate Setting File Analysis, HealthSouth has the highest discharges per CMR (918), the lowest average cost per discharge (\$12,194) and the lowest average payment per discharge (\$17,979) when compared to other CMR providers. See the figure below.

CMS FY 2014 IRF Rate Setting File Analysis

CMR Type	Average Discharges per CMR	Average Care Mix Index	Average Cost Per Discharge	Average Payment per Discharge
HealthSouth	918	1.23	\$12,194	\$17,979
Freestanding (non-HealthSouth)	621	1.20	\$16,102	\$18,971
Hospital Units	231	1.14	\$18,925	\$18,847
Total	338	1.18	\$16,701	\$18,668

Source: CON application #10217, page 60, Figure 24.

HealthSouth indicates that daily family involvement in care and training directly affects a patients’ ability to return to the community as opposed to an institutional setting. The applicant plans to feature an activities of daily living (ADL) suite, with a model bedroom, bathroom and kitchen. HealthSouth states that caregiver training is critical and without it, the family may feel unable to take the patient back home. HealthSouth also states recognition of an emotional component to recovery that is best served when patients are able to spend time with their loved ones while undergoing treatment. HealthSouth states that it is often able to make accommodation for family members to stay overnight.

HealthSouth indicates that helping patients and families cope with loss of function and new ways to adapt is provided through the rehabilitation team. One communication tool used is the Wellness Information and Tools for Health (WITH) notebook, which includes state and federal resources and helpful reminders related to fall prevention, safety, pain management, exercise and stress relief. Per the applicant, throughout the patient’s stay, pertinent information (i.e. medication, exercise instructions, therapy notes) is added to the individualized WITH notebook. The WITH notebook travels with the patient to therapy and home at time of discharge and many patients use them for follow-up appointments.

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HealthSouth states that its CMR services include diagnostically distinct programs that offer specialized inpatient services within an interdisciplinary team approach. HealthSouth offers a matrix of inpatient rehabilitation services compared to other settings where rehabilitation services can be provided. See the figure below.

Rehabilitation Services Matrix

Intensity and Complexity of Rehabilitation Services	High	Inpatient rehabilitation	Inpatient Rehabilitation	Outpatient therapies; or Home Care therapies
	Medium	Inpatient Rehabilitation	Inpatient rehabilitation; or SNF with therapies	Outpatient therapies
	Low	SNF with therapies, or Home Care therapies	Outpatient therapies; or Home Care therapies	Outpatient therapies
		Low	Medium	High
	Level of Functional Independence			

Source: CON application #10217, page 65, Figure 26.

HealthSouth concedes that there are SNF and CMR services available in Lake County but contends that “a lack of CMR visibility deters acute care providers from referring patients to Leesburg North, which may result in patients being inappropriately referred to nursing homes. The reviewer notes the applicant does not provide evidence to document that in the current Subdistrict 3-7 rehabilitative services situation, patients are in fact being inappropriately placed resulting in poor or substandard health care outcomes.

HealthSouth provides a “partial” list of 14 differences in CMR and SNF level care on page 66 of CON application #10217.

HealthSouth contends that while there are advantages and disadvantages to both CMR units and CMR hospitals, the benefits of the latter make it the “superior setting in markets large enough to support one”. See the figure below.

Comparison of CMR Hospitals and CMR Units

	CMR Hospitals	CMR Units
Achieves Economies of Scale	X	In some instances
Lower Average Cost Per Discharge	X	
Lower Direct and Indirect Costs	X	
Better Cost Management	X	
Staff's Time Fully Committed to CMR	X	
Medical Director's CMR Time	40 hours/week	20 hours/week
Patient Volume to Support Diagnosis-Specific Programs	X	
Architectural Design Specific for CMR Services	X	In some instances
Immediate Access to Acute Care Services		X
Does Not Compete with Referring Hospitals	X	In some instances

Source: CON application #10217, page 67, Figure 27.

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HealthSouth indicates CMR hospitals usually have 40-60 beds, while CMR units typically have 20-30 beds and that in District 3 the average bed size is even lower, with the two in-hospital units averaging 19 beds. HealthSouth contends that large capacity leads to higher patient volumes and therefore exposure to patients with a wide variety of diagnoses. In turn, these larger bed sizes are stated to be associated with lower costs. The applicant states and the reviewer confirms that in 2011, the median number of beds in CMRs in the lowest cost quartile was 42 beds and the highest cost quartile CMRs had a median of 17 beds (MedPAC⁶ March 2013-Report to the Congress, Medicare Payment Policy, Chapter 10, page 229, Table 10-12). Per HealthSouth, having more patients and a more evenly distributed mix of patient diagnoses allows freestanding providers to develop expertise and treatment plans for patients across many other diagnoses.

HealthSouth discusses lower mean cost per discharge at freestanding CMR hospitals compared to CMR units. The reviewer notes that MedPAC concluded that freestanding CMRs were better than hospital-based units at “managing their costs” and reported that CMR hospitals had significantly lower average adjusted costs per discharge as compared to CMR units. See the table below.

Mean Adjusted Cost per Discharge by Provider Type Calendar Years 2010 - 2012*			
	2010*	2011	2012
All CMRs	\$15,205	\$15,822	\$15,738
Hospital based units	\$15,940	\$16,725	\$16,592
Freestanding	\$12,050	\$12,388	\$12,469

Source: MedPAC, Report to the Congress, Medicare Payment Policy, Inpatient Rehabilitation Facility Services, Chapter 9, page 247, Table 9-11, March 2012 and Chapter 10, page 228, Table 10-11, March 2013, MedPAC 2014, Report to Congress: Medicare Payment Policy, Chapter 10, page 255 per CON application #10217.

HealthSouth further contends that freestanding CMR hospitals’ clinical staff is “not forced to divide time between general acute care and rehabilitation patients” and general hospitals may assign staff that do not have rehabilitation training to work in the rehabilitation unit. HealthSouth states that freestanding CMR hospitals are designed “from the ground up” with new and emerging technologies to meet unique needs of CMR patients, while CMR units “are often a floor or other small portion of a physical space that was initially designed for general acute care services” that have been re-purposed for rehabilitation.

⁶ MedPAC is the Medicare Payment Advisory Commission, an independent Congressional agency established by the Balanced Budget Act of 1997 that advises the US Congress on issues affecting the administration of the Medicare program.

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HealthSouth further contends that CMR units “have to compete for capital investment with higher margin service lines, which often means they receive little or no capital investment”.

The applicant concedes that CMR units provide the benefit of “easy access to hospital tests and laboratory data, as well as other services”. However, HealthSouth asserts that “because of the ease of access and time efficiency, in many cases, local specialty physicians are more willing to visit a CMR hospital than fight their way through a large acute hospital to see a patient”. HealthSouth also asserts that a patient who requires acute care hospital services should not be transferred to an inpatient rehabilitation hospital, whether it is a unit or a freestanding site. The applicant indicates HealthSouth clinicians provide screening and in-service trainings with acute care hospital discharge planners to help identify when a patient is both medically stable and appropriate for discharge from the acute care to the rehabilitation setting. Per HealthSouth, patients are never admitted to a HealthSouth hospital without having their specific circumstances reviewed by a rehabilitation physician before the transfer.

HealthSouth holds that because of the medical complexity of rehabilitation patients, processes are in place to meet their medical needs even if a new problem arises after the admission. The applicant states that the facility will have registered nurses on-site 24 hours a day and 24-hour physician call coverage and if a medical emergency arises, emergency rescue and transfer services are invoked while onsite staff conducts basic or advanced life support. Per the applicant, there is no data which shows there is a safety advantage for CMR units as contrasted with freestanding CMRs and HealthSouth “is confident that the net advantage rests with the size, setting and services offered in a freestanding environment”.

The reviewer notes that while **both** applicants discuss and offer the virtues and pitfalls of distinct-part unit CMR services vs. freestanding CMR, neither applicant provides specific fact-based documentation that poorer or better health care outcomes resulted solely due the current licensed CMR landscape in District 3.

HealthSouth discusses various failings of District 3-7 general hospitals and CFHA’s lack of follow-through in related projects as evidence that area providers have been unable or unwilling to provide highly visible CMR services, outreach and education that would “give Subdistrict residents access to a state of the art CMR program”. HealthSouth also stresses that lower area referral rates to CMR is evidence that physicians and patients “see little discernable difference” between CMR services provided at area nursing homes and that provided at Leesburg-North.

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The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states it is the only acute care provider located within the actual boundary of The Villages Development Regional Impact (DRI) area, a nationally known, self-contained retirement community (reportedly approximately 25,000 acres and 90,000 residents with a projected build out of more than 105,000 residents by 2017). Per TVRH, The Villages has prospered by meeting as many of the residents' retail, recreational, social and health care needs onsite as possible.

The proposed project is to be housed on the fifth floor of the north tower addition at TVRH.

Per TVRH, freestanding inpatient rehabilitation facilities do not have the ability to manage medically complex patients and therefore, the acute care hospital is "forced to keep the patient until the medical event is resolved". The applicant indicates the following examples of the capabilities of TVRH to provide medically complex patients who meet inpatient rehabilitation admission criteria:

- IV management
 - Short-term antibiotics
 - Heparin drip
- Percutaneous Endoscopic Gastrostomy (PEG) Tube management
- Telemetry monitoring
- Hemodialysis
- Wound V.A.C. therapy
- Tracheostomy care.

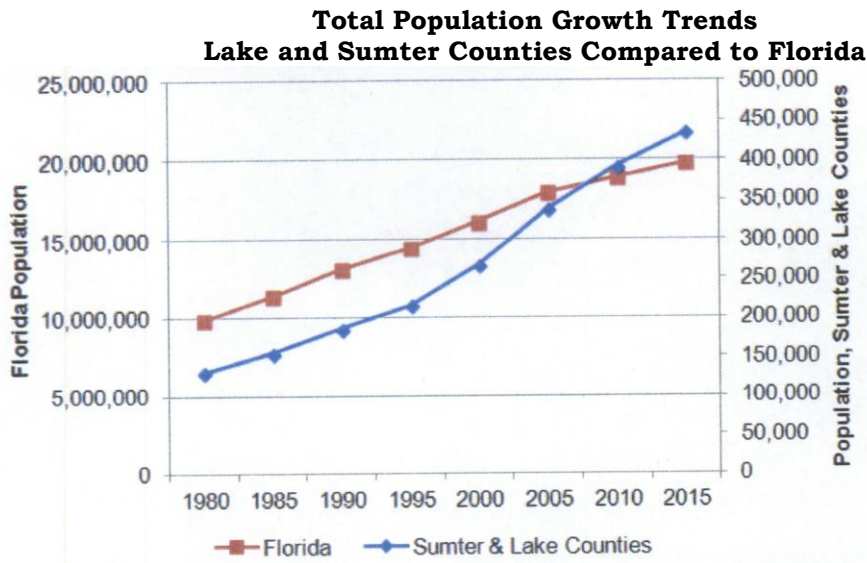
TVRH offers five specific reasons why the current conditions and limitations of the physical plant at Leesburg North program warrant project approval.

- The infrastructure of the current facility is deteriorating with age. The current building has aged mechanically, plumbing and electrical systems which are costly to maintain. As a result, plant costs are higher than what would be expected for a new, energy efficient system.
- The current infrastructure is unable to support future growth. Not only would it be expensive to renovate to current standards but considerable plant disruption would be incurred in the process.
- The unit doesn't meet modern functional standards required for rehabilitation patients, families, physicians and staff. Location, size and flow problems result in operational inefficiencies.

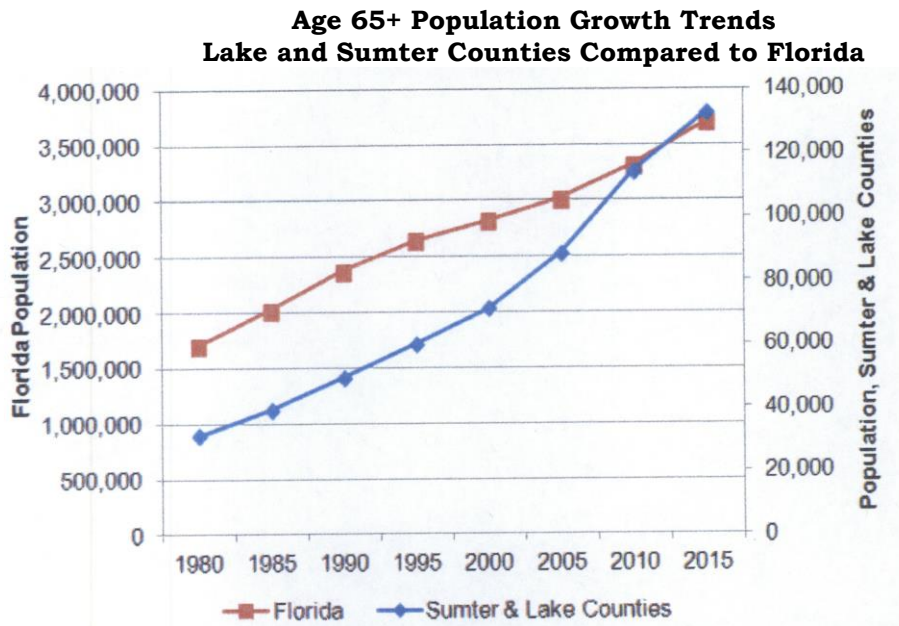
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- The inpatient rehabilitation rooms don't meet today's patient and family expectations. Not all rooms are private and lack space to properly accommodate patients, visitors and updated medical equipment.
- Laboratory, imaging, diagnostic services and ancillary services are not located on the campus, reducing operational efficiency as well as patient, physician and staff satisfaction.

TVRH provides figures to indicate growth trends for the state and for Sumter and Lake Counties, through Florida CHARTS, Florida Department of Health (DOH). See the figures below.



Source: CON application #10218, page 25, Figure 2.



Source: CON application #10218, page 26, Figure 3.

Per the applicant, “driving this dramatic increase in the 65+ population is the success of The Villages”.

In the figure below, TVRH uses the Agency Population Estimates 2010 to 2030 publication, issued September 2013, to highlight the estimated age 65 and older population in Lake and Sumter Counties, by 2017.

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**2010-2017 Change in Population, District 3 by Subdistrict, County and Florida
Total Population with Select Age Cohorts**

Subdistrict County	2010			2017			Number Change			Percent Change		
	Total	65+	18+	Total	65+	18+	Total	65+	18+	Total	65+	18+
Subdistrict 3-1												
Columbia	67,549	10,458	52,377	72,005	13,055	56,791	4,456	2,597	4,414	6.6%	24.8%	8.4%
Hamilton	14,777	1,968	11,857	15,255	2,597	12,392	478	629	535	3.2%	32.0%	4.5%
Suwannee	41,927	7,890	32,472	46,519	9,594	36,709	4,592	1,704	4,237	11.0%	21.6%	13.0%
<i>Subtotal</i>	<i>124,253</i>	<i>20,316</i>	<i>96,706</i>	<i>133,779</i>	<i>25,246</i>	<i>105,892</i>	<i>9,526</i>	<i>4,930</i>	<i>9,186</i>	<i>7.7%</i>	<i>24.3%</i>	<i>9.5%</i>
Subdistrict 3-2												
Alachua	247,460	26,930	203,088	259,312	36,639	212,855	11,852	9,709	9,767	4.8%	36.1%	4.8%
Bradford	28,566	4,142	22,929	28,989	5,097	23,197	423	955	268	1.5%	23.1%	1.2%
Dixie	16,430	3,192	13,287	17,832	3,925	14,721	1,402	733	1,434	8.5%	23.0%	10.8%
Gilchrist	16,962	2,878	13,336	18,072	3,717	14,559	1,110	839	1,223	6.5%	29.2%	9.2%
Lafayette	8,897	1,099	7,090	9,065	1,291	7,167	168	192	77	1.9%	17.5%	1.1%
Levy	40,826	7,952	32,213	43,135	9,547	34,623	2,309	1,595	2,410	5.7%	20.1%	7.5%
Union	15,546	1,567	12,540	16,139	1,983	13,143	593	416	603	3.8%	26.5%	4.8%
<i>Subtotal</i>	<i>374,687</i>	<i>47,760</i>	<i>304,483</i>	<i>392,544</i>	<i>62,199</i>	<i>320,265</i>	<i>17,857</i>	<i>14,439</i>	<i>15,782</i>	<i>4.8%</i>	<i>30.2%</i>	<i>5.2%</i>
Subdistrict 3-3												
Putnam	74,314	14,113	57,568	74,234	15,754	58,216	(80)	1,641	648	-0.1%	11.6%	1.1%
Subdistrict 3-4												
Marion	331,416	85,542	267,334	366,370	102,608	298,823	34,954	17,066	31,489	10.5%	20.0%	11.8%
Subdistrict 3-5												
Citrus	141,159	45,107	118,874	150,749	51,241	128,925	9,590	6,134	10,051	6.8%	13.6%	8.5%
Subdistrict 3-6												
Hernando	172,946	44,583	138,842	191,314	51,725	156,228	18,368	7,142	17,386	10.6%	16.0%	12.5%
Subdistrict 3-7												
Lake	297,487	71,873	235,731	337,466	84,891	271,200	39,979	13,018	35,469	13.4%	18.1%	15.0%
Sumter	94,204	41,072	85,661	120,588	61,149	109,992	26,384	20,077	24,331	28.0%	48.9%	28.4%
<i>Subtotal</i>	<i>391,691</i>	<i>112,945</i>	<i>321,392</i>	<i>458,054</i>	<i>146,040</i>	<i>381,192</i>	<i>66,363</i>	<i>33,095</i>	<i>59,800</i>	<i>16.9%</i>	<i>29.3%</i>	<i>18.6%</i>
District 3 Total	1,610,466	370,366	1,305,199	1,767,044	454,813	1,449,541	156,578	84,447	144,342	9.7%	22.8%	11.1%
Florida	18,827,007	3,275,342	14,823,793	20,382,645	3,956,602	16,195,279	1,555,638	681,260	1,371,486	8.3%	20.8%	9.3%

Source: CON application #10218, page 27, Figure 4.

The reviewer notes that population projections, on a district-wide basis, are factored into the Agency’s need projections for inpatient CMR need.

CFHA then discusses that per the Florida Hospital Bed Need Projections and Service Utilization by District publications, issued for calendar years 2008 through 2013, TVRH’s average daily census (ADC) and patient days rose while over the same period Leesburg Regional Medical Center’s ADC and patient days declined. Specifically, over the same period stated above, per the applicant, TVRH’s ADC rose from 88.6 to 155.4 and its patient days rose from 32,336 to 53,704. Also, over the same period, Leesburg Regional’s ADC declined from 218.0 to 204.7 and its patient days declined from 79,568 to 74,708.

The reviewer notes that while **both** applicants discuss and offer the virtues and pitfalls of distinct-part unit CMR services vs. freestanding CMR, neither applicant provides specific fact-based documentation that poorer or better health care outcomes resulted solely due the current licensed CMR landscape in District 3.

Per TVRH, the proposed project location is accessible to residents not only of The Villages, but also those in surrounding areas throughout Sumter and Lake Counties (stating approximately 87 percent of patients from Leesburg Rehabilitation Hospital originated from these two counties in 2012). The applicant attests that the new location will not change the

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service area of the CMR program and that the program will continue to serve its historical patient base. TRVH states that per Agency hospital discharge data, in 2012, 79.1 percent of Leesburg North patients were residents in an eight zip code area, with the primary service area (PSA) of 53.4 percent originating from a three zip code area and the secondary service area (SSA) of 25.7 percent originating from a five zip code area. Based on the PSA and SSA zip codes, TRVH estimates that Leesburg North has a total service area population of 224,858 (in 2014) and will have a total service area population of 240,951 (a total population of 174,447 (by 2014) and 188,805 (by 2019), a projected population increase of 7.2 percent. The reviewer inserts the county column and verifies that through the United States Postal Service website at <https://tools.usps.com/go/ZipLookupAction!input.action>, the zip codes and PO Box zip codes stated correspond to the cities/counties shown. See the figure below.

**Leesburg Rehabilitation Hospital
Patient Origin, CY 2012**

ZIP Code	County	City	Discharges	Percent of Total
Primary Service Area (PSA)				
34748	Lake	Leesburg	78	21.8%
32162	Sumter	The Villages	65	18.2%
32159	Lake	Lady Lake	48	13.4%
Subtotal PSA			191	53.4%
Secondary Service Area (SSA)				
34788	Lake	Leesburg	27	7.5%
34491	Marion	Summerfield	20	5.6%
34731	Lake	Fruitland Park	16	4.5%
32726	Lake	Eustis	16	4.5%
32757	Lake	Mount Dora	13	3.6%
Subtotal SSA			92	25.7%
PSA and SSA			283	79.1%
Other			75	20.9%
Grand Total			358	100.0%

Source: CON application #10218, page 31, Figure 10.

The applicant indicates that PSA zip codes 34748, 32162 and 32159 include PO Boxes 34749, 32163 and 32158, respectively. The applicant also indicates that SSA zip codes 34788, 34491 and 32726 include PO Boxes 34789, 34492 and 32727, respectively.

TVRH states that per Claritas the defined service area is projected to grow approximately 7.2 percent between 2014 and 2019, or by approximately 16,000 residents over that same period. TVRH also indicates that per the same source and time frame, the age 65 and over population is expected to grow by 17.4 percent, or by nearly 18,000 residents. See the figures below.

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Leesburg Rehabilitation Hospital Service Area Population Projections

ZIP Code	County	City	2014	2019	Percent Change
Primary Service Area (PSA)					
34748	Lake	Leesburg	38,987	40,396	3.6%
32162	Sumter	The Villages	54,683	64,296	17.6%
32159	Lake	Lady Lake	29,024	30,624	5.5%
Subtotal PSA			122,694	135,316	10.3%
Secondary Service Area (SSA)					
34788	Lake	Leesburg	17,720	18,107	2.2%
34491	Marion	Summerfield	29,445	31,018	5.3%
34731	Lake	Fruitland Park	10,829	10,920	0.8%
32726	Lake	Eustis	19,635	20,006	1.9%
32757	Lake	Mount Dora	24,535	25,584	4.3%
Subtotal SSA			102,164	105,635	3.4%
Total PSA and SSA			224,858	240,951	7.2%

Source: CON application #10218, page 34, Figure 13.

Leesburg Rehabilitation Hospital Service Area Population Projections Age 65 and Over

ZIP Code	County	City	2014	2019	Percent Change
Primary Service Area (PSA)					
34748	Lake	Leesburg	15,931	17,843	12.0%
32162	Sumter	The Villages	36,475	46,033	26.2%
32159	Lake	Lady Lake	17,729	19,976	12.7%
Subtotal PSA			70,135	83,853	19.6%
Secondary Service Area (SSA)					
34788	Lake	Leesburg	7,166	7,927	10.6%
34491	Marion	Summerfield	12,401	14,346	15.7%
34731	Lake	Fruitland Park	2,857	3,157	10.5%
32726	Lake	Eustis	4,367	4,731	8.3%
32757	Lake	Mount Dora	6,004	6,822	13.6%
Subtotal SSA			32,795	36,983	12.8%
Total PSA and SSA			102,930	120,835	17.4%

Source: CON application #10218, page 34, Figure 14.

TVRH indicates that “most residents prefer to stay onsite for health care services, as many trips are by golf cart” and that transportation beyond The Villages is by automobile. The proposed project is stated to further support on-site self-sufficiency by ensuring local access to inpatient rehabilitation care to The Villages’ residents while still being centrally located within the service area to increase access for all patients.

TVRH offers 17 “recent” case management summaries at the hospital that indicate a patient diagnosis appropriate for rehabilitation services and the patient scenario (a brief description of the patient’s circumstances and discharge disposition). Of these 17 cases, 15 “issue with distance” and two indicate “issue with family” as reasons for patients declining rehabilitation services outside of The Villages. The reviewer notes that of the 17 scenarios, none indicated a poor or unsatisfactory health care outcome for any of the given cases. The reviewer also notes that in almost all of the cases, the final disposition (usually to a SNF for rehabilitation services) was a patient preference.

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The notes further do not state that CMR admission was posed as a medical necessity.

TVRH maintains that relocating the rehabilitation beds to TVRH will provide flexibility and increased access to community residents for these services. The applicant also stresses the project is “fully integrated with the existing CFHA portfolio of services and expertise”.

CFHA indicates that per Agency hospital discharge data, in 2012, TVRH and Leesburg Regional Medical Center (LRMC) had higher percentages of Medicare patient discharges than other hospitals in District 3 and Florida statewide. See the figures below.

**2012 Age Distribution Comparison
TVRH, District 3 Facilities and All Facilities in Florida**

Percent of Total				
Age Cohort	TVRH	LRMC	District 3 Total	State Total
Under 18	0.0%	6.9%	6.2%	8.4%
18-44	5.2%	16.1%	20.1%	24.2%
45-64	15.5%	19.6%	25.7%	26.6%
65-74	31.6%	22.3%	20.3%	16.1%
75+	47.6%	35.1%	27.9%	24.8%

Source: CON application #10218, page 42, Figure 16.

Percent of 2012 Medicare Discharges

	Inpatient	Comprehensive Rehabilitation
TVRH	82.2%	N/A
LRMC	62.6%	92.5%
Total, CFHA	71.5%	92.5%
All Facilities in District 3	55.3%	76.3%
All Facilities in Florida	47.2%	73.7%

Source: CON application #10218, page 43, Figure 17.

The applicant states that TVRH and CFHA has long-standing and well-established ties to the community at large and provides care to all patients in need, including Medicaid and medically indigent patients. CFHA indicates that in FY 2013, it provided approximately 10 percent of its inpatient discharges to Medicaid/Medicaid HMO patients, plus an additional \$16.9 million to charity care patients.

The applicant states that the proposed project will not have a significant impact on existing providers but will rather enhance services. CFHA indicates making the determination that “the optimal solution is to relocate the existing 22-bed CMR unit at LRMC to TVRH”.

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The applicant asserts that “CFHA is in a better strategic position to offer a complete continuum of care to residents of the service area” and is “logical” as proposed by the project. TVRH offers estimated utilization for year one (2016) and year two (2017) discharges, average length of stay (ALOS) days, patient days, ADC and occupancy rates, for the proposed project.

**Projected Utilization
22-Bed TVRH CMR Unit**

	Year One - FY 2016	Year Two - FY 2017
Beds	22	22
Discharges	387	553
ALOS	13.2	13.2
Patient Days	5,108	7,300
ADC	14.0	20.0
Occupancy	63.4%	90.9%

Source: CON application #10218, page 45, Figure 18.

2. Agency Rule Criteria:

Please indicate how each applicable preference for the type of service proposed is met. Refer to Chapter 59C-1.039, Florida Administrative Code, for applicable preferences.

3. General Provisions:

(a) Service Location. The CMR inpatient services regulated under this rule may be provided in a hospital licensed as a general hospital or licensed as a specialty hospital.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) is proposing to establish a new 50-bed Class III specialty (CMR) hospital.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) is proposing to relocate an existing 22-bed CMR unit from LRMC to TVRH, a Class I general hospital. The proposed project is to be housed at the fifth floor of the north tower addition, to be completed in May 2015.

- (b) **Separately Organized Units. CMR inpatient services shall be provided in one or more separately organized units within a general hospital or specialty hospital.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states this is not applicable, indicating that HealthSouth will provide CMR inpatient services in a hospital licensed as a specialty hospital.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) proposes a hospital-based, separately organized CMR unit, in the north tower addition.

- (c) **Minimum Number of Beds. A general hospital providing comprehensive medical rehabilitation inpatient services should normally have a minimum of 20 comprehensive medical rehabilitation inpatient beds. A specialty hospital providing CMR inpatient services shall have a minimum of 60 CMR inpatient beds.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) proposes to establish a 50-bed freestanding CMR hospital, which the applicant states is the appropriate size for a new entrant to a market. The applicant indicates that the Agency has approved facilities with less than 60 CMR beds. The reviewer confirms that recently licensed HealthSouth Rehabilitation Hospital of Ocala (CON application #10097) is a 40-bed freestanding CMR hospital. As previously stated, HealthSouth Ocala has Exemption #140001 approved to add 10 beds at its facility.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) proposes the relocation of LRMC's existing 22-bed hospital-based CMR unit to TVRH.

- (d) **Medicare and Medicaid Participation. Applicants proposing to establish a new comprehensive medical rehabilitation inpatient service shall state in their application that they will participate in the Medicare and Medicaid programs.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states that it "conditions this application on participation in Medicare and Medicaid programs".

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The applicant proposes to condition project approval to provide a minimum of 2.5 percent of patient days to the combination of Medicaid patients and uninsured patients who meet the definition of charity care patients under Florida Statutes. Notes to Schedule 7 indicate that the facility will provide 89.0 percent of its total annual patient days to Medicare and Medicare HMO patients, 1.8 percent to Medicaid HMO patients and 1.0 percent to charity care patients during years one (ending FY 2017) through three (ending FY 2019). The notes further state that charity care is reported in the schedules as self-pay at 100 percent write-off and \$0 reimbursement per day.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states that it participates in the Medicare and Medicaid programs and will continue to do so with the proposed CMR project. The applicant proposes to condition project approval to provide a minimum of 1.3 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (including self-pay) patients. The applicant indicates that Medicare/Medicare HMO patients are expected to be 92.0 percent of the CMR total that Medicaid/Medicaid HMO will represent 1.0 percent and self-pay patients will be 0.5 percent. Notes to Schedule 7B indicate that the facility will provide 91.9 percent of the CMR total annual patient days to Medicare patients, 1.1 percent to Medicaid patients and 0.4 percent to self-pay patients during year one (ending June 30, 2016) and 91.9 percent to Medicare patients, 1.1 percent to Medicaid patients and 0.5 percent to self-pay patients during year two (ending June 30, 2017).

(4) Required Staffing and Services.

- (a) Director of Rehabilitation. CMR inpatient services must be provided under the medical director of rehabilitation who is a board-certified or board-eligible psychiatrist and has had at least two years of experience in the medical management of inpatients requiring rehabilitation services.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states it “agrees to provide CMR services in the proposed facility under the supervision of a medical director of rehabilitation who is a board-certified or board-eligible psychiatrist and has had at least two years of experience in the medical management of inpatients requiring rehabilitation services”. The applicant also states plans to identify the most appropriate physician to fill this position prior to the hospital accepting patients. The applicant further indicates the position

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will be under contract and to avoid disrupting services at any other programs, HealthSouth will recruit for the position from outside the county, if necessary. HealthSouth states that estimated cost included in year one is \$140,000, adjusted by 2.5 percent in year two and three and this is “only the administrative function and not direct patient services”. Schedule 6 confirms the medical director is a contract position.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) indicates the CMR program will be operated under the direct medical supervision of a physiatrist who is board-certified and has had more than two years of experience in the medical management of inpatients requiring rehabilitation services. TVRH states Robert Maiello, MD, is the medical director at Leesburg Rehabilitation Hospital, which he has held since 2003. Per his curriculum vitae (CON application #10218, Exhibit J) Dr. Maiello was board-certified in 1991 by the American Board of Physical Medicine and Rehabilitation. Schedule 6 confirms the CMR physician/unit program director is a 0.5 FTE contract position. The applicant states the proposed TVRH CMR unit will have “comparable medical direction”.

(b) Other Required Services. In addition to the physician services, CMR inpatient services shall include at least the following services provided by qualified personnel:

- 1. Rehabilitation nursing**
- 2. Physical therapy**
- 3. Occupational therapy**
- 4. Speech therapy**
- 5. Social services**
- 6. Psychological services**
- 7. Orthotic and prosthetic services**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) provides a detailed response indicating that it will have all of the above plus respiratory therapy services. The applicant provides a brief description of each CMR inpatient service on pages 77-81 of CON application #10217.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) provides a detailed response indicating that it will have all of the above and that the existing staffing at the CMR program will shift to TVRH.

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The applicant also states that “all these services, with the exception of orthotic and prosthetic services and rehabilitation nursing, are currently provided by TVRH for its acute care patients”. The applicant provides a brief description of each CMR inpatient service on pages 51-52 of CON application #10218, with rehabilitation staff job descriptions in Exhibit K.

(5) Criteria for Determination of Need:

- (a) Bed Need. A favorable need determination for proposed new expanded comprehensive medical rehabilitation inpatient services shall not normally be made unless a bed need exists according to the numeric need methodology in 59C-1.039(5)(c), Florida Administrative Code.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) is applying in the absence of published need and contends that “not normal” circumstances warrant approval of the proposed project (see Item E. 1. above).

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states that this criterion is not applicable to the proposed project, as TVRH is proposing to relocate the existing 22 CMR beds from Leesburg North to its facility (see Item E. 1. above).

- (b) Most Recent Average Annual District Occupancy Rate. Regardless of whether bed need is shown under the need formula in paragraph (5) (c), no additional comprehensive medical rehabilitation inpatient beds shall normally be approved for a district unless the average annual occupancy rate of the licensed comprehensive medical rehabilitation inpatient beds in the district was at least 80 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

District 3’s CMR occupancy rate was 74.69 percent for the 12-month period ending June 30, 2013.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) previously contended that “not normal” circumstances warrant approval of the proposed project.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states that this criterion is not applicable to the proposed project, as TVRH is proposing to relocate the existing 22 CMR beds from its sister facility.

(c) Priority Consideration for Comprehensive Medical Rehabilitation Inpatient Services Applicants. In weighing and balancing statutory and rule review criteria, the Agency will give priority consideration to:

- 1. An applicant that is a disproportionate share hospital as determined consistent with the provisions of section 409.911, Florida Statutes.**
- 2. An applicant proposing to serve Medicaid-eligible persons.**
- 3. An applicant that is a designated trauma center, as defined in section 10D-66.108, Florida Administrative Code.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) is not a disproportionate share hospital. The applicant notes that it cannot meet this preference factor as the facility will be designated as a Class III freestanding CMR hospital.

The applicant states that the proposed hospital will participate in indigent care through indigent care assessment and, as a for-profit organization, will provide the community at large as well as the state with tax revenues with which to provide programs and services to underserved persons. HealthSouth explains its discount and charity care procedures (Attachment 15-A/Hardship, Discount and Charity Policy) and its “no insurance” procedures (Attachment 15-B/No Insurance Discount Policy).

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) is not a disproportionate share hospital or designated trauma center. The applicant does not participate in the Low Income Pool (LIP) Payment Program; however, TVRH states it affords access to patients of all payer groups, and provides care to Medicaid and charity patients.

- (6) **Access Standard. Comprehensive medical rehabilitation inpatient services should be available within a maximum ground travel time of two hours, under average travel conditions, for at least 90 percent of the district's total population.**

Both applicants acknowledge and the reviewer confirms that the access standard is currently met for District 3.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) maintains that this access standard has been met for all districts since 1991 and is only a worst case criterion without regard to the actual dynamics of patient referrals for CMR services. The applicant states that patients needing CMR services generally seek to remain in the medical market where they received acute care hospital services because of age, medical fragility and a desire for continuity of care.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states the proposed project will allow patients to obtain CMR services within the CFHA umbrella, but at a new location in the acute setting that has been designed to enhance productivity and efficiency and that this translates into design economies, increased patient comfort and convenience, and ultimately better patient care.

- (7) **Quality of Care.**

- (a) **Compliance with Agency Standards. Comprehensive medical rehabilitation inpatient series shall comply with the agency standards for program licensure described in section 59A-3, Florida Administrative Code. Applicants who submit an application that is consistent with the Agency licensure standards are deemed to be in compliance with this provision.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states that all of HealthSouth's Florida hospitals are in substantial compliance with Agency standards for program licensure as described by Section 59A-3, Florida Administrative Code. The applicant maintains that it has invested in state-of-the-art quality measurement systems to carefully monitor processes and outcomes, allowing each facility to maintain the highest possible levels of quality. Per the applicant, HealthSouth's utilization of functional independence measure (FIM™) outcome are higher than the Uniform Data System (UDS) average every quarter over the last four years. The applicant provides a brief summary of HealthSouth's quality and clinical excellence program on pages 86-94 of CON application #10217.

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The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON #10218) states that it complies with licensure standards described in Section 59A-3, Florida administrative Code, as well as with CMS Medicare conditions of participation, and will continue to do so following implementation of the proposed project. The applicant states plans to purchase the UDS for medical rehabilitation. Per the applicant, CFHA, continually monitors and evaluates the quality care provided at its facilities through key functions that promote the following:

- Elimination of unnecessary risks and hazards to assure safety at all levels of care;
- Appropriate utilization of resources;
- Provision of the same standard of care for like populations across the integrated delivery system;
- Improvement in operational efficiencies;
- Promotion of “best practices”; and
- Improvement in customer services.

The applicant provides a brief summary of its quality and clinical excellence program on pages 55-61 of CON application #10218, including numerous awards and recognitions.

(8) Services Description. An applicant for comprehensive medical rehabilitation inpatient services shall provide a detailed program description in its certificate of need application including:

(a) Age group to be served.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC CON application #10217) states that it will provide CMR services to patients of all ages.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states currently serving patients age 18 and older, with the majority of patients (80 percent of discharge in 2012) in the 65 plus age cohort. The applicant indicates the planned project will have a similar age distribution.

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- (b) Specialty inpatient rehabilitation services to be provided, if any (e.g. spinal cord injury; brain injury)**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) supplies an in-depth description of the following specialty programs on pages 98-102 of CON application #10217:

- Hip Fracture Rehabilitation Program
- Stroke Rehabilitation Program
- Lymphedema Management Program
- Neurological Rehabilitation Program
- Arthritis Program
- Wound Care Program
- Spinal Cord Injury Program
- Orthopedic Rehabilitation Program
- Spasticity Management Program
- Hand Rehabilitation Treatment
- Balance and Vestibular Program
- Fibromyalgia Rehabilitation Program and
- Chronic Pain Management Program.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) supplies the following list of specialty programs on page 70 of CON application #10218:

- Stroke Rehabilitation Program
- Amputee Rehabilitation Program
- Arthritis Program
- Balance and Vestibular Program
- Chronic Pain Management Program for diseases such as CHF, COPD, diabetes and arthritis
- Hand Rehabilitation Program
- Movement Disorders Rehabilitation Program
- Multiple Trauma Program
- Neurological Rehabilitation Program
- Non-Traumatic Brain Injury Program
- Nutrition and Wellness Program
- Orthopedic Rehabilitation Program, including hip/joint replacement, post-spinal injury and multiple sclerosis services
- Pet Therapy
- Spasticity Management Program
- Wound Care Program
- Smoking Cessation Program.

- (c) **Proposed staffing, including qualifications of the medical director, a description of staffing appropriate for any specialty program, and a discussion of the training and experience requirements for all staff who will provide comprehensive medical rehabilitation inpatient services.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217): Schedule 6 indicates that by year three (2019) of operation, the applicant plans to have the following staff:

- Administration (21.0 FTEs)
- Nursing Staff (60.98 FTEs) includes 2.0 FTE unit secretaries
- Ancillary (30.98 FTEs)
- Dietary (8.0 FTEs)
- Social Services (2.5 FTEs)
- Housekeeping (6.92 FTEs)
- Laundry (by contract, no stated FTE)
- Plant Maintenance (2.5 FTEs).

The applicant states the proposed facility will be fully staffed with trained, qualified professionals and that it will recruit employees from other HealthSouth Florida facilities to commence operations.

HealthSouth includes its 2013 catalog of learning and CEU brochure (Attachment 6A), 2012 therapy career ladder for therapists [10th Edition/Version 4] (Attachment 6B), nursing student loan program (Attachment 6C) and therapy student loan program (Attachment 6D), in CON application #10217.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218):

Schedule 6 indicates that by year two (ending June 30, 2017) of operation, the applicant plans to have the following staff, specific to the proposal:

- Administration (7.3 FTEs)
- Physicians (0.5 FTEs, by contract)
- Nursing Staff (30.6 FTEs)
- Ancillary (15.8 FTEs).

TVRH reiterates its response found in Item E.1.c.(4)(a) and (b) in this report.

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(d) A plan for recruiting staff, showing expected sources of staff.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states that it is prepared to put forth special efforts to attract quality staff required for its rehabilitation programs and has initiated a number of innovative approaches to recruit and retain staff throughout its Florida facilities as well as throughout its corporate structure. Methods of staff recruitment include:

- In-house job posting
- Corporate recruiting
- Employment open house
- Professional recruitment firms
- Participation in local job fairs
- Referral bonuses for select positions
- Advertising in local newspapers, specialty newsletter magazines
- Advertising in colleges that have specialty programs
- Strong clinical affiliations program with allied health fields with a wide variety of universities
- Participation in professional conferences and educational events on a local and regional level
- HealthSouth Corporation clinical travelers
- Hard to fill positions are advertised in specialty journals
- Flyers mailed to home addresses from nationwide mailing lists.

HealthSouth has residency programs with several schools of allied health, actively participates in professional organizations, both locally and nationally, and if necessary offers a sign-up bonus to attract high quality personnel. HealthSouth also has established affiliations with health professional education programs including medical schools, schools of nursing, local vocational/technical schools and graduate programs for psychologists, physical therapy, occupational therapy, speech therapy and therapeutic recreation. The applicant states that in addition to local recruitment efforts, it can rely on support from HealthSouth's corporate recruiting department to assist in recruitment of all professional areas.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states that CFHA recruits highly qualified professionals using a wide variety of approaches including:

- Attending college and university career fairs
- Hosting on-site open houses

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- Participating in local job fairs and community events
- Posting all open positions internally for team members to see and apply
- Offering team members' referral bonuses
- Posting positions on the CFHA website
- Partnering with various community agencies
- Maintain affiliations with universities and colleges (both locally and nationally)
- Attending professional conferences and conventions
- Utilizing direct mail pieces
- Posting open positions on various on-line career sites such as Indeed, Monster, Career Builder, etc.
- Working with local high schools to build a pipeline for future talent
- Advertising with specialty websites and journals
- Running advertisements in various local newspapers and magazines
- Utilizing professional search firms.

TVRH states that CFHA has agreements with various educational institutions and serves as a clinical site for students ranging from high school through graduate school. The applicant also states CFHA has affiliation agreements with over 25 colleges and universities across the US (some in Florida), all of which offer various rehabilitation related programs. The applicant further states CFHA has a program for nursing students that allows them to work as nurse techs while they continue their schooling and upon graduation and passing their boards, the new graduate students are able to transition into registered nurse positions within CFHA and benefit from the extensive clinical orientation offered.

(e) Expected sources of patient referrals.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states that the primary source of patient referrals will be area health care providers. The applicant indicates that since it does not operate any acute care general hospitals, it can expect to receive patient referrals from general hospitals in the subdistrict and that HealthSouth's past experience has shown this to be true.

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The applicant maintains that it has a track record of successfully developing freestanding CMR hospitals—the most recent example is in Marion County and that its case managers can work collaboratively with discharge planners at all acute care hospitals in the area.

HealthSouth indicates that other referral resources include nursing homes, physicians, assisted living facilities, home health agencies and word of mouth.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states that the majority of referrals will be from CFHA’s own patient base – Leesburg Regional Medical Center and TVRH.

- (f) Projected number of comprehensive medical rehabilitation inpatient services patient days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the proposed project.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) indicates that the proposed 50-bed facility will achieve 85 percent occupancy in the third year of operation. The projected patient days reflect a payer mix of 85.8 percent Medicare, 1.8 percent Medicaid HMO, 3.2 percent Medicare HMO, 6.0 percent managed care, 1.0 percent charity care, 2.0 percent commercial payer and 0.2 percent other, for each of the first three years of operation (ending 2019). Notes to Schedule 7 indicate charity care is reported for self-pay at 100 percent write off and \$0 reimbursement. See the schedule below.

**HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC
Projected CMR Payer Mix:
Years Ending 2017, 2018 and 2019**

Payer	Year One		Year Two		Year Three	
	Days	Percent	Days	Percent	Days	Percent
Medicare	8,186	85.8%	10,959	85.8%	13,312	85.8%
Medicare HMO	304	3.2%	409	3.2%	496	3.2%
Medicaid	--	--	--	--	--	--
Medicaid HMO	172	1.8%	230	1.8%	279	1.8%
Commercial Managed Care	572	6.0%	767	6.0%	931	6.0%
Commercial	191	2.0%	256	2.0%	310	2.0%
Other	19	0.2%	26	0.2%	31	0.2%
Self-Pay/Charity	95	1.0%	128	1.0%	155	1.0%
Total	9,539	100.0%	12,775	100.0%	15,514	100.0%

Source: CON application #10217, Schedule 7 and notes.

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The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) indicates from Schedule 7B that the 22-bed CMR unit will realize the following projected payer mix in year one (ending June 30, 2016) and year two (ending June 30, 2017) of the proposed project: 91.9 percent Medicare and 1.1 percent Medicaid. The projected payer mix for year one for managed care and self-pay patients would be 6.6 percent and 0.4 percent, respectively. The projected payer mix for year two for managed care and self-pay patients would be 6.5 percent and 0.5 percent, respectively. See the schedule below.

**The Villages Regional Hospital Proposed CMR Unit
Forecasted Patient Days by Payer
Years One and Two of Operation
Ending June 30, 2016 and 2017**

Payer	Year One		Year Two	
	Days	Percent	Days	Percent
Medicare	5,702	91.9%	6,719	91.9%
Medicaid	66	1.1%	79	1.1%
Other Managed Care	409	6.6%	475	6.5%
Self-Pay	26	0.4%	40	0.5%
Total	6,204	100.0%	7,313	100.0%

Source: CON application #10218, pages 124 and 125, Schedule 7B.

The applicant's Schedule 7B for years one and two of the project does not address Medicare HMO and Medicaid HMOs.

(g) Admission policies of the facility with regard to charity care patients.

The reviewer notes the actual payer types for Lake and Sumter County residents discharged from inpatient rehabilitation distinct part unit or CMR freestanding facility. See the table below.

Lake and Sumter County Resident Discharges by Payer From Inpatient Rehabilitation Distinct Part Unit or CMR Freestanding Facilities Calendar Year 2012				
Payer Type	Patient Days		Discharges	
	Total	Percent	Total	Percent
Medicare/Medicare HMO	6,035	77.37%	441	79.04%
Commercial Ins./Commercial Liability Coverage	1,288	16.51%	80	14.33%
Medicaid/Medicaid HMO	310	3.98%	21	3.76%
All Other*	167	2.14%	16	2.87%
Total	7,800	100.0%	558	100.0%

Source: Florida Center for Health Information and Policy Analysis CY 2012 database.

Note: *This includes workers' compensation, Tricare and other federal government, other state and local government and non-payment.

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HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) indicates that it will not discriminate against any person and will treat all patients regardless of their ability to pay should those patients meet the clinical admission requirements. The applicant restates its proposed condition to provide a minimum of 2.5 percent of patient days to the combination of Medicaid patients and uninsured patients who meet the definition of charity care patients under Florida Statutes.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states that current admission criteria for charity care patients will remain unchanged as a result of the proposed project. The applicant provides CFHA's charity care patient financial services procedures policy (CON application #10218, Exhibit I). The applicant reiterates Schedule 7B to the application. TVRH conditions that it will provide a minimum of 1.3 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (including self-pay) patients.

- (9) Utilization Reports. Facilities providing licensed comprehensive medical rehabilitation inpatient services shall provide utilization reports to the Agency or its designee, as follows:**
- (a) Within 45 days after the end of each calendar quarter, facilities shall provide a report of the number of comprehensive medical rehabilitation inpatient services discharges and patient days which occurred during the quarter.**
 - (b) Within 45 days after the end of each calendar year, facilities shall provide a report of the number of comprehensive medical rehabilitation inpatient days which occurred during the year, by principal diagnosis coded consistent with the International Classification of Disease (ICD-9).**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states that it will participate in the data collection activities of the Agency and the local health council and will participate in the data collection activities in accordance with Chapter 408 of the Florida Statutes.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states that it currently reports inpatient acute care discharge data to the Agency or its designee and will collect and report similar data for patients discharged from the proposed CMR unit in compliance with the rule.

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)(a) and (b), Florida Statutes.**

District 3 has 198 licensed and zero approved CMR beds. District 3's 198 licensed CMR beds experienced 74.69 percent utilization during the 12-month period ending June 30, 2013. As previously noted, a fixed need pool of zero beds was published for CMR beds in District 3 and HealthSouth Ocala obtained exemption approval to add 10 CMR beds after the batching cycle inventory cut-off date. HealthSouth (CON application #10217) is applying to establish a 50-bed CMR hospital in the absence of published need.

TVRH (CON application #10218) is applying to establish a 22-bed CMR unit by delicensure of 22 CMR beds at Leesburg North. The applicant includes the parent corporation's board resolution confirming Leesburg North will be delicensed concurrent with the project being licensed. No beds will be added to the District's CMR bed count as a result of the project.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) reiterates that in Subdistrict 3-7, the CMR use rate is abnormally low, the CMR retention rate is abnormally low, the percentage of CMS 13 patients discharged to CMR is abnormally low and the percentage of CMS 13 patients discharged to SNF is abnormally high.

HealthSouth further contends that the 22 beds at Leesburg North are operating at 59 percent occupancy (2012) and at 57 percent occupancy for the first six months of 2013. The reviewer confirms that per the Florida Hospital Bed Need Projections & Service Utilization by District publication, issued July 19, 2013, Leesburg North realized a 59.45 percent total occupancy rate for the 12 months ending December 31, 2012. The reviewer also confirms that per the same publication, issued

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January 17, 2014, the same facility realized a 57.06 percent total occupancy rate for the six-month period ending June 30, 2013. HealthSouth further indicates that there is a stated lack of financial accessibility for inpatient CMR services in the area.

HealthSouth provides a map of Subdistrict 3-7 showing existing health care facilities (both acute care and specialty hospitals) and provides in-depth listings of these facilities' services. The hospitals are Florida Hospital Waterman, South Lake Hospital, Leesburg Regional Medical Center and Leesburg North, TVRH, Lifestream Behavioral Health Center and Promise Hospital of Florida at The Villages. The applicant concedes that CMR is a tertiary service, per Florida Statutes and rule, that CMR is available in the area and that the subdistrict has "almost all tertiary services (except Level II NICU) one would expect to find in a secondary medical market without an academic medical center".

HealthSouth provides a map of Subdistrict 3-7 showing and discussing 16 existing SNF facilities in the area, with 1,727 community and 82 sheltered beds and references total patient days and total occupancy rates at each facility for the 12-month period ending June 30, 2013. The applicant comments that South Lake Hospital has filed notification to add a 30-bed hospital-based skilled nursing unit (HBSNU), with the capacity to add another 30⁷. HealthSouth indicates 13 of the 16 area SNF facilities advertise the provision of rehabilitation services.

HealthSouth provides a figure (Figure 37-Summary of RUG (Resource Utilization Group) Data for Service Area SNFs) that indicates, as of June 30, 2013, an "ultra high" or very high ADC of 455, cumulatively, was experienced by the area SNFs. Per HealthSouth, some patients among the ultra high and very high RUG group would more than likely benefit from inpatient rehabilitation.

HealthSouth reiterates that an unusually high percentage of CMS 13 patients are being discharged to SNF care, across all diagnoses. HealthSouth concludes that because Lake and Sumter County hospitals are not discharging their patients with potentially appropriate diagnoses to CMR facilities, in 2012, Leesburg North was operating at 59 percent capacity, which decreased to 57 percent in the first half of 2013. The applicant also reiterates that a higher discharge rate to SNF is pervasive across all diagnoses and limits patients' ability to access the intensive rehabilitation care that some of their diagnoses demand. HealthSouth

⁷ On March 27, 2013, South Lake Hospital provided notification (NF#130005) to the Agency to establish a 30-bed hospital-based skilled nursing unit no later than February 2014. The reviewer notes that per Agency records, South Lake renewed its license effective February 22, 2014 and as of May 9, 2014, the planned HBSNU had not been licensed.

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asserts that in spite of capacity at Leesburg North, area providers are not referring many patients there and that this situation indicates that Leesburg Regional has not shown its services are superior to SNF-based rehabilitation.

The applicant states that nursing homes have been substituted for CMR services in Sumter and Lake Counties; however, there are numerous situations in which SNF-level care cannot be substituted for CMR-level care. However, the Agency notes that the applicant does not provide evidence to document that in the current Subdistrict 3-7 rehabilitative services situation, patient referral and rehabilitation patterns are resulting in poor or substandard health care outcomes.

HealthSouth refers to MedPAC data that shows the adjusted 30-day readmission rate for SNF patients is 19.8 percent compared to 17.4 percent for inpatient rehabilitation providers. These lower readmission rates are stated to result in lower costs per patient and demonstrate that CMR providers deliver superior care to medically fragile patients. HealthSouth provides in-depth discussion of 14 major differences in the two settings (CON application #10217, pages 126-138). These differences are listed below:

- Patient diagnoses are limited in CMR
- Sites from which patients can be admitted
- Length of stay is shorter in CMR
- Interdisciplinary team approach
- Attending physician visits
- Medical director specialty
- Registered nurse availability
- Multiple and intensive therapy
- Physician must evaluate patient within 24 hours in CMR
- Individualized overall plan of care required within four days of admission in CMR
- CMRs are required to monitor rehabilitation outcomes
- Specialized teams can be developed in CMRs
- SNFs have higher mortality rate than CMRs
- CMRs have more specialized rehabilitation equipment.

HealthSouth also includes a comparison chart of CMR and SNF settings. See below.

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**HealthSouth Rehabilitation Hospital of Sumter and Lake County, LLC
(CON application #10217)
Comparison of CMR and SNF Settings**

Characteristics	Inpatient Rehabilitation	Skilled Nursing
Admission Criteria	60% of admissions must come from CMS 13 categories 42 CFR 412.23(b)(2)(ii) Require preadmission screening within 48 hours immediately preceding the CMR admission. 42 CFR 412.622(a)(4)(i)(A)	Admission to SNF within 30 days of hospital discharge 42 CFR 409.30(b) Require 3 consecutive days medically necessary hospital stay 42 CFR 409.30(a)(1)
ALOS	15 to 16 days	30+ days
Attending Physician Visits	Face-to-face visits 3 days+ per week 42 CFR 412.622(a)(3)(iv)	At least every 30 days 42 CFR 483.40(c)(1)
Multi-Disciplinary team approach	Interdisciplinary team approach at least once per week Required 42 CFR 412.622(a)(5) 42 CFR 412.23(b)(7)	Not required
MD or DO Medical Director Specialty	Licensed physician with specialized training and experience 42 CFR 412.622(a)(3)(iv): Full time basis Medical Director required 42 CFR 412.23(b)(i)	Family Practice, Internal Medicine
RN oversight/availability	24 hours per day/ 7 days a week 42 CFR 482.23(b)(5)	8 consecutive hours per day, 7 days per week 42 CFR 483.30(b)(1)
Nursing hours per patient day	6.0 – 8.0 hours	2.5 – 4.0 hours Skilled nursing 7 days a week; or therapy 5 days a week; or Combination of nursing and therapy 7 days a week 42 CFR 409.31(b)(1) 42 CFR 409.34(a)(1)
Multiple and Intensive Therapy	3 hours per day minimum at least 5 days per week or at least 15 hours within a 7 consecutive day period; one of the multiple therapy disciplines must be PT or OT; therapy must be initiated within 42 CFR 412.622(a)(3)(i) &(ii)	No minimum See above for level of requirement on “daily basis”
Post-Admission Physician Evaluation	Within 24 hours of Admission 42 CFR 412.622(a)(4)(ii)	No Requirement
Individualized Overall Plan of Care	Within 4 days of admission 42 CFR 412.622(a)(4)(iii)	No Requirement

Source: CON application #10217, page 139, Figure 39.

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The applicant notes that Lake and Sumter County's 16 nursing homes containing 1,727 total licensed community nursing home beds averaged 89.12 percent utilization for calendar year 2012. The subdistrict's occupancy decreased slightly to 87.08 percent during CY 2013 per the Agency's Florida Nursing Home Utilization by District and Subdistrict April 4, 2014 publication. The population 65 and over in the subdistrict is expected to increase by 25 percent between 2014 and 2019 and should nursing home utilization rates grow at even half that rate, HealthSouth anticipates the beds would be at over 100 percent occupancy by 2019 (the applicant's third year of planned operation).

HealthSouth contends available nursing home beds will be needed for long-term care and that the ability and willingness of nursing homes to provide rehabilitation services to Medicare patients will be reduced going forward due to changes to the Medicare payment system. HealthSouth maintains that approval of CON application #10217 is consistent with the availability and extent of utilization of existing CMR and SNF programs.

The applicant maintains that the proposed facility will ensure that Sumter and Lake County patients have the opportunity for reasonably accessible CMR services. The applicant states that its corporate entity has a track record of successfully developing freestanding CMR hospitals in medical markets where multiple acute care hospitals have CMR units. HealthSouth states it will work with area providers, discharge planners and community leaders to ensure appropriate patients are aware that CMR services are available in the area.

HealthSouth contends that golf cart access is not a rational criterion for comparing competitive applications for CMR services (or any other CON-regulated health service). Golf cart access is nothing more than a matter of personal preference for some residents that applies only to residents of one planned community and not to other residents of Sumter and Lake Counties, according to the applicant.

The applicant indicates that part of its corporate-wide mission is that it is paramount to provide its patients with the finest clinicians, technology, facilities and programs available. HealthSouth states that it sets only the highest standards of performance and continually strives to uphold and improve its reputation for excellence. The applicant indicates that HealthSouth has invested in state-of-the-art quality measurement systems to carefully monitor processes and outcomes allowing each facility to maintain the highest possible level of quality.

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HealthSouth offers detailed discussion of electronic health records (EHR), particularly referencing the Advancing Clinical Excellence through Information Technology (ACE IT) and also health information exchange (HIE).

HealthSouth states the proposed facility will be developed in an efficient manner in that the project will be accomplished within two years of approval and is projected to commence operations in June 2016. In addition to providing care in an accessible, acceptable and effective manner—HealthSouth asserts that the proposed facility will also be an efficient/cost-effective provider of CMR services.

The applicant illustrates, using data from the Centers for Medicare and Medicaid Services, that HealthSouth hospitals have lower costs per discharge and lower payment per discharge than other programs. To illustrate this point, the applicant reiterates the CMS FY 2014 IRF Rate Setting File Analysis table shown earlier in this report (see Item E. 1. c. for CON application #10217, Figure 24).

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) reiterates the current conditions and limitations of the physical plant and demographic trends and projected growth as primary justifications that CFHA's existing 22-bed CMR program at Leesburg Regional Medical Center-North be relocated to TVRH. The applicant also indicates that notable benefits in the design (of the proposed project) will "allow the CMR program to operate in an updated, efficient physical plant structure, and allow for future expansion".

TRVH restates that the proposed project will "provide the entire continuum of acute care in order to optimize quality care, including medical and functional outcomes for patients". Per the applicant, rehabilitation patients often have co-morbidities and notably high acuity and that proximity to acute, diagnostic and emergency services is important. In addition, the applicant indicates the importance of health care services being "fully integrated with the existing CFHA portfolio of services and expertise", as the applicant is presenting. The applicant stresses that "continuity of care and integration of services and expertise is essential when providing optimal quality of care".

The Agency has previously shown in Item E. 1. b. of this report, CFHA's licensed hospital-based CMR unit (Leesburg Regional Medical Center-North) had declining occupancy rates over the five-year period ending June 30, 2013.

- b. Does the applicant have a history of providing quality of care? Has the applicant demonstrated the ability to provide quality care? ss. 408.035(1)(c), Florida Statutes.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states that it has no current operations or operating history and quality care will be based on HealthSouth Corporation's experience, knowledge and accreditation principals. HealthSouth states the facility will be Joint Commission accredited and will implement appropriate protocols to maintain a superior quality of care upon licensure. The applicant will also seek disease-specific certification in stroke rehabilitation and hip fracture rehabilitation from the Joint Commission within the first three years of operation.

The applicant states that HealthSouth Rehabilitation Hospitals utilize data provided by Press Ganey, a leading health care research firm, to continually measure patients' experience in its hospitals. HealthSouth Corporation devotes significant resources to developing, implementing and maintain state-of-the-art systems and technology which enables HealthSouth facilities to provide the highest quality of patient care. Examples of HealthSouth systems and technology include:

- Risk Management Reporting System
- Equipment (with embedded technology)
- Rehabilitation Technologies (e.g. AutoAmbulator)
- Automated Medical Records System
- Computerized Order Entry System
- Clinical Education.

The applicant maintains that the corporate parent has 103 rehabilitation hospitals (12 in Florida), 20 outpatient satellite clinics and 25 licensed hospital-based home health agencies serving people in 28 states and Puerto Rico. HealthSouth lists its 11 licensed Florida facilities and one CON approved facility (in District 7–Seminole County) on its chart on page 158 of CON application #10217.

Some of HealthSouth's quality instruments include: a three-page FIM™ patient assessment instrument (CON application #10217's Attachment 4); a six-page safe patient mobility program (Attachment 8D); a Joint Commission Stroke Rehabilitation Certification list/State of Florida HealthSouth facilities (Attachment 16A) and a HealthSouth Nationwide Joint Commission Certification list (Attachment 16B). Agency data indicates that the 11 HealthSouth Hospitals (837 total beds) had a total of 11 substantiated complaints during the three-year period ending March 9, 2014. A single complaint can encompass multiple complaint categories. The table below has these listed by complaint categories.

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**HealthSouth Substantiated Complaint Categories
for the Past 36 Months**

Complaint Category	Number Substantiated
Quality of Care/Treatment	9
Nursing Services	2
Resident/Patient/Client Assessment	2
Physical Environment	1
Resident/Patient/Client Rights	1
Restraints/Seclusion General	1
Unqualified Personnel	1

Source: Agency for Health Care Administration complaint records.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) states that the parent, CFHA, is a not-for-profit healthcare system serving primarily Lake, Sumter and Marion Counties and provides the following services:

- Inpatient Rehabilitation
- Urgent care
- Post-acute care
- Day surgery
- Wound care
- Hyperbaric treatment
- Wellness facilities.

The applicant states that CFHA has a history of providing quality of care and continually improves its performance of key patient care that promote:

- Elimination of unnecessary risks and hazards to assure safety at all levels of care
- Appropriate utilization of resources
- Provision of the same standard of care for like populations across the integrated delivery system
- Improvement in operational efficiencies
- Promotion of “best practice”
- Improvement in customer service.

TVRH attests that Leesburg Regional has been successful with national quality measures for patients admitted with heart attacks, heart failure, pneumonia, undergoing surgery and numerous quality measures related to the quality and safety in their care.

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TVRH states that in 2009, state-of-the-art orthopedic services at the Alliance Bone & Joint Center expanded to The Villages, where joint replacement is offered. The reviewer notes that per the CFHA's website at <http://www.cfhalliance.org/>, The Joint Center offers board-certified orthopedic surgeons and a joint care team that provides leading treatment solutions for bone and joint related ailments and injuries.

The applicant indicates the following awards and accolades for CFHA:

- CFHA was named the 3rd company for Working Families in Central Florida by the Orlando Sentinel, has been named in the Top 100 Companies for Working Families in Central Florida for 11 consecutive years, being number one on the list three times.
- The AARP named CFHA the #14 company in the 2009 healthcare category for their "Best Employers for Workers over 50" award, having been named for the award for four consecutive years by AARP.
- Alliance Wound Healing & Hyperbaric Center was awarded a Certificate of Distinction by the Joint Commission for disease-specific certified wound care program.
- Leesburg Regional received the American Stroke Association's Bronze Performance Award.
- Leesburg Regional was awarded a three-year term of accreditation in Digital Mammography as a result of a survey by the American College of Radiology.
- TVRH joined Leesburg Regional in earning the Joint Commission's Gold Seal of Approval.

Below are some 2012 (unless otherwise noted) awards and recognitions listed in the application.

- Leesburg Regional's stroke program was awarded the Get With the Guidelines®-Stroke Gold Plus Quality Achievement Award.
- The Leesburg Regional Acute Rehabilitation Hospital received a three-year CARF accreditation for its inpatient adult rehab program as well as stroke specialty program.
- CFHA was recognized among the top 20 percent of best performing health systems in the country by Thomas Reuters 100 Top Hospitals: Health System Benchmarks.
- TVRH was recognized as the #12 company and highest ranking acute care hospital in Modern Healthcare's inaugural list of "Healthcare Hottest", a program honoring the fastest growing organizations in healthcare.
- Leesburg Regional (2008) was named one of the 10 national winners of the Hospital of the Year Award by the American Alliance of Healthcare Providers for the third consecutive year.

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- CFHA (2007) was one of 49 hospitals in the country to receive the Premier/CareScience Select Practice National Quality Award, a designation that identified the hospital among the top one percent of hospitals for quality and efficiency.
- CFHA (2007) was named in the Solucient 100 Top Hospitals® National Benchmarks for Success study, which is stated to identify the top hospitals based on overall performance in the key areas of outcomes, service line efficiency, hospital efficiency, financial performance and growing community service.

TVRH provides a 37-page, 2013-2014 CFHA Patient Safety and Performance Improvement Plans (CON application #10218, Exhibit L). The table of contents includes: core values and concepts; systemic processes; performance results and an eight item appendix.

Agency data indicates that the three Central Florida Health Alliance Hospitals (539 total beds) had a total of nine substantiated complaints during the three-year period ending March 9, 2014. A single complaint can encompass multiple complaint categories. The table below has these listed by complaint categories.

Florida Health Alliance Hospitals Substantiated Complaint Categories for the Past 36 Months

Complaint Category	Number Substantiated
Nursing Services	4
Quality of Care/Treatment	3
Administration/Personnel	2
Resident/Patient/Client Assessment	2
Fraud/False Billing	1
Infection Control	1
Pharmacy Services	1

Source: Agency for Health Care Administration complaint records.

The Villages Regional Hospital had four substantiated complaints in the following complaint categories: quality of care/treatment (two) and nursing services (two) and one each for administration/personnel, infection control and resident/patient/client assessment.

- 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.**

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) is a start-up entity which was created primarily for the purpose of obtaining a CON for a CMR hospital in Sumter County, Florida. The applicant is a wholly owned subsidiary of HealthSouth Corporation (Parent).

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The applicant provided a copy of the December 31, 2013, and December 31, 2012, 10-Ks for its Parent. These statements were analyzed for the purpose of evaluating the parent's ability to provide the capital and operational funding necessary to implement the project.

Short-Term Position - Parent:

The parent's current ratio of 1.9 is slightly below average and indicates current assets are approximately 1.9 times current liabilities, an adequate position. The working capital (current assets less current liabilities) of \$268.8 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 1.5 is above average and a good position. Overall, the parent has an adequate short-term position (see Table 1 below).

Long-Term Position -Parent:

The ratio of long-term debt to net assets of 3.7 is well above average and indicates that long-term debt exceeds equity. With long-term debt exceeding equity, the applicant may have difficulty acquiring future debt in an arms-length transaction. The ratio of cash flow to assets of 18.6 percent is above average and a good position. The most recent year had revenues in excess of expenses of \$395.2 million which resulted in a 17.4 percent operating margin. Overall, the parent has an adequate long-term position (see Table 1 below).

Capital Requirements:

The applicant indicates on Schedule 2 capital projects totaling \$26.0 million which includes this project and capital equipment purchases in years one, two and three of the project. In addition, the applicant is projecting a year one operating loss of \$844,872. The applicant will have to fund this loss until profitability can be achieved.

Available Capital:

The applicant indicates on Schedule 3 that funding for the project will be provided by the parent. A letter from the parent's senior vice president/treasurer in support of the related company financing was included. The parent's 2013, 10-K report shows \$64.5 million in cash and current investments, \$268.8 million in working capital, and \$470.3 million in cash flow from operations.

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TABLE 1		
HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC		
CON application #10217		
	HealthSouth(Parent)	HealthSouth(Parent)
	12/31/13	12/31/12
Current Assets (CA)	\$580,400,000	\$636,800,000
Cash and Current Investment	\$64,500,000	\$132,800,000
Total Assets (TA)	\$2,534,400,000	\$2,424,200,000
Current Liabilities (CL)	\$311,600,000	\$300,900,000
Goodwill	\$456,900,000	\$437,300,000
Total Liabilities (TL)	\$2,065,700,000	\$2,020,700,000
Net Assets (NA)	\$468,700,000	\$403,500,000
Total Revenues (TR)	\$2,273,200,000	\$2,161,900,000
Interest Expense (Int)	\$100,400,000	\$94,100,000
Excess of Revenues Over Expenses (ER)	\$395,200,000	\$340,000,000
Cash Flow from Operations (CFO)	\$470,300,000	\$411,500,000
Working Capital	\$268,800,000	\$335,900,000
FINANCIAL RATIOS		
	12/31/13	12/31/12
Current Ratio (CA/CL)	1.9	2.1
Cash Flow to Current Liabilities (CFO/CL)	1.5	1.4
Long-Term Debt to Net Assets (TL-CL/NA)	3.7	4.3
Times Interest Earned (ER+Int/Int)	4.9	4.6
Net Assets to Total Assets (NA/TA)	18.5%	16.6%
Operating Margin (ER/TR)	17.4%	15.7%
Return on Assets (ER/TA)	15.6%	14.0%
Operating Cash Flow to Assets (CFO/TA)	18.6%	17.0%

Conclusion: Funding for this project and the entire capital budget should be available as needed.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) is wholly owned by CFHA (Parent).

The applicant provided a copy of the June 30, 2012, and 2013, audited financial statements of its parent. These statements were analyzed for the purpose of evaluating the parent's ability to provide the capital and operational funding necessary to implement the project.

Short-Term Position - Parent:

The parent's current ratio in year two of 2.2 is above average and indicates current assets are approximately 2.2 times current liabilities, an adequate position. The working capital (current assets less current liabilities) of \$70.3 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.6 is slightly below average and an adequate position. Overall, the parent has an adequate short-term position (see Table 1 below).

Long-Term Position - Parent:

The ratio of long-term debt to net assets of 0.7 is slightly above average and a slightly weak position. The ratio of cash flow to assets of 7.1 percent is below average and an adequate position. The most recent year had revenues in excess of expenses of \$27.1 million which resulted in a 7.1 percent operating margin. Overall, the parent has an adequate long-term position (see Table 1 below).

Capital Requirements:

The applicant indicates on Schedule 2 capital projects totaling \$137.9 million which includes this project, a TVRH north tower addition, consolidated maturities of long-term debt, contingency, and other capital expenditures.

Available Capital:

The applicant indicates on Schedule 3 that funding for the project will be provided from cash on hand by the parent. A letter from the parent's senior vice president/chief financial officer in support of the related company financing was included. The parent's 2013 audited financial statements show \$53,812,000 in cash and cash equivalents, \$70.3 million in working capital and \$35.9 million in cash flow from operations.

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TABLE 1		
The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital		
CON application #10218		
	CFHA(Parent)	CFHA(Parent)
	06/30/13	06/30/12
Current Assets (CA)	\$127,598,000	\$156,806,000
Cash and Current Investment	\$53,812,000	\$87,634,000
Total Assets (TA)	\$506,630,000	\$491,780,000
Current Liabilities (CL)	\$57,288,000	\$56,985,000
Goodwill	\$7,771,000	\$7,771,000
Total Liabilities (TL)	\$247,284,000	\$260,194,000
Net Assets (NA)	\$259,346,000	\$231,586,000
Total Revenues (TR)	\$380,618,000	\$380,200,000
Interest Expense (Int)	\$5,285,000	\$6,644,000
Excess of Revenues Over Expenses (ER)	\$27,146,000	\$19,951,000
Cash Flow from Operations (CFO)	\$35,859,000	\$42,945,000
Working Capital	\$70,310,000	\$99,821,000
FINANCIAL RATIOS		
	06/30/13	06/30/12
Current Ratio (CA/CL)	2.2	2.8
Cash Flow to Current Liabilities (CFO/CL)	0.6	0.8
Long-Term Debt to Net Assets (TL-CL/NA)	0.7	0.9
Times Interest Earned (ER+Int/Int)	6.1	4.0
Net Assets to Total Assets (NA/TA)	51.2%	47.1%
Operating Margin (ER/TR)	7.1%	5.2%
Return on Assets (ER/TA)	5.4%	4.1%
Operating Cash Flow to Assets (CFO/TA)	7.1%	8.7%

Conclusion: Funding for this project and the entire capital budget should be available as needed.

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

A comparison of the applicants' estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome.

Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These

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relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either, go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the applications and compared to the control group as a calculated amount per adjusted patient day.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217): The applicant was compared to hospitals in the rehabilitation group (Group 18). An intensity factor for comparative purposes of 0.9812 was calculated for the applicant by taking the average length of stay indicated by HealthSouth and dividing it by the weighted average length of stay for the peer group. This methodology is used to adjust the group values to reflect the intensity of the patient as measured by case mix. Per diem rates are projected to increase by an average of 2.9 percent per year. Inflation adjustments were based on the new CMS Market Basket, 4th Quarter, 2013.

Projected net revenue per adjusted patient day (NRAPD) of \$1,127 in year one and \$1,200 in year two fall between the control group median and highest values of \$961 and \$1,367 in year one and \$988 and \$1,406 in year two. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided (see Tables 2 and 3 below).

Anticipated costs per adjusted patient day (CAPD) of \$1,215 in year one and \$1,098 in year two is between the control group median and highest values of \$814 and \$3,421 in year one and \$1,838 and \$3,519 in year two. With projected cost between the median and highest level, costs appear reasonable (see Tables 2 and 3 below). The applicant is projecting a decreased CAPD between year one and year two of \$117, or 9.6 percent. It should be noted that this application is for a new facility. The first year of operation typically has a below average occupancy rate. The low occupancy rate decreases economies of scale and as the occupancy rate increases, CAPD would be expected to decrease.

The year two projected operating income for the project of \$1.3 million computes to an operating margin per adjusted patient day of \$101, or 8.5 percent, which is between the control group lowest and median values of negative \$3,494 and \$253.

Conclusion: This project appears to be financially feasible.

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TABLE 2

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC

CON application #10217

2012 DATA Rehab Group

	Dec-17	YEAR 1	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	17,168,342	1,797	1,276	559	451
INPATIENT AMBULATORY	0	0	2	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	1,367	779	612
OUTPATIENT SERVICES	0	0	472	72	0
TOTAL PATIENT SERVICES REV.	17,168,342	1,797	2,306	1,433	1,167
OTHER OPERATING REVENUE	25,832	3	60	2	0
TOTAL REVENUE	17,194,174	1,800	2,339	1,434	1,200
DEDUCTIONS FROM REVENUE	6,427,778	673	0	0	0
NET REVENUES	10,766,396	1,127	1,367	961	437
EXPENSES					
ROUTINE	3,144,372	329	375	157	131
ANCILLARY	2,624,317	275	450	185	147
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	5,768,689	604	0	0	0
ADMIN. AND OVERHEAD	3,840,413	402	0	0	0
PROPERTY	2,002,166	210	0	0	0
TOTAL OVERHEAD EXPENSE	5,842,579	612	2,770	400	285
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	11,611,268	1,215	3,421	814	669
OPERATING INCOME	-844,872	-88 -7.8%	557	253	-3,494
PATIENT DAYS	9,539				
ADJUSTED PATIENT DAYS	9,553				
TOTAL BED DAYS AVAILABLE	18,250				
ADJ. FACTOR	0.9985				
TOTAL NUMBER OF BEDS	50				
PERCENT OCCUPANCY	52.27%				
			VALUES NOT ADJUSTED		
			FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			86.1%	71.3%	44.3%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	95	1.0%			
MEDICAID	0	0.0%	6.5%	2.0%	0.0%
MEDICAID HMO	172	1.8%			
MEDICARE	8,186	85.8%	86.1%	74.7%	44.0%
MEDICARE HMO	304	3.2%			
INSURANCE	191	2.0%			
HMO/PPO	572	6.0%	52.3%	18.0%	9.1%
OTHER	19	0.2%			
TOTAL	9,539	100%			

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TABLE 3

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC

CON application #10217

2012 DATA Rehab Group

	Dec-18	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	23,686,602	1,851	1,312	575	464
INPATIENT AMBULATORY	0	0	2	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	1,407	801	629
OUTPATIENT SERVICES	0	0	485	74	0
TOTAL PATIENT SERVICES REV.	23,686,602	1,851	2,372	1,474	1,200
OTHER OPERATING REVENUE	35,465	3	62	2	0
TOTAL REVENUE	23,722,067	1,854	2,406	1,475	1,234
DEDUCTIONS FROM REVENUE	8,373,137	654	0	0	0
NET REVENUES	15,348,930	1,200	1,406	988	449
EXPENSES					
ROUTINE	3,830,690	299	386	161	135
ANCILLARY	3,439,675	269	463	191	151
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	7,270,365	568	0	0	0
ADMIN. AND OVERHEAD	4,694,511	367	0	0	0
PROPERTY	2,086,200	163	0	0	0
TOTAL OVERHEAD EXPENSE	6,780,711	530	2,849	412	293
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	14,051,076	1,098	3,519	838	688
OPERATING INCOME	1,297,854	101 8.5%	557	253	-3,494
PATIENT DAYS	12,775				
ADJUSTED PATIENT DAYS	12,794				
TOTAL BED DAYS AVAILABLE	18,250				
ADJ. FACTOR	0.9985				
TOTAL NUMBER OF BEDS	50				
PERCENT OCCUPANCY	70.00%				
			VALUES NOT ADJUSTED		
			FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			86.1%	71.3%	44.3%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	128	1.0%			
MEDICAID	0	0.0%	6.5%	2.0%	0.0%
MEDICAID HMO	230	1.8%			
MEDICARE	10,959	85.8%	86.1%	74.7%	44.0%
MEDICARE HMO	409	3.2%			
INSURANCE	256	2.0%			
HMO/PPO	767	6.0%	52.3%	18.0%	9.1%
OTHER	26	0.2%			
TOTAL	12,775	100%			

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The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218): The applicant was compared to hospitals in the rehabilitation group (Group 18). An intensity factor for comparative purposes of 0.9386 was calculated for the applicant by taking the average length of stay indicated by TVRH and dividing it by the weighted average length of stay for the peer group.. This methodology is used to adjust the group values to reflect the intensity of the patient as measured by case mix. Per diem rates are projected to increase by an average of 2.9 percent per year. Inflation adjustments were based on the new CMS Market Basket, 4th Quarter, 2013.

Projected net revenue per adjusted patient day (NRAPD) of \$1,302 in year one and \$1,325 in year two is higher than the control group's highest values of \$1,258 in year one and \$1,294 in year two. With net revenues higher than the control group's highest values, net revenues appear overstated (see Tables 2 and 3 below).

Anticipated cost per adjusted patient day (CAPD) of \$1,184 in year one and \$1,182 in year two is between the control group median and highest values of \$749 and \$3,148 in year one and \$771 and \$3,238 in year two. With CAPD falling between the control group's median and highest values, costs appear to be reasonable (see Tables 2 and 3 below). The applicant is projecting a decrease in CAPD between year one and year two of \$2, or 2.21 percent.

The year two projected operating income for the applicant of \$1.1 million computes to an operating margin per adjusted patient day of \$144 or 10.8 percent which is between the control group's lowest and median values of negative \$3,494 and \$253. With operating margin between the control group's lowest and median values, operating margin appears reasonable (see Table 3 below).

Conclusion: This project appears to be financially feasible.

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TABLE 2

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital – CON application #10218

2012 DATA Rehab Group	Jun-16	YEAR 1	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	10,850,964	1,749	1,174	514	415
INPATIENT THERAPY	6,577,041	1,060	2	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	7,601,219	1,225	1,258	717	563
OUTPATIENT SERVICES	0	0	434	67	0
TOTAL PATIENT SERVICES REV.	25,029,224	4,035	2,122	1,318	1,074
OTHER OPERATING REVENUE	0	0	55	2	0
TOTAL REVENUE	25,029,224	4,035	2,152	1,320	1,104
DEDUCTIONS FROM REVENUE	16,953,390	2,733	0	0	0
NET REVENUES	8,075,834	1,302	1,258	884	402
EXPENSES					
ROUTINE	2,353,243	379	345	144	121
ANCILLARY	2,474,668	399	414	171	135
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	4,827,911	778	0	0	0
ADMIN. AND OVERHEAD	1,650,325	266	0	0	0
PROPERTY	867,034	140	0	0	0
TOTAL OVERHEAD EXPENSE	2,517,359	406	2,549	368	262
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	7,345,270	1,184	3,148	749	616
OPERATING INCOME	730,564	118 9.0%	557	253	-3,494
PATIENT DAYS	6,203				
ADJUSTED PATIENT DAYS	6,203				
TOTAL BED DAYS AVAILABLE	8,052				
ADJ. FACTOR	1.0000				
TOTAL NUMBER OF BEDS	22				
PERCENT OCCUPANCY	77.04%				
			VALUES NOT ADJUSTED FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			86.1%	71.3%	44.3%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	26	0.4%			
MEDICAID	66	1.1%	6.5%	2.0%	0.0%
MEDICAID HMO	0	0.0%			
MEDICARE	5,702	91.9%	86.1%	74.7%	44.0%
MEDICARE HMO	0	0.0%			
INSURANCE	0	0.0%			
HMO/PPO	409	6.6%	52.3%	18.0%	9.1%
OTHER	0	0.0%			
TOTAL	6,203	100%			

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TABLE 3

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital – CON application #10218

2012 DATA Rehab Group

	Jun-17 YEAR 2 ACTIVITY	YEAR 2 ACTIVITY PER DAY	VALUES ADJUSTED FOR INFLATION		
			Highest	Median	Lowest
ROUTINE SERVICES	13,173,994	1,801	1,208	529	427
INPATIENT THERAPY	7,985,087	1,092	2	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	9,228,527	1,262	1,295	737	579
OUTPATIENT SERVICES	0	0	447	69	0
TOTAL PATIENT SERVICES REV.	30,387,608	4,155	2,183	1,356	1,105
OTHER OPERATING REVENUE	0	0	57	2	0
TOTAL REVENUE	30,387,608	4,155	2,214	1,358	1,136
DEDUCTIONS FROM REVENUE	20,696,137	2,830	0	0	0
NET REVENUES	9,691,471	1,325	1,294	909	413
EXPENSES					
ROUTINE	2,857,622	391	355	148	124
ANCILLARY	2,990,617	409	426	175	139
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	5,848,239	800	0	0	0
ADMIN. AND OVERHEAD	1,926,176	263	0	0	0
PROPERTY	867,034	119	0	0	0
TOTAL OVERHEAD EXPENSE	2,793,210	382	2,622	379	270
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	8,641,449	1,182	3,238	771	633
OPERATING INCOME	1,050,022	144 10.8%	557	253	-3,494
PATIENT DAYS	7,313				
ADJUSTED PATIENT DAYS	7,313				
TOTAL BED DAYS AVAILABLE	8,030				
ADJ. FACTOR	1.0000				
TOTAL NUMBER OF BEDS	22				
PERCENT OCCUPANCY	91.07%				
			VALUES NOT ADJUSTED FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			86.1%	71.3%	44.3%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	40	0.5%			
MEDICAID	79	1.1%	6.5%	2.0%	0.0%
MEDICAID HMO	0	0.0%			
MEDICARE	6,719	91.9%	86.1%	74.7%	44.0%
MEDICARE HMO	0	0.0%			
INSURANCE	0	0.0%			
HMO/PPO	475	6.5%	52.3%	18.0%	9.1%
OTHER	0	0.0%			
TOTAL	7,313	100%			

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

General economic theory indicates that competition ultimately leads to lower costs and better quality. However, in the health care industry there are several significant barriers to competition.

Medicare and Medicaid account for 76.7 percent of CMR hospital charges in Florida, while HMO/PPOs account for approximately 18.0 percent of charges. While HMO/PPOs negotiate prices, fixed price government payers like Medicare and Medicaid do not. Therefore price based competition is limited to non-government payers. Price based competition is further restricted as Medicare reimbursement in many cases is seen as the starting point for price negotiation among non-government payers.

Roughly 94.7 percent of CMR hospital charges in Florida are from Medicare, Medicaid, and HMO/PPOs. The individuals covered by these payers pay little to none of the costs for the services received. Since the user is not paying the full cost directly for service, there is no incentive to shop around for the best deal. This further makes price based competition irrelevant.

Price is not the only way to compete for patients, quality of care is another area in which hospitals can compete. However, there is a lack of information for consumers and a lack of consensus when it comes to quality measures. In recent years there have been new tools made available to consumers to close this gap. However, transparency alone will not be sufficient to shrink the information gap. The consumer information must be presented in a manner that the consumer can easily interpret and understand. The beneficial effects of economic competition are the result of informed choices by consumers.

In addition to the above barriers to competition, a study presented in The Dartmouth Atlas of Health Care 2008 suggests that the primary cost driver in Medicare payments is availability of medical resources. The study found that excess supply of medical resources (beds, doctors, equipment, specialist, etc.) was highly correlated with higher cost per patient. Despite the higher costs, the study also found slightly lower quality outcomes. This is contrary to the economic theory of supply and demand in which excess supply leads to lower price in a competitive market. The study illustrates the weakness in the link between supply and demand and suggests that more choices lead to higher utilization in the health care industry as consumers explore all alternatives without regard to the overall cost per treatment or the quality of outcomes.

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There are five existing CMR programs in District 3 with a total of 198 licensed CMR beds. There is no existing CMR program in Sumter County.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) indicates that 85.8 percent of the 50-bed facility's patient days are expected to come from Medicare, with 11.0 percent from HMOs.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) indicates that 91.9 percent of the 22-bed unit's patient days are expected to come from Medicare, with 6.6 percent from HMOs.

Conclusion (for both applicants): Due to the health care industry's barriers in consumer-based competition, the projects will not likely foster the type of competition generally expected 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-3, Florida Administrative Code.**

Both: The plans submitted for the applicants were schematic in detail with the expectation that they will each necessarily be revised and refined during the Design Development (Preliminary) and Contract Document Stages. The architectural review of the applications shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the owner.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) acknowledges that Disaster Preparedness issues will be a criterion in selecting a site, building design and construction, an exact location is not indicated but northeastern Sumter County is proposed.

Plans submitted by the applicant indicates that the building will be fully sprinklered with construction type Florida Building Code (FBC) Type II-A and National Fire Protection Association (NFPA) 220 Type II(1,1,1). Both construction types are sufficient for the occupancy and building size (with sprinklered, and area modification increase). The project information indicates compliance with current codes. According to the narrative, a generator will provide back-up energy with capacity to support the proposed hospital.

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The proposed hospital is divided into smoke compartments as required by the applicable codes. The patient rooms and support functions for the nursing unit are separated from public, administration and outpatient areas. All patient rooms are ADA accessible private rooms with accessible toilet/shower rooms. The facility's proposed patient living areas, dining, recreation and day space would meet the minimum requirement of 55 square feet of space per patient.

All other required support spaces are provided and adequately sized and located. Occupational, physical therapy and outpatient rehabilitation services are incorporated into the therapy department which includes a large therapy gym.

The estimated construction costs and project completion forecast appear to be reasonable.

The design as presented does not indicate any major impediments that would prevent the design and construction of a code compliant facility.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) architectural plans and narrative indicate that the building is fully sprinklered, and construction type is listed as Florida Building Code (FBC), type IB. This construction type does meet the requirements of the current FBC for occupancy and building size. The additional floor (fifth floor) under FBC "sprinkler system increase" is allowed.

The proposed 22-bed CMR unit will be housed on the fifth floor of the north tower addition, scheduled for completion in May 2015. All patient bedrooms would be private with a connecting toilet/shower room serving only one patient room. The plans and narrative indicate that all patient rooms and patient toilet/shower rooms will comply with the FBC-Accessibility requirements. The size of the patient bedrooms exceeds the minimum requirements of the Guidelines for Design and Construction of Health Care Facilities.

The CMR unit would be organized into two patient wings with nurse stations and required support areas, which will be centrally located between two wings. Patient day rooms are located at the end of each patient wing with abundant daylight and view. Physical therapy/occupational therapy, activity/dining, and daily living suites are central to the two bed wings. This arrangement reduces the travel distance from the resident rooms to the most frequently used areas.

The architectural plans and narrative indicate the proposed CMR unit is divided into smoke compartments, and the project will comply with the current codes.

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The estimated construction costs and project completion forecast appear to be reasonable.

The design as presented does not indicate any major impediments that would prevent the design and construction of a code compliant facility.

- g. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(1)(i), Florida Statutes.**

The two tables below illustrate CFHA and District 3 acute care hospitals' provision of Medicaid/Medicaid HMO and charity care for Fiscal Years 2011 and 2012 data, respectively, from the Florida Hospital Uniform Reporting System.

Medicaid, Medicaid HMO and Charity Data CFHA and District 3 Facilities Fiscal Year 2011				
	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percent	Percent of Charity Care	Percent Combined Medicaid, Medicaid HMO and Charity Care
Leesburg Regional Medical Center	8,452	10.86%	3.12%	13.98%
The Villages Regional Hospital	1,876	3.72%	2.52%	6.23%
District Total	158,115	16.01%	2.89%	18.90%

Source: Agency for Health Care Administration Florida Hospital Uniform Reporting System.

Note: Leesburg Regional Medical Center North is included in Leesburg Regional Medical Center's financial reporting.

Medicaid, Medicaid HMO and Charity Data CFHA and District 3 Facilities Fiscal Year 2012				
	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percent	Percent of Charity Care	Percent Combined Medicaid, Medicaid HMO and Charity Care
Leesburg Regional Medical Center	7,811	11.06%	2.67%	13.73%
The Villages Regional Hospital	2,061	3.93%	2.46%	6.39%
District Total	160,557	16.03%	2.95%	18.98%

Source: Agency for Health Care Administration Florida Hospital Uniform Reporting System.

The table below illustrates HealthSouth's and Florida's freestanding CMR facilities provision of Medicaid/Medicaid HMO days and charity care for Fiscal Years 2010-2012 based on the Florida Hospital Uniform Reporting System.

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Medicaid, Medicaid HMO and Charity Data HealthSouth Facilities and All Freestanding Florida CMR Facilities Fiscal Years 2010-2012				
	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percent	Percent of Charity Care	Percent Combined Medicaid, Medicaid HMO and Charity Care
FY 2010				
HealthSouth Facilities (9)	5,006	2.71%	0.75%	3.46%
Total Freestanding CMR Facilities (13)	12,767	4.74%	0.96%	5.71%
FY 2011				
HealthSouth Facilities (9)	3,750	2.03%	0.71%	2.74%
Total Freestanding CMR Facilities (13)	10,661	3.90%	1.01%	4.91%
FY 2012				
HealthSouth Facilities (10)	1,643	1.37%	0.88%	2.25%
Total Freestanding CMR Facilities (14)	9,330	3.30%	1.26%	4.56%

Source: Agency for Health Care Administration Florida Hospital Uniform Reporting System for applicable years.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) states that although it has no past or current operations, HealthSouth facilities have a history of providing access to CMR services for Medicaid and self-pay patients. The applicant provides a historical payer mix for Florida HealthSouth facilities and notes the increasing number of self-pay and charity care patients over the last three years. See the table below.

**HealthSouth Rehabilitation Hospitals of Florida
Payer Mix for CY 2010-2012**

Payer	Total Discharges			Patient Days		
	2010	2011	2012	2010	2011	2012
Medicare	10,496	10,914	10,881	150,669	152,219	151,875
Medicaid	313	288	332	5,084	4,107	4,283
Commercial	1,541	1,680	2,043	21,992	22,436	27,827
Self-Pay/Charity	77	140	302	1,613	2,266	4,225
Other	188	216	206	3,040	3,666	6,522
Total	12,615	13,238	13,764	182,398	184,694	194,732
	Percent of Total Discharges			Percent of Patient Days		
	2010	2011	2012	2010	2011	2012
Medicare	83.2%	82.4%	79.1%	82.6%	82.4%	78.0%
Medicaid	2.5%	2.2%	2.4%	2.8%	2.2%	2.2%
Commercial	12.2%	12.7%	14.8%	12.1%	12.1%	14.3%
Self-Pay/Charity	0.6%	1.1%	2.2%	0.9%	1.2%	2.2%
Other	1.5%	1.6%	1.5%	1.7%	2.0%	3.3%

Source: CON application #10217, page 165, Figure 47.

HealthSouth proposes to provide service to Medicaid patients and the medically indigent. As a condition of approval of CON application #10217, the applicant agrees to provide a minimum of 2.5 percent of patient days to the combination of Medicaid patients and uninsured patients who meet the definition of charity care patients under Florida

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Statutes. HealthSouth indicates that services to the latter category will include any professional fees for psychiatrists overseeing the patient's rehabilitation while at the proposed facility.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) has a history of providing care to Medicaid and medically indigent patients. During FYE June 30, 2012, the applicant provided 2,061 of its total annual patient days to Medicaid/Medicaid HMO patients (3.93 percent) and 2.46 percent to charity care patients, per the Florida Uniform Reporting System.

CFHA states a long and well-established commitment of providing care to all patients in need, including Medicaid patients and medically indigent patients and also states bringing a not-for-profit focus, ensuring that its services are available to all local residents, including the vulnerable indigent, elderly and transient populations. The applicant proposes to condition CON approval to a minimum of 1.3 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (including self-pay) patients.

F. SUMMARY

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) proposes to establish a new 50-bed CMR hospital in northeastern Sumter County, Florida.

The applicant proposes eight conditions to CON approval on the application's Schedule C (see Item C – Project Summary).

The total project cost is estimated at \$25,855,430. The project involves 53,192 GSF of new construction at a construction cost of \$12,207,933.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) proposes to relocate an existing 22-bed CMR program from Leesburg Regional Medical Center North to TVRH, in Sumter County, Florida.

The applicant proposes nine conditions to CON approval on the application's Schedule C (see Item C-Project Summary).

The total project cost is estimated at \$8,855,914. The project involves 28,597 GSF of construction (27,217 GSF of new construction and 1,380 GSF of renovation) at a construction cost of \$5,561,466.

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Need:

In Volume 40, Number 12, dated January 17, 2014 of the Florida Administrative Register, a fixed need pool of zero beds was published for CMR beds in District 3 for the July 2019.

District 3 has 198 licensed and zero approved CMR beds. During the 12-month period ending June 30, 2013, District 3 experienced 74.69 percent CMR bed utilization.

HeathSouth (CON application #10217) is applying outside of the fixed need pool, to increase the CMR bed complement from 198 to 248.

TVRH (CON application #10218) is applying to relocate 22 CMR beds from an aging facility in District 3, with no increase in the district's existing CMR bed complement.

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) provided three unduplicated letters of support indicating there is need for the proposed project.

HealthSouth states the following four “not normal circumstances” and six superior quality arguments to justify project approval.

- District 3 is the largest planning district in the state and underutilized programs in other acute care subdistricts are not reasonably accessible to residents of Subdistrict 3-7 (Lake and Sumter Counties). While not every hospital should provide a tertiary service like CMR, state of the art programs should be reasonably accessible to all residents in the area.
- Leesburg Regional Medical Center-North, the only existing program in the subdistrict, is an underutilized minimal program based on it is only marginally different than the rehabilitation services offered by nursing homes.
- Leesburg North has failed to provide sufficient access to CMR services to Medicaid and self-pay/charity care patients.
- The reason Leesburg North is underutilized is due to CFHA's lack of commitment to its program, the lack of community acceptance and the lack of financial access. CMR use rates and referrals to CMR services in Subdistrict 3-7 have been depressed by inadequacies in the Leesburg North program.

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- HealthSouth Corporation (the parent) has superior experience in developing and operating state of the art CMR programs in Florida and nationally. A comparison of the utilization trends at the HealthSouth Ocala hospital and LRMCN demonstrates the difference in how the programs are viewed by patients and physicians.
- HealthSouth has demonstrated its commitment to provide Medicaid and self-pay/charity care patients access to CMR services to a much greater extent than CFHA.
- HealthSouth is focused on providing CMR services to all residents of Lake and Sumter Counties and not more particularly the residents of The Villages real estate development.
- The Agency can rely on HealthSouth to quickly construct and open a new CMR program if granted a CON. The Agency cannot rely on CFHA to do so, regardless of what it says in its application.
- CFHA currently has a monopoly on CMR programs in Subdistrict 3-7. When the Agency has a credible competing applicant, as it does in HealthSouth, it should use the CON process to increase competition and provide residents with an expanded, enhanced choice of providers.
- Approving a competitor for CMR services will put constructive pressure on CFHA to improve CMR services.

The applicant indicates that its data support a need for 54 CMR beds now and 71 CMR beds by 2019, at 85 percent occupancy. HealthSouth maintains that service area residents utilize inpatient CMR services at a rate significantly less and SNF rehabilitation services significantly more than Floridians as a whole in all age groups.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) provided 162 unduplicated letters of support and the Agency independently received 14 unduplicated letters of support for the proposed project (a total of 176 letters), indicating there is need for the proposed project.

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The applicant poses the following primary reasons to justify the relocation proposal.

- *The current conditions and limitations of the physical plant.* The 22-bed CMR unit is currently at Leesburg's North Campus which is in a building that was constructed over 40 years ago and the useful life of the facility has been reached. The physical plant no longer directly contributes to the efficient delivery of care with the promotion of a healing environment for the rehabilitation patient and does not meet the expectations of patients, families, physicians and staff. It cannot be easily modernized.
- The proposed relocation at TVRH will offer all patients immediate access to TVRH's large and comprehensive medical staff, as well as on-site diagnostics and labs, whereby results are expeditious and immediate. These benefits will impact patient care and outcomes.
- *Demographic trends and projected growth which necessitates the applicant to develop a physical infrastructure consistent with the needs of rehabilitation patients.* The strong population base and growing 65-plus population in the area, particularly in Sumter County, warrants that CFHA, particularly TVRH, be prepared to provide rehabilitation services. Relocating the CMR program from the southwest corner of the service area to a more central location will make the services more accessible for all residents of the service area.

TVRH maintains that the proposed unit will complement the wide range of services already available among its CFHA family of hospitals.

Quality of Care:

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217): Agency complaint records indicate that during the three-year period ending March 9, 2014, HealthSouth's 10 hospitals (803 beds) had a total of 11 substantiated complaints.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218): Agency complaint records indicate that during the three-year period ending March 9, 2014, the Central Florida Health Alliance's three hospitals (539 beds) had a total of nine substantiated complaints.

Both applicants demonstrate the ability to provide quality care.

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Medicaid/Indigent Care:

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217) conditions the proposed project to provide a minimum of 2.5 percent of patient days to the combination of Medicaid patients and uninsured patients who meet the definition of charity care patients under Florida Statutes.

The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218) conditions the proposed project to a minimum of 1.3 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (including self-pay) patients.

Cost/Financial Analysis:

Both applicants:

- Funding for the project and the entire capital budget should be available as needed.
- The project appears to be financially feasible.
- Due to the health care industry's barriers in consumer based competition, the project will not likely foster the type of competition generally expected to promote quality and cost-effectiveness.

Architectural Analysis:

HealthSouth Rehabilitation Hospital of Sumter/Lake County, LLC (CON application #10217):

- No exact location is indicated but northeastern Sumter County is proposed.
- The applicant acknowledges that disaster preparedness issues will be a criterion in selecting a site, building design and construction.
- The design as presented does not indicate any major impediments that would prevent the design and construction of a code compliant facility.
- The estimated construction cost and project completion forecast appear to be reasonable.

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The Villages Tri-County Medical Center, Inc. d/b/a The Villages Regional Hospital (CON application #10218):

- The proposed CMR unit will be housed on the fifth floor of the north tower addition at TVRH.
- The size of the patient bedrooms exceeds the minimum requirements of the Guidelines for Design and Construction of Health Care Facilities.
- The design as presented does not indicate any major impediments that would prevent the design and construction of a code compliant CMR unit.
- The estimated construction cost and project completion forecast appear to be reasonable.

G. RECOMMENDATION

Approve CON #10218 to establish a 22-bed comprehensive medical rehabilitation unit in District 3, Subdistrict 7, Sumter County. The total project cost is \$8,855,914. The project involves 28,597 GSF, including 27,217 GSF of new construction and 1,380 GSF of renovation and a total construction cost of \$5,561,466.

CONDITIONS:

1. The existing 22 CMR beds located at the Leesburg Regional Hospital North will be delicensed concurrent with the 22 TVRH CMR beds being licensed and certified. At no time will both units be in simultaneous operation.
2. The proposed facility will be a distinct part CMR unit and located within existing space currently being developed in The Villages Regional Hospital, The Villages, Florida.
3. TVRH proposes to provide a minimum of 1.3 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (included in self-pay) patients.
4. TVRH will institute a stroke rehabilitation program upon opening its CMR program.

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5. TVRH will provide equipment described below as part of the rehabilitative technology that will be available at TVRH when its CMR program opens. TVRH may substitute different equipment of equal or better capability.
 - n. Lite Gait
 - o. Mobile Arm Support
 - p. Bioness
 - q. Recumbent Cross Training
 - r. Rehab Cycle
 - s. Upper Body Exerciser
 - t. Stand-in Table
 - u. Shuttle Balance
 - v. VitalStim
 - w. Sona-Speech software
 - x. Automobile Transfer Simulator (Mock Car)
 - y. Golf Car Transfer Training
 - z. Rickshaw.

6. TVRH will provide to area hospitals and nursing homes, a liaison to provide educational programs on CMR clinical specialization on no less than a quarterly basis.

TVRH will prepare a list of all community education programs held that relate to this condition.

- a. The list will show the title of the course, the instructors, the dates of the courses and the intended audience.
 - b. The hospital will include in the report the curricula vita of any person filling the position of care manager/outreach coordinator during the calendar year and their dates of service. The report will also include a description of his or her activities throughout the year.
 - c. The hospital will prepare a list of all meeting held in the hospital that relate to this condition. The list will show the nature of the meeting, the group holding the meeting, and the dates of the meeting.
7. TVRH will assure the system wide McKesson Electronic Health Record (EHR) will be integrated and available for all CMR patients.
 8. TVRH will offer comprehensive outpatient rehabilitation programs and services.

Deny CON #10217.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

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

Jeffrey N. Gregg
Director, Florida Center for Health Information and Policy Analysis