

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

**Manatee Memorial Hospital LP
d/b/a Lakewood Ranch Medical Center/CON #10221**
1424 Laurel Road
Faber, Virginia 22938

Authorized Representative: Mr. Thomas Davidson
(434) 263-5107

2. Service District

District 6 (Hardee, Highlands, Hillsborough, Manatee, and Polk Counties)

B. PUBLIC HEARING

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

Letters of Support

Manatee Memorial Hospital LP d/b/a Lakewood Ranch Medical Center (CON application #10221), submitted form letters of support from four local physicians, signed and dated during March 14 through March 28, 2014.

These letters cite the applicant's "commitment to providing the most comprehensive continuum of care to Manatee residents as demonstrated by the hospital's certificate of need application for comprehensive inpatient rehab". They also state that Manatee County patients "too often must leave the community to receive this service" and the "separation from family and existing physician networks produce additional stress and suboptimal results". They were signed by:

- Dr. Dan Lamar, Coastal Orthopedics
- Dr. John T. Peters, Pulmonary Disease Specialist, Bradenton
- Dr. S. Jay Matthews and Dr. Jeff Rothfeld, Bradenton Cardiology Center.

Ronald T. Luke, JD, PhD, President of Research & Planning Consultants, L.P. on behalf of HealthSouth Rehabilitation of Sarasota, a CMR provider in District 8 submitted a letter in opposition to the project. He notes that HealthSouth filed a letter of intent for a CMR project but “after conducting a careful study of the current CMR use rate in Manatee County and the need for additional CMR beds, we determined there was no unmet need and decided not to file an application”.

Dr. Luke cites Manatee County’s location at the southern end of District 6 and notes that Manatee and Sarasota Counties constitute the North Port-Sarasota-Bradenton metropolitan statistical area. He discusses the availability of CMR beds in this context citing utilization at Blake Medical Center, HealthSouth Rehabilitation Hospital of Sarasota and Sarasota Memorial Hospital. Dr. Luke states that while Manatee County is in District 6, it is most closely connected to Sarasota County for CMR facilities. He also cites Lakewood Ranch Medical Center’s location and proximity (11 minute drive at 8.5 miles) to HealthSouth Sarasota—18 minutes and 11.3 miles to Sarasota Memorial Hospital and 25 minutes and 18 miles to Blake Medical Center. Dr. Luke concludes the project will have a negative impact on existing providers and in particular HealthSouth Sarasota—approximately 25 percent (an average daily census of 18.7 patients) of HealthSouth Sarasota’s patients are Manatee County residents.

Various statistical analyses are presented to support the contention that the project is not needed. One is a three year average Manatee County resident CMR use rate (4.3 discharges per 1,000 age 18 and over population) compared to counties with CMR Hospital Units only (1.7 per 1,000), Counties with Freestanding CMR hospitals (3.4 per thousand) and the Florida Average of 2.4 CMR discharges per 1,000 age 18 and over population. He presents variations on this analysis supporting Manatee County residents’ higher access to CMR services based on CMR discharges as percent of relevant discharges and as percent of CMS-13 discharges. Dr. Luke concludes that Manatee Memorial’s project is not needed and will be an unnecessary duplication of services.

C. PROJECT SUMMARY

Manatee Memorial Hospital LP d/b/a Lakewood Ranch Medical Center (CON application #10221), a wholly owned subsidiary of Universal Health System, Inc. (UHS), proposes to establish a 20-bed comprehensive medical rehabilitation (CMR) unit at its 120-bed acute care hospital. The applicant is also licensee for Manatee Memorial Hospital, which has 289 acute care, six Level II NICU and 24 adult inpatient psychiatric beds. Manatee Memorial is also approved (CON #10179) to establish a 15-bed Level III neonatal intensive care unit (NICU). Both facilities are located in Bradenton (Manatee County) District 6.

Manatee Memorial Hospital LP states that it is applying in the absence of published need based on the following not normal circumstances:

- Outmigration of Manatee County CMR patients to facilities outside District 6 comprised 61.4 percent of the total CMR admissions from Manatee County in the last 12 months.
- CMR patient discharge volumes from Lakewood Ranch Medical Center and its sister facility, Manatee Memorial Hospital, are high enough (425 discharges during the 12 months ending June 30, 2013) to fill the proposed 20 bed CMR facility to over 75 percent of the proposed bed capacity.
- The applicant and Manatee Memorial Hospital have been unable to place CMR-eligible Medicaid and charity patients in CMR beds at levels proportionate to their numbers, and will serve these patients at the proposed project.
- Based on analysis of internal hospital records, CMR eligible patients placed in non-CMR care settings following acute care episodes experience higher readmission rates than patients discharged directly to CMR facilities.
- CMR eligible patients discharged to their home or outpatient care experienced the highest readmission rates and generally worse long-term clinical outcomes.

Manatee Memorial Hospital LP “commits to provide Medicaid and charity care in its proposed inpatient rehabilitation unit in an amount of at least 9.5 percent (combined) of total program patient days per annum. Charity care will be defined consistent with the Agency’s classification of charity care for annual reporting purposes. The applicant will not discriminate against any patient on the basis of payer source or inability to pay. Compliance with this condition will be monitored via quarterly utilization reports to the Agency.”

Should the project be approved, the applicant's Medicaid and charity care condition would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code.

The total project cost is estimated at \$1,998,131. The project involves 9,985 gross square feet (GSF) of renovation with no new construction, at a renovation cost of \$495,000. Project costs include: building, equipment, project development and start-up costs.

D. REVIEW PROCEDURE

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

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

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

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

As part of the fact-finding, the consultant, Jessica Hand, analyzed the application with consultation from the economic analyst, Eric West, 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 comprehensive medical rehabilitation beds in District 6 for the July 2019 planning horizon.

Therefore, the applicant is not applying in response to published need.

- b. According to Rule 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.**

District 6's CMR utilization was 65.71 percent during the 12-month period ending June 30, 2013. Comprehensive medical rehabilitation is a tertiary health service as defined in s. 408.032 (17) Florida Statutes. As such, comprehensive medical rehabilitation is a service that should be provided in a limited number of facilities in a given market.

Comprehensive medical rehabilitation is the one tertiary health service that is cited in s. 408.036(1)(f) Florida Statutes, as a tertiary health service that requires certificate of need review.

As previously stated, the applicant indicates it is applying under special circumstances. Much of the background information immediately below this was discussed by Manatee Memorial Hospital LP so we are including it in the discussion of applicant’s not normal circumstances.

c. Not Normal Circumstances

As of January 17, 2014, District 6 had 141 licensed and 32 approved comprehensive medical rehabilitation beds. Lakeland Regional Medical Center in Polk County has CON #10164 approved to establish a 32-bed CMR unit. During the 12-month period ending June 30, 2013, District 6’s 141 CMR beds experienced 65.71 percent utilization (see chart below).

District 6 CMR Utilization July 2012—June 2013				
Facility	County	Licensed Beds	Total Bed Days	Percent Occupancy
Winter Haven Hospital	Polk	24	8,760	58.61%
Tampa General Hospital	Hillsborough	59	21,535	63.22%
Blake Medical Center	Manatee	28	10,220	68.48%
Florida Hospital Tampa	Hillsborough	30	10,950	73.69%
Total		141	51,465	65.71%

Source: Florida Hospital Bed Need Projections & Service Utilization by District published January 17, 2014.

The District 6 CMR bed utilization for the five-year period ending June 30, 2013 is provided below, showing a moderate increase in utilization during this time, ranging from a low of 60.42 percent to a high of 68.08 percent.

District 6 CMR Bed Utilization 12-Month Periods Ending June 30, 2009 – June 30, 2013		
Patient Days	Percent Occupancy	12 Months Ending June 30
33,816	65.71%	2013
35,132	68.08%	2012
32,357	62.87%	2011
31,094	60.42%	2010
32,750	63.64%	2009

Source: Florida Hospital Bed Need Projections & Service Utilization by District published in the month of January during calendar years 2010 – 2014.

District 6 Comprehensive Medical Rehabilitation Bed Utilization						
		12 Months Ended June 30				
Facility	Beds	2009	2010	2011	2012	2013
Florida Hospital Tampa*	30	60.69%	57.31%	60.26%	63.45%	73.69%
Tampa General Hospital	59	72.66%	65.81%	65.64%	71.67%	63.22%
Blake Medical Center	28	61.39%	58.11%	65.74%	68.39%	68.48%
Winter Haven Hospital	24	47.74%	53.74%	55.98%	64.66%	58.61%
District 6 Total	141	63.64%	60.42%	62.87%	68.08%	65.71%

Source: Florida Hospital Bed Need Projections & Service Utilization by District for June 2009 – June 2013.

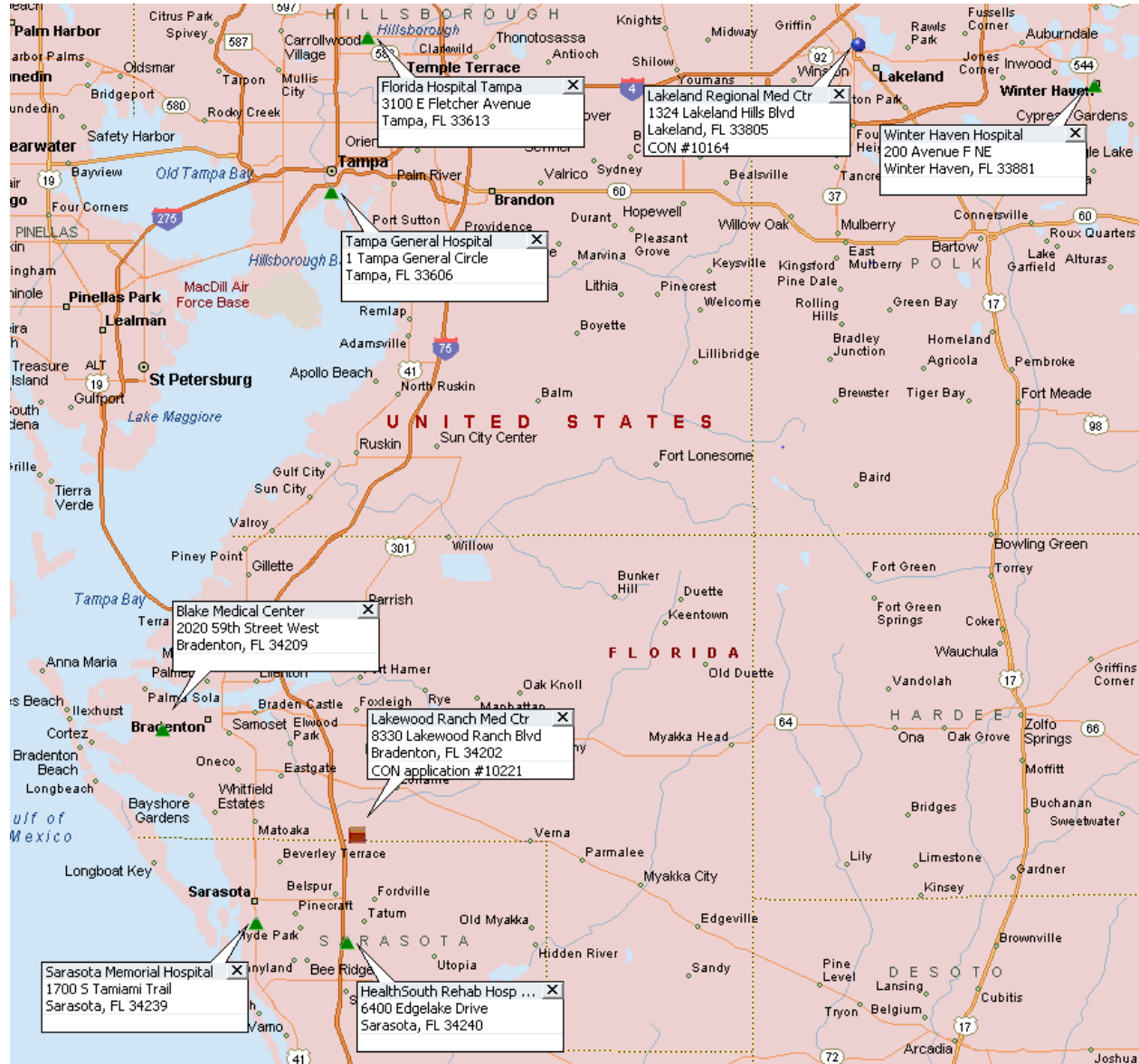
Note: *Florida Hospital Tampa changed ownership/name from University Community Hospital effective 9/20/11.

The applicant notes that during this period, patient utilization growth was distributed unevenly among the four District 6 CMR providers, with two providers reporting growth in excess of 21 percent (Florida Hospital Tampa and Winter Haven Hospital), 11.6 percent growth at Blake Memorial Hospital, and a decline of 13 percent at Tampa General Hospital. Manatee Memorial Hospital LP states the decline at Tampa General Hospital accounts for the modest growth experienced overall by District 6. As shown above, District 6 facilities experienced a modest 3.25 percent growth in CMR patient days from the 12-month periods ending June 30, 2009 through June 30, 2013. District 6 CMR utilization peaked at 68.08 percent during the 12-month period ended June 30, 2012.

In its discussion of the district's overall modest growth, the applicant notes that not all rehabilitation care is provided in licensed CMR facilities; skilled nursing facilities and outpatient rehabilitation facilities may also provide rehabilitative care. This care is not reflected in CMR utilization data and Manatee Memorial contends this could reflect the unavailability of inpatient services in alternate settings. Manatee Memorial Hospital LP does not document that CMR services are not available to Manatee County patients. Per the applicant, current access to CMR beds is geographically less accessible to residents of Manatee County. It is noted that 61.4 percent of Manatee County residents received CMR services in other districts, with the majority (59.8 percent) served by HealthSouth Rehabilitation of Sarasota and Sarasota Memorial Hospital in Sarasota County.

The map below shows the location of current District 6 CMR providers, Lakeland Regional Medical Center (approved CON #10164) and the applicant's Lakewood Ranch Medical Center.

**District 6
Existing and Approved CMR Providers &
Lakewood Ranch Medical Center**



Source: Microsoft MapPoint 2013 ®

As shown in the map above, the majority of CMR beds in District 6 are concentrated in Hillsborough and Polk Counties. The single CMR provider in Manatee County (Blake Medical Center) is located in the northwest corner of the county, and is not utilized by the majority of Manatee residents referred to CMR facilities following an acute inpatient episode.

The applicant submits the following table demonstrating Manatee County residents discharged to CMR hospitals or hospital-based units during the 12-month period ending June 30, 2013.

Manatee County Residents CMR Discharges July 1, 2012—June 30, 2013						
Facility Name/District	Inpatient Rehab Discharges	Percent of Inpatient Rehab Discharges	Inpatient Rehab Patient Days	Percent of Inpatient Rehab Patient Days	ADC	Bed Need at 85% Occupancy
Blake Medical Center	420	37.0%	5,560	36.7%	15.2	17.9
Tampa General Hospital	16	1.4%	279	1.8%	0.8	0.9
Florida Hospital-Tampa	2	0.2%	27	0.2%	0.1	0.1
Subtotal District 6 Hospitals	438	38.6%	5,866	38.7%	16.1	18.9
HealthSouth Rehabilitation Hospital of Sarasota	521	45.9%	6,838	45.1%	18.7	22
Sarasota Memorial Hospital	148	13.0%	1,829	12.1%	5.0	5.9
All Other Facilities	29	2.7%	620	4.1%	1.7	2.2
Subtotal Non-District 6 Hospitals	698	61.4%	9,287	61.3%	25.4	29.9
Total	1,136	100.0%*	15,153	100.0%	41.5	48.8

Source: CON application #10221, Tables 3 and 4.

Note: *The applicant's percent of inpatient rehab discharges actually total 100.2 percent.

Manatee Memorial Hospital LP notes that approximately 61.4 percent of Manatee County residents received CMR services outside of District 6 during the period measured, with the majority of these (almost 46 percent) treated at HealthSouth Rehabilitation Hospital of Sarasota. Per the applicant, this outmigration for service represents a not normal circumstance. However, HealthSouth Rehabilitation Hospital of Sarasota is closer than Blake Medical Center or any other District 6 CMR provider to Lakewood Ranch Medical Center.

Florida Center for Health Information and Policy Analysis hospital discharge data shows the total number of Manatee County residents discharged from CMR care during the 12 months ending June 30, 2013 totaled 1,120, with 14,823 patient days and an average length of stay (ALOS) of 13.23 days. The applicant rounded the ALOS up to 13.3 days. The 14,823 patient days result in an average daily census (ADC) of 40.6 patients.

Manatee Memorial Hospital LP states the volume of CMR patient days served outside District 6 yields an ADC of 25.4 patients; applying the Agency's 85 percent occupancy standard to this figure yields a bed need estimate of 29.9 beds solely to serve inpatient volume generated by Manatee County residents treated outside District 6. The applicant concludes the proposed 20-bed project is reasonable.

The reviewer notes the ADC of 41.5 shown for the total Manatee County inpatient CMR patients calculates to 40.6 and an ALOS of 13.34 (15,153/1,136) days.

However, there is no indication that the applicant would be able to capture all Manatee County patients presently accessing CMR care at HealthSouth Rehabilitation Hospital of Sarasota, Sarasota Memorial Hospital and other non- District 6 facilities. The reviewer calculated bed need based on the number of (363) Manatee County residents discharged to CMR from Manatee Memorial Hospital LP facilities during the 12-month period ending June 30, 2013. Manatee Memorial discharged 251 patients and Lakewood Ranch 109 patients to CMR. Applying the ALOS of 13.3 days to these patients results in 4,788 patient days or 65.59 percent occupancy (or a 13.1 ADC) in 20 beds.

The applicant next discusses the project's potential impact on District 6's existing and CON approved CMR providers. Manatee Memorial Hospital LP states that an overwhelming majority of acute care patients discharged to CMR settings from Lakeland Regional Medical Center (which has approval for a 32-bed CMR unit) originated outside of Manatee County. The applicant states that during the 12-month period ending June 30, 2013, approximately 90 percent of Lakeland Regional acute care patients originated from Polk and Hillsborough County zip codes, which is evidence that residents of Manatee County are not important sources of utilization for Lakeland Regional; thus, the proposed project is unlikely to adversely impact this provider. During the 12 months ending June 30, 2013, District 6 providers—Tampa General Hospital reported 279, Florida Hospital Tampa 27 and Winter Haven Hospital zero CMR patient days generated by Manatee County residents. Manatee Memorial cites this as evidence that the project should have little impact on these facilities.

As previously shown, Blake Memorial Hospital is the only District 6 CMR provider serving significant numbers of Manatee County patients. The applicant presents an analysis of CMR discharges by zip code and market share by hospital for Manatee County residents during the 12 months ending June 30, 2013. Manatee Memorial Hospital LP concludes that Blake Memorial enjoys highest market shares in the zip codes immediately adjacent to its campus, located in the far northwest corner of Manatee County and is unlikely to be adversely impacted by the proposed project.

Additionally, the applicant notes that HealthSouth Sarasota, a provider outside of District 6, has the highest market share of any CMR service provider among residents of Manatee County. The reviewer notes that Sarasota Memorial has the third largest Manatee resident market share.

The applicant contends that Lakewood Ranch Medical Center’s location near Manatee County’s southern border will minimize any impact on Blake Memorial’s established CMR unit and maximize impact on the out-migration trend for CMR services. However, many of the applicant’s proposed referrals will come from Manatee Memorial Hospital which is located approximately 3.87 miles from Blake Memorial Hospital¹.

Manatee Memorial Hospital LP submits the following chart summarizing discharges to licensed inpatient CMR facilities from Lakewood Ranch Medical Center and Manatee Memorial Hospital by payer during the 12-month period ending June 30, 2013.

Payer Distribution of Patients Discharged to Inpatient Rehabilitation During the 12-Month Period Ending June 30, 2013			
Payer	Lakewood Ranch Medical Center	Manatee Memorial Hospital	Total
Medicare	94	191	285
Medicare Managed Care	12	40	52
Medicaid	0	9	9
Medicaid Managed Care	2	7	9
Commercial Health Insurance	25	33	58
All Other Payers	3	9	12
Total	136	289	425

Source: CON application #10221, Table 10.

Per the applicant, the average length of stay for the time period shown was 13.3 days. Applying this to the 425 discharges results in an estimated 5,653 patient days, which the applicant states is sufficient volume to fill the proposed 20-bed CMR project to approximately 77.4 percent proposed licensed capacity.

Manatee Memorial Hospital LP also provides a summary of patients discharged from Lakewood Ranch and Manatee Memorial from the MS-DRGs defined by CMS as rehabilitation eligible, the number of which totaled 2,957 during the 12 months ending May 31, 2013. Although the applicant does not expect all of these patients would be discharged to a CMR unit, it is provided as evidence that the proposed project will be well utilized.

Agency hospital discharge data shows a lower total of 360 comprehensive medical rehabilitation MS-DRG discharges for the applicant’s two facilities (251 from Manatee Memorial and 109 from Lakewood Ranch) for the 12 months ending June 30, 2013. As previously stated, using these 360 discharges and the 13.3 ALOS results in 4,788 projected patient days, or 65.59 percent occupancy for the proposed 20-bed CMR unit.

¹ Per the Agency’s website @ <http://www.FloridaHealthfinder.gov>.

The placement history of rehabilitation-eligible patients in the service area's existing CMR facilities by Manatee Memorial Hospital is reviewed by the applicant using a "conservative sampling technique" of actual discharge plans during six non-consecutive months (July through September of 2012 and April through June of 2013) which excludes "peak season winter months". Per the applicant, medical records software used by Lakewood Ranch does not identify patients referred to CMR as part of a discharge plan, and thus is not included in the analysis. The reviewer notes that Lakewood Ranch reported 109 discharges to inpatient rehabilitation during the 12 months ending June 30, 2013, so it is unclear how these could not be included in the review.

Manatee Memorial Hospital LP states that during these six nonconsecutive months, Manatee Memorial Hospital referred 209 patients to CMR care, 124 of whom were actually admitted to inpatient CMR programs. The applicant notes a disparity among these 209 patients by payer: only 37.5 percent of the Medicaid/Medicaid HMO patients were admitted to inpatient CMR programs, while 61.5 percent of commercially insured and 63.9 percent of Medicare patients discharged from Manatee Memorial Hospital with a referral for CMR services were admitted to inpatient CMR care.

The applicant states the low number of Manatee Memorial Hospital discharges to inpatient CMR services actually receiving this care (124 of 209) is evidence of access issues in the Manatee County service area, and acute access barriers for Medicaid patients. As previously shown in the applicant's Table 10, Manatee Memorial Hospital and Lakewood Ranch discharged 18 Medicaid/Medicaid HMO patients to inpatient rehabilitation during the 12 months ending June 30, 2013.

Manatee Memorial Hospital LP restates its proposed condition to provide a minimum of 9.5 percent of the CMR unit's patient days to Medicaid/charity care combined. The applicant contends that the project will improve access for Medicaid and charity care Manatee County residents in need of CMR care.

The applicant's facilities combined discharged 18 (14 were Manatee County residents) Medicaid/Medicaid HMO patients to inpatient rehab services. Discharges of Manatee County residents who were also Medicaid/Medicaid HMO patients accounted for 3.29 percent of the applicant's total discharges and 3.89 percent of their Manatee County resident discharges to CMR.

Florida Center for Health Information and Policy Analysis hospital discharge data shows that of the 1,120 Manatee County residents discharged from CMR facilities during July 1, 2012—June 30, 2013, 36 (or 3.21 percent) were Medicaid or Medicaid HMO patients. Medicaid/Medicaid HMO patients accounted for 740 of 14,823 patient days or 4.99 percent of the Manatee resident total. Based on the applicant's and Manatee County resident experience, Manatee Memorial Hospital LP's Medicaid and charity care projections may be high.

In order to demonstrate the superiority of CMR care versus extended care options that patients may utilize when access to CMR care is limited, the applicant reviews 10 studies conducted during the past decade which address this issue. The applicant notes these studies conclude that shorter lengths of stay and superior clinical outcomes are associated with CMR care compared to skilled nursing facilities for post-acute rehabilitative care. Manatee Memorial Hospital LP includes copies of these articles with the application (Appendix B). The applicant states that its six-month Manatee Memorial Hospital patient discharge analysis reveals that, consistent with the studies cited above, low readmission rates and maximum improvement are experienced by patients who receive inpatient CMR care following discharge.

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.

a. General Provisions:

- (1) 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.**

Manatee Memorial Hospital LP d/b/a Lakewood Ranch Medical Center (CON application #10221) states intent to operate the proposed CMR program under its license as a general hospital.

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

The applicant will operate the proposed unit as a separately organized unit in a specialized space on campus.

- (3) **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.

The applicant is in compliance with this rule.

- (4) **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.

The applicant participates in the Medicare and Medicaid programs and will continue to do so with the proposed CMR unit.

b. Required Staffing and Services.

- (1) **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.

The applicant states Manatee Memorial and Lakewood Ranch have physicians on staff in specialties that routinely admit patients to inpatient rehabilitation units, including approximately 18 orthopedic specialists, three pulmonologists and four neurologists. Copies of the curriculum vitae for each are provided (Appendix C).

Because the project is a new CMR program, a medical director position has not been filled. Manatee Memorial Hospital LP indicates it will recruit the appropriately credentialed medical director.

- (2) **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**

The applicant states it will provide and exceed all services required in this rule. Manatee Memorial Hospital LP includes a copy of the current plan of care for rehabilitative services (Appendix D), and resumes of key ancillary personnel on staff who will be available to patients of the new program (Appendix E). All patients treated in the proposed unit will attain the highest functional level possible during their course of treatment.

c. Criteria for Determination of Need:

- (1) Bed Need. A favorable need determination for proposed new 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.**

Manatee Memorial Hospital LP is applying in the absence of need and is contending that “not normal” circumstances justify approval of the project.

- (2) 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 6’s CMR occupancy rate was 65.71 percent for the 12-month period ending June 30, 2013.

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

- (a) An applicant that is a disproportionate share hospital as determined consistent with the provisions of section 409.911, Florida Statutes.**

The applicant states that although its facilities are not disproportionate share hospitals, Lakewood Ranch Medical

Center and Manatee Memorial Hospital provide significant levels of Medicaid and charity care.

The applicant indicates that during the 12 months ending June 30, 2013, Lakewood Ranch provided 10.5 percent of all discharges to self-pay, non-pay and Medicaid patients; Manatee Memorial Hospital provided 34.1 percent to the same patient categories. Combined, the two facilities provided 28.8 percent Medicaid, self-pay and non-pay total annual patient days.

(b) An applicant proposing to serve Medicaid-eligible persons.

The applicant states intent to serve all patients in need, including Medicaid-eligible persons. The applicant's Schedule 7B projects 6.59 percent of the 20-bed CMR unit's total annual patient days will be provided to Medicaid and Medicaid HMO patients in years one and two of the proposed project (CY 2017 and CY 2018).

(c) An applicant that is a designated trauma center, as defined in Rule 64J-2.011, Florida Administrative Code.

The applicant states Lakewood Ranch Medical Center is not a designated trauma center.

d. 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.

The reviewer notes that the access standard is currently met for District 6 CMR services. The applicant states that high outmigration by Manatee County residents to obtain CMR services and high readmission rates demonstrate not normal circumstances that justify need for the proposed project.

e. **Quality of Care.**

- (1) **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.**

The applicant states the proposed project will be in compliance with Agency licensure standards.

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

- (1) **Age group to be served.**

Per the applicant, the proposed project will serve adult patients ages 18 and over, with a majority of patients expected to be ages 65 and over.

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

The applicant states intent to seek Commission on Accreditation of Rehabilitation Facilities (CARF) accreditation in comprehensive medical inpatient rehabilitation for the proposed project, and anticipates the majority of patients will be those discharged with orthopedic and neurological disorders.

- (3) **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.**

As previously stated, the medical director will be board-certified in physical medicine and rehabilitation. The Interdisciplinary Rehabilitation Team will be comprised of many professionals and will comply with rule criteria. The applicant's Schedule 6A shows the 54.0 FTEs will be added for the project in year one of the project. No additional FTEs will be added in year two.

Lakewood Ranch Schedule 6A Staffing Pattern FTEs Year One and Two of the Proposed Project		
Position	Year One Ending 12/31/2017	Year Two Ending 12/31/2018
Administrator	1.0	1.0
Director of Nursing	1.0	1.0
RN Intake Coordinator	1.4	1.4
IRF PAI Coordinator	1.0	1.0
HIM Coder	0.5	0.5
Unit Secretary	1.4	1.4
Patient Registration	0.3	0.3
Staff education Quality Coordinator	1.0	1.0
Infection Preventionist	0.2	0.2
Other: Billing Specialist	1.0	1.0
Medical Director	0.5	0.5
RN	19.2	19.2
Nurse's Aide	9.6	9.6
Physical Therapist	2.0	2.0
PT Aide	2.0	2.0
Occupational Therapist	2.0	2.0
COTA	2.0	2.0
Speech Pathologist	1.5	1.5
Rehab Tech	1.0	1.0
Respiratory Therapist	1.0	1.0
Pharmacist	0.2	0.2
Phlebotomist	0.3	0.3
Imaging	0.3	0.3
Dietary Aides	0.5	0.5
Social Worker	0.5	0.5
Case Manager Discharge Planner	1.0	1.0
Recreational Therapist	0.5	0.5
Housekeepers	1.0	1.0
Maintenance Assistance	0.3	0.3
Grand Total	54.0	54.0

Source: CON application #10221, Schedule 6A.

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

The applicant states intent to utilize the state and national recruiting network sources from the parent company, UHS, and will offer an array of employee benefits and advancement opportunities within the UHS organization in order to retain staff.

(5) Expected sources of patient referrals.

Manatee Memorial Hospital LP indicates that the two facilities' 425 hospital discharges to inpatient rehabilitation are a sufficient base of referrals. The applicant also states the high number of Manatee County residents currently placed in CMR programs outside of District 6 represent a not normal circumstance justifying approval of the proposed project, as well as a source of patient referrals large enough to fill the proposed CMR unit.

(6) 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.

Lakewood Ranch provides the following table projecting patient days by payer during the first two years of operations:

Lakewood Ranch Forecasted Patient Days by Payer Year One and Two of Operation				
Payer	Percent days		Patient Days	
	2017	2018	2017	2018
Medicare	62.7%	63.2%	2,683	3,594
Medicare HMO	7.0%	7.1%	301	402
Medicaid	5.0%	4.9%	212	277
Medicaid HMO	1.6%	1.6%	70	91
Commercial/Managed Care	18.5%	18.1%	790	1031
Self-Pay/Non-Pay	3.2%	3.2%	139	181
Other	2.0%	2.0%	87	114
Total	100.0%	100.0%	4,281	5,691
Occupancy			58.6	78.0

Source: CON application #10221, page 24.

Note: The applicant's year two days above vary slightly from its Schedule 7A in all categories. Specific to Medicaid/Medicaid HMO Schedule 7A has 282 Medicaid (5.0 percent) and 93 Medicaid HMO days (1.6 percent) of CY 2018's total.

The applicant states that populations in Manatee County are projected to increase 5.6 percent between 2013 and 2018, with a 15.5 percent increase in populations ages 65 and over, particularly in the zip codes east of Interstate 75, which currently have the highest percentage of outmigration for CMR services in Manatee County, and are geographically proximate to the proposed project site.

Lakewood Ranch notes that its forecasted number of Manatee County CMR discharges for the 12 months ending June 30, 2013 were projected on the basis of age and zip code specific growth rates. The applicant assumes the proposed project will achieve a 25 percent market share of Manatee County discharges in year one (2017) and a 32.5 percent market share in year two (2018). Considering the amount of patients the applicant's facilities discharge to CMR services and the availability of existing providers, the applicant's projections may be optimistic.

Per the applicant, the table above demonstrates services from the proposed project will be available to a wide variety of payers, including Medicaid and charity care patients. However, charity care patient services are not defined here or in the applicant's Schedule 7B.

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

The applicant includes a copy of current hospital admission criteria for charity care patients which will remain unchanged as a result of the new unit (Appendix G).

(g) Utilization Reports. Facilities providing licensed comprehensive medical rehabilitation inpatient services shall provide utilization reports to the Agency or its designee, as follows:

- (1) 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.**
- (2) 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).**

The applicant did not respond to this criterion. However, Manatee Memorial Hospital LP facilities report to the local health council and the Agency and the CMR unit would be an extension to this reporting.

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.**

As stated previously, District 6 has 141 licensed and 32 approved CMR beds. District 6's 141 licensed CMR beds experienced 65.71 percent utilization during the 12-month period ended June 30, 2013. The applicant is applying outside of the fixed need pool.

Manatee Memorial Hospital LP notes only one of the four existing District 6 CMR providers, Blake Memorial Hospital, is located in Manatee County, geographically isolated in the far northwest corner of the county.

The applicant states that it is prepared to implement a high quality CMR program built on their experience as a provider of many inpatient and outpatient services. The applicant will utilize resources of the parent company, UHS, to further ensure quality of care. UHS affiliated Florida facilities do not have CMR units and Manatee Memorial Hospital LP does not discuss the parent company's provision of CMR services.

Manatee Memorial Hospital LP contends that the proposed project will enhance efficient delivery of inpatient CMR services to residents of Manatee County by:

- Permitting timely access to inpatient CMR services
- Permitting patients to receive care in a local facility that will minimize travel and other costs incurred by family participation in rehabilitative care
- Enabling expert doctors and nurses to identify and respond immediately to the changing medical needs of patients.

The applicant states that reported utilization of CMR services in Manatee County is distorted by the high volume of out-migration of Manatee County residents to obtain CMR services in facilities that are not located in District 6. As previously stated, the applicant contends that the proposed program will have little impact on existing District 6 providers, as the proposed location is geographically isolated and will draw from a large pool of patients currently obtaining CMR services in Sarasota County. It is noted that the majority of the applicant's CMR referrals are from Manatee Memorial Hospital, which is located approximately four miles from Blake Medical Center, an existing District 6 CMR provider.

- 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.**

Manatee Memorial Hospital LP d/b/a Lakewood Ranch Medical Center (CON application #10221) includes a copy of its Joint Commission Accreditation (Appendix H), and provides a summary of the existing Lakewood Ranch Quality Plan and Evaluation Policy, which will also be applied to the proposed program. The applicant states that quality outcomes are overseen by the hospital’s Board of Governors and its Quality Committee, as well as the hospital nursing leadership, Patient Safety Council, Medical Staff Quality Improvement Committee, Medical Executive Committee and Quality Improvement Teams. A copy of this Quality Plan and Evaluation Policy is included with the application (Appendix I).

Agency complaint records indicate that during the three-year period ending March 10, 2014, Lakewood Ranch Medical Center had one and Manatee Memorial Hospital had 17 substantiated complaints. A single complaint can encompass multiple complaint categories. The substantiated complaint for Lakewood comprised three categories: infection control, quality of care/treatment and resident/patient/client rights. These are included in the applicant’s substantiated complaint category table below.

Manatee Memorial Hospital LP Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Quality of Care/Treatment	12
Nursing Services	6
Resident/Patient/Client Rights	4
Administration/Personnel	2
Admission, Transfer & Discharge Rights	2
Resident/Patient/Client Assessment	2
Restraints/Seclusion General	2
Emergency Access	1
EMTALA	1
Infection Control	1

Source: Agency for Health Care Administration complaint records.

UHS, the applicant’s parent company, has 13 Florida hospitals (1,611 beds) with a total of 68 substantiated complaints during the same 36-month period. The table below has these listed by complaint categories.

UHS Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	Number Substantiated
Quality of Care/Treatment	29
Resident/Patient/Client Rights	17
State Licensure	8
Admission, Transfer & Discharge Rights	7
Nursing Services	7
Resident/Patient/Client Abuse	6
Resident/Patient/Client Assessment	6
Administration/Personnel	4
Restraints/Seclusion General	4
Emergency Access	3
EMTALA	3
Physical Environment	2
Falsification of Records/Reports	1
Infection Control	1
Physician Services	1
Unqualified Personnel	1

Source: Agency for Health Care Administration complaint records.

- c. What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.035(1) (d), Florida Statutes.**

Manatee Memorial Hospital LP operates two acute care hospitals in Manatee County, Florida and is a wholly owned subsidiary of Universal Health Services, Inc. (Parent).

The applicant provided copies of the December 31, 2012 and 2011, audited financial statements for Universal Health Services, Inc.’s Florida subsidiary, Universal Health Services, Inc. Hospitals in the State of Florida. Also included in the application is a letter signed by Steve Filton, Senior Vice President and Chief Financial Officer of Universal Health Services, Inc. indicating Universal will fund the project. The Agency analyzed the parent’s most recent 10-K filings in lieu of the Florida subsidiary’s audited financial statements.

Short-Term Position:

The parent’s current ratio of 1.4 is below average and indicates current assets are approximately 1.4 times current liabilities, an adequate position. The working capital (current assets less current liabilities) of \$372,441,000 is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.8 is slightly below average and an adequate position. Overall, the parent has an adequate short-term position (see Table 1).

Long-Term Position:

The ratio of long-term debt to net assets of 1.2 is 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 10.6 percent is slightly above average and an adequate position. The most recent year had revenues in excess of expenses of \$554,023,000 which resulted in a 6.6 percent operating margin. Overall, the parent has an adequate long-term position (see Table 1).

Capital Requirements:

The applicant indicates on Schedule 2 capital projects totaling \$4.5 million which includes this project and minor equipment purchases, major equipment purchases, minor projects, and major projects. In addition, the applicant is projecting a year one operating loss of \$309,856. The applicant will have to fund this loss until profitability can be achieved.

Available Capital:

The applicant indicates on Schedule 3 of its application that funding for the project will be provided by the parent. A letter from the parent's chief financial officer in support of the related company financing was included. The parent's 2013, 10-K filing shows \$17,238,000 in cash and current investments, \$372,441,000 in working capital, and \$884,241,000 in cash flow from operations.

TABLE 1 (Dollars in Thousands)		
Lakewood Ranch Medical Center – CON application #10221		
Universal Health Services, Inc.	Parent	Parent
	12/31/2013	12/31/2012
Current Assets (CA)	\$1,432,329	\$1,407,496
Cash and Current Investment	\$17,238	\$23,471
Total Assets (TA)	\$8,311,723	\$8,200,843
Current Liabilities (CL)	\$1,059,888	\$894,058
Goodwill	\$3,049,016	\$3,036,765
Total Liabilities (TL)	\$5,011,494	\$5,434,894
Net Assets (NA)	\$3,300,229	\$2,765,949
Total Revenues (TR)	\$8,411,038	\$7,688,071
Interest Expense (Int)	\$146,131	\$178,918
Excess of Revenues Over Expenses (ER)	\$554,023	\$489,047
Cash Flow from Operations (CFO)	\$884,241	\$799,231
Working Capital	\$372,441	\$513,438
FINANCIAL RATIOS		
	12/31/13	12/31/12
Current Ratio (CA/CL)	1.4	1.6
Cash Flow to Current Liabilities (CFO/CL)	0.8	0.9
Long-Term Debt to Net Asset (TL-CL/NA)	1.2	1.6
Times Interest Earned (ER+Int/Int)	4.8	3.7
Net Assets to Total Assets (NA/TA)	39.7%	33.7%
Operating Margin (ER/TR)	6.6%	6.4%
Return on Assets (ER/TA)	6.7%	6.0%
Operating Cash Flow to Assets (CFO/TA)	10.6%	9.7%

Staffing:

Staffing patterns for the applicant are displayed in their response to item E. 2. f.(3).

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 applicant’s 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 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.

The applicant will be compared to hospitals in the Rehabilitation Hospital Group (Group 18). We do not have case mix data available for rehabilitation hospitals, so an intensity factor of 0.9239 was calculated for the applicant by taking the projected average length of stay 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 length of stay. 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.

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

Projected net revenue per adjusted patient day (NRAPD) of \$1,368 in year one and \$1,414 in year two is between the control group median and highest values of \$1,017 and \$1,372 in year one and above the highest value of \$1,411 in year two. With net revenues falling between the median and highest level in year one, the facility is expected to consume health care resources in proportion to the services provided. With the year two net revenues falling only \$3 per adjusted admission above the highest value, the applicant is expected to consume health care resources in proportion to the services provided (see Tables 2 and 3).

Anticipated costs per adjusted patient day (CAPD) of \$1,440 in year one and \$1,230 in year two is above highest value of \$1,402 in year one, and between the highest and median values of \$1,442 and \$853 in year two.

With projected cost above the highest level, costs appear unreasonable in year one but become reasonable in year two (see Tables 2 and 3). The applicant is projecting a decrease in CAPD between year one and year two of \$210, or 14.6 percent. 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 \$1.0 million computes to an operating margin per adjusted patient day of \$183 or 13 percent which is between the control group lowest and median values of negative \$23 and \$214.

Conclusion: This project appears to be financially feasible.

TABLE 2

**Lakewood Ranch Medical Center
CON application #10221
2012 DATA Peer Group 18**

	Dec-17	YEAR 1	VALUES ADJUSTED		
	YEAR 1	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	8,296,046	1,909	1,490	582	475
INPATIENT AMBULATORY	0	0	6	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	1,457	841	738
OUTPATIENT SERVICES	0	0	510	101	0
TOTAL PATIENT SERVICES REV.	8,296,046	1,909	2,446	1,597	1,316
OTHER OPERATING REVENUE	121,678	28	69	2	0
TOTAL REVENUE	8,417,724	1,937	2,479	1,598	1,319
DEDUCTIONS FROM REVENUE	2,472,296	569	0	0	0
NET REVENUES	5,945,428	1,368	1,372	1,017	913
EXPENSES					
ROUTINE	2,295,861	528	429	155	138
ANCILLARY	1,701,546	392	334	195	164
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	3,997,407	920	0	0	0
ADMIN. AND OVERHEAD	1,784,804	411	0	0	0
PROPERTY	286,348	66	0	0	0
TOTAL OVERHEAD EXPENSE	2,071,152	477	764	440	328
OTHER OPERATING EXPENSE	186,728	43	0	0	0
TOTAL EXPENSES	6,255,287	1,440	1,402	829	727
OPERATING INCOME	-309,859	-71 -5.2%	330	214	-23
PATIENT DAYS	4,282				
ADJUSTED PATIENT DAYS	4,345				
TOTAL BED DAYS AVAILABLE	7,300				
ADJ. FACTOR	0.9855				
TOTAL NUMBER OF BEDS	20				
PERCENT OCCUPANCY	58.66%				
			VALUES NOT ADJUSTED		
			FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			88.5%	73.7%	55.1%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	139	3.2%			
MEDICAID	212	5.0%	7.8%	2.1%	0.0%
MEDICAID HMO	70	1.6%			
MEDICARE	2,683	62.7%	86.1%	77.4%	45.8%
MEDICARE HMO	301	7.0%			
INSURANCE	790	18.4%			
HMO/PPO	0	0.0%	47.9%	12.6%	6.8%
OTHER	87	2.0%			
TOTAL	4,282	100%			

TABLE 3

**Lakewood Ranch Medical Center
CON application #10221
2012 DATA Peer Group 18**

	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	11,466,910	1,993	1,533	599	489
INPATIENT AMBULATORY	0	0	6	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	1,498	865	759
OUTPATIENT SERVICES	0	0	524	104	0
TOTAL PATIENT SERVICES REV.	11,466,910	1,993	2,516	1,643	1,354
OTHER OPERATING REVENUE	126,545	22	71	2	0
TOTAL REVENUE	11,593,455	2,015	2,550	1,644	1,357
DEDUCTIONS FROM REVENUE	3,457,490	601	0	0	0
NET REVENUES	8,135,965	1,414	1,411	1,046	939
EXPENSES					
ROUTINE	2,436,497	423	442	160	142
ANCILLARY	1,937,380	337	343	201	169
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	4,373,877	760	0	0	0
ADMIN. AND OVERHEAD	2,103,986	366	0	0	0
PROPERTY	344,744	60	0	0	0
TOTAL OVERHEAD EXPENSE	2,448,730	426	786	453	337
OTHER OPERATING EXPENSE	258,098	45	0	0	0
TOTAL EXPENSES	7,080,705	1,230	1,442	853	748
OPERATING INCOME	1,055,260	183	330	214	-23
		13.0%			
PATIENT DAYS	5,692				
ADJUSTED PATIENT DAYS	5,755				
TOTAL BED DAYS AVAILABLE	7,300				
ADJ. FACTOR	0.9891				
TOTAL NUMBER OF BEDS	20				
PERCENT OCCUPANCY	77.97%				
			VALUES NOT ADJUSTED		
			FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			88.5%	73.7%	55.1%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	185	3.3%			
MEDICAID	282	5.0%	7.8%	2.1%	0.0%
MEDICAID HMO	93	1.6%			
MEDICARE	3,566	62.6%	86.1%	77.4%	45.8%
MEDICARE HMO	400	7.0%			
INSURANCE	1,050	18.4%			
HMO/PPO	0	0.0%	47.9%	12.6%	6.8%
OTHER	116	2.0%			
TOTAL	5,692	100%			

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

There are four existing CMR programs in District 6 and one approved program with a total of 141 licensed and 32 approved CMR beds. There is one existing CMR program in Manatee County.

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:

Price-Based Competition is Limited - 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. In this case 67.7 percent of patient days are expected to come from Medicare and Medicaid with 8.6 percent from Medicare and Medicaid HMOs.

The User and Purchaser of Health Care are Often Different – 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.

Information Gap for Consumers – 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.

Conclusion: Due to the health care industry's existing barriers in consumer based competition, this project will not likely foster the type 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.

The proposed 20-bed CMR unit will be created by renovating space of 8,009 GSF in the north end and 1,976 GSF in the south end of the hospital's third floor.

The proposed project includes 10 private and five semi-private patient bed rooms. Each patient room has its own separate toilet with shower. The size of the patient bed rooms exceeds the minimum requirements of the Guidelines for Design and Construction of Health Care Facilities. It appears all patient bed rooms and patient toilet/shower rooms comply with the accessibility requirements. However, modifications to the entrance of the patient bed rooms will be needed to meet Florida Building Code-Accessibility maneuvering clearance requirements.

The applicant's architectural plans and narrative do not propose to provide patient living areas such as dining, recreation and day space that are required by the Guidelines for Design and Construction of Health Care Facilities. Additional space will need to be allocated for the patient living requirement of 55 square feet of space per patient.

Although some support spaces are provided and adequately sized and located, other required support areas such as personal services, staff lounge and toilet are needed.

The current egress corridors and smoke compartments will be maintained. The narrative indicates CMR physical therapy/occupational therapy are provided and located on the third floor to the south end of the wing.

The architectural plans indicate that the project will comply with current codes. However, the design as presented has some deficiencies and modifications will be needed to meet current code requirements. The estimated construction costs and project completion forecast should be adjusted to reflect the necessary modifications.

The architectural review of the application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the owner.

- 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 table below illustrates the Medicaid/Medicaid HMO days and percentages as well as charity percentages provided by the applicable facilities in Fiscal Year 2012 from the Florida Hospital Uniform Reporting System (FHURS).

Manatee Memorial Hospital LP Facilities & District 6 Medicaid, Medicaid HMO and Charity Care Fiscal Year 2012				
Applicant	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percent	Charity Care Percent	Percent Combined Medicaid, Medicaid HMO and Charity Care
Lakewood Ranch	769	4.9%	2.3%	7.1%
Manatee Memorial	16,777	20.7%	5.5%	26.1%
District 6 Total	255,369	17.3%	4.6%	21.9%

Source: Agency for Health Care Administration FHURS 2012.

Manatee Memorial Hospital is allocated to receive \$3,340,640 in low income pool (LIP) program payments in FY 2013-2014, of which \$1,693,892 has been received as of March 20, 2014. Manatee Memorial is not a disproportionate share hospital.

Lakewood Ranch Medical Center is not a LIP program participant or a disproportionate share facility.

According to the applicant's Schedule 7B, the 20-bed CMR unit will have 4,282 patient days in year one (CY 2017) and 5,691 patient days in year two (CY 2018). Medicaid and Medicaid HMO days are projected to be 282 and 375 in years one and two respectively or 6.59 percent during each year. Charity care days are not provided in Schedule 7B or the notes to Schedule 7B. The applicant proposes to condition project approval to the provision of 9.5 percent of the 20-bed CMR unit's total annual patient days to Medicaid and charity care patients combined.

F. SUMMARY

Manatee Memorial Hospital LP d/b/a Lakewood Ranch Medical Center (CON application #10221), a wholly owned subsidiary of Universal Health System, Inc., proposes to establish a 20-bed comprehensive medical rehabilitation unit at its existing 120-bed acute care hospital in Bradenton, Florida, District 6.

The total project cost is estimated at \$1,998,131. The project involves 9,985 GSF of renovation with no new construction, at a renovation cost of \$495,000. Project costs include: building, equipment, project development and start-up costs.

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 comprehensive medical rehabilitation beds in District 6 for the July 2019 planning horizon.

District 6 has 141 licensed and 32 approved comprehensive medical rehabilitation beds. During the 12-month period ending June 30, 2013, District 6's CMR beds experienced 65.71 percent utilization.

The applicant is applying in the absence of published need based on the following not normal circumstances:

- Outmigration to facilities outside District 6 comprised 61.4 percent of the total Manatee County resident CMR admissions during the 12 months ending June 30, 2013.
- CMR patient discharge volumes from Lakewood Ranch Medical Center and Manatee Memorial Hospital are high enough (425 discharges during the 12 months ending June 30, 2013) to fill the proposed 20-bed CMR unit to over 75 percent of the proposed bed capacity. Manatee County residents accounted for 360 of the 425 total.

- Lakewood Ranch Medical Center and Manatee Memorial Hospital have been unable to place CMR-eligible Medicaid and charity care patients in CMR beds at levels proportionate to their numbers, and will serve these patients in the proposed unit. Additional detail documenting reasons for placement difficulty was not provided.
- The applicant indicates that approximately 10.5 percent of its patients referred to CMR services were Medicaid/Medicaid HMO patients and that its internal Manatee Memorial Hospital records support its contention that it is difficult to place these patients.
- The Agency's hospital discharge data indicates that 4.24 percent (18/425) of the applicant's total discharges to CMR during the 12 months ending June 30, 2013, were Medicaid/Medicaid HMO patients. Fourteen of these patients were Manatee County residents.
- Based on analysis of internal hospital records, CMR eligible patients placed in non-CMR care settings following acute care episodes experience higher readmission rates than patients discharged directly to CMR facilities. Studies have supported this and were cited by the applicant. Manatee Memorial contends but does not document that this often occurs because patients are referred outside the district.
- CMR eligible patients discharged to their home or outpatient care experienced the highest readmission rates and generally worse long-term clinical outcomes. While this is confirmed by the literature provided by the applicant, there is no evidence that patients in need of inpatient CMR services are not being appropriately referred.

Florida Center for Health Information and Policy Analysis hospital discharge data shows the total number of Manatee County residents discharged from CMR care during the 12 months ending June 30, 2013 totaled 1,120, with 14,823 patient days and an ALOS of 13.3 days.

Hospital discharge data shows the applicant had a total of 360 Manatee County resident discharges to CMR (251 from Manatee Memorial and 109 from Lakewood Ranch) for the 12 months ending June 30, 2013.

Manatee Memorial Hospital LP states the volume of patient days served outside District 6 yields an ADC of 25.4 patients and a bed need estimate of 29.9 beds at 85 percent occupancy.

However, the reviewer notes the ADC of 41.5 shown for the total Manatee County inpatient CMR patients is 40.6.

Applying the ALOS of 13.3 days to the applicant's total discharges of (360) Manatee County residents to CMR results in 4,788 patient days or an ADC of 13.1 patients. Including all (425) applicant facility discharges to CMR, increases this to 5,653 patient days or an ADC of 15.5 patients.

However, the applicant's total discharges to CMR include 65 non-Manatee County patients and 25 of these are Sarasota County residents.

Lakewood Ranch Medical Center is located near the southern border of Manatee County; a location the applicant states will minimize any impact on Blake Memorial's established CMR unit and maximize impact on the out-migration trend for CMR services.

CMR is a tertiary health care service which by definition should be provided by a limited number of hospitals. The majority of the applicant's CMR referrals were by Manatee Memorial Hospital, which is located approximately 3.87 miles from Blake Medical Center, an existing District 6 provider. Lakewood Ranch Medical Center is located approximately six miles from HealthSouth Rehabilitation Hospital of Sarasota and 7.5 miles from Sarasota Memorial Hospital. 15.6 percent (17/109) of Lakewood Ranch Medical Center's CMR referrals were Sarasota County residents.

Quality of Care:

Agency complaint records indicate, Lakewood Ranch Medical Center had one substantiated complaint and Manatee Memorial Hospital had 17 substantiated complaints during the three year period ending March 10, 2014.

UHS, the applicant's parent company, has 13 Florida hospitals (1,611 beds) with a total of 68 substantiated complaints during this 36-month period.

Manatee Memorial Hospital LP indicates that the majority of its CMR patients will be those with orthopedic or neurological disorders or events. The applicant's proposed CMR unit appears to be centered on the treatment of Manatee Memorial Health System patients.

The applicant demonstrated the ability to provide quality of care.

Medicaid/Indigent Care:

Lakewood Ranch Medical Center provided 4.9 percent (769 days) to Medicaid/Medicaid HMO and 2.3 percent of services to charity care and Manatee Memorial Hospital provided 20.7 percent of its total inpatient days to Medicaid/Medicaid HMO patients and 5.5 percent of its services to charity care during FY 2012 per FHURS data.

Lakewood Ranch Medical Center does not participate in the LIP program. Manatee Memorial Hospital is allocated to receive \$3,340,640 in LIP program payments in FY 2013-2014, of which \$1,693,892 has been received as of March 20, 2014. The applicant's facilities are not disproportionate share hospitals.

Lakewood Ranch proposes to condition project approval to provide 9.5 percent of the 20-bed CMR unit's total annual patient days to Medicaid and charity care patients combined.

The applicant's Schedule 7B indicates Medicaid and Medicaid HMO patients are projected to be 6.59 percent of the unit's total annual patient days during each year. Charity care is not addressed in Schedule 7B or its notes.

Cost/Financial Analysis:

This project appears to be financial feasible.

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

Due to the health care industry's existing barriers in consumer-based competition, this project will not likely foster the type competition generally expected to promote quality and cost-effectiveness.

Architectural Analysis:

The architectural plans indicate that the project will comply with current codes. However, the design as presented has some deficiencies and modifications will be needed to meet current code requirements.

The estimated construction costs and project completion forecast should be adjusted to reflect the necessary modifications.

G. RECOMMENDATION:

Deny CON #10221.

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