

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

North Brevard County Hospital District
d/b/a Parrish Medical Center/CON application #10234
951 N. Washington Avenue
Titusville, Florida 32796

Authorized Representative: Mr. Jeremy S. Bradford
Vice President of Ambulatory Services
(321) 268-6111

2. Service District

District 7 (Brevard, Orange, Osceola, and Seminole Counties)

B. PUBLIC HEARING

A public hearing was requested and a hearing was held on Thursday, October 23, 2014 at the Space Coast Health Foundation at 6905 North Wickham Road, Melbourne, Florida 32940. The hearing lasted approximately one hour and 25 minutes and was facilitated by Ken Peach, Executive Director of the Health Council of East Central Florida, Inc.

The applicant waived its right to speak first and Ms. Robin Gage presented opposition on CON application #10234 on behalf of HealthSouth Sea Pines. Ms. Gage stated that the projected utilization presented by RehabCare within the application was unreasonable and that the proposed unit was not financially feasible. She indicated that the Comprehensive Medical Rehabilitation (CMR) rates for the Parrish Medical service area and for Brevard County in general are above the state average.

Ms. Gage noted that the North Brevard County Hospital District has the authority to more economically meet the needs of the limited number of clinically qualified patients allegedly not being admitted to HealthSouth by providing transportation for the patients' family members and by contracting with HealthSouth for underfunded residents.

Ms. Denise McGrath, Chief Executive Officer of Sea Pines, began by stating that Parrish Medical has been a good partner with her facility. She also indicated that her facility has a successful rooming-in program for family of residents.

Ms. McGrath noted that projections in the application do not meet the 60 percent rule and the upcoming 2015 rule changes. She contended that the hospital cannot make more than a six-bed program. Ms. McGrath indicated several other points, including:

- The Brevard County population is not underserved in terms of CMR use
- Parrish Medical has no experience in CMR services
- RehabCare's projections within the application are unreasonable
- Solutions are available that are less costly than the proposed unit

The applicant requested and was granted a break to review the opposition presentation. Mike Cherniga, attorney with Greenberg Traurig, spoke next on behalf of the applicant. Mr. Cherniga noted that there is Agency precedent for granting CMR applications without published need, citing specifically the Agency's granting of HealthSouth's Seminole County CON application.¹ He indicated that Brevard County is the longest county in the state and North Brevard County is its own distinct medical market.

Mr. Cherniga went on to state that the utilization and statistics presented in the application by RehabCare were verified by the health planning consultant who prepared the application. He asserted that the proposed facility will have no adverse impact to the North Brevard Hospital District or to the HealthSouth Sea Pines facility.

Brian Samberg, Division Vice President of RehabCare Group, Inc., spoke next on behalf of the applicant. He noted that the bed need methodology employed in the application was based on Centers for Medicare & Medicaid Services (CMS) use rates, patient data and population data and met the 60 percent rule "absolutely". Mr. Samberg indicated that the opposition presented a "gross simplification of the process" and stated

¹ The reviewer notes that December 9, 2011, the Agency initially denied CON application # 10127 for HealthSouth Rehabilitation Hospital of Seminole County, LLC to establish a 50-bed CMR hospital in Seminole County.

that no changes were upcoming in 2015 as stated by Ms. McGrath. He also noted that the opposition has a misassumption regarding costs and that RehabCare's compensation was based on a per discharge basis—so that as the census increases so would services.

Mark Richardson, health care planning consultant, spoke last on behalf of the applicant. He stated that the application was unique in that it had such support--including letters of support from other hospitals such as Halifax Health Medical Center and Wuesthoff Medical Center.

Mr. Richardson noted the lack of financial accessibility in Brevard County to CMR services, as HealthSouth does not, in general, provide services to Medicaid or charity care patients. He indicated that the applicant is a disproportionate share hospital (DSH). Mr. Richardson concluded by stating that it was time for residents of northern Brevard to have geographic and financial access to CMR services and that the Agency should approve CON application #10234.

Ms. Gage on behalf of HealthSouth Sea Pines asked to submit a written document of opposition. The document focused on six major reasons why the application should not be approved:

- HealthSouth maintains that even assuming Parrish Medical retains all the post-acute care patients now admitted to HealthSouth and those not admitted for financial or geographic reasons—the proposed unit is not financially feasible and will harm the North Brevard County Hospital District financially. In addition, the utilization RehabCare projects for the proposed CMR unit is unrealistic relative to CMR use rates in Florida and to HealthSouth's actual experience at Parrish Medical.
- With reasonable utilization projections, the Parrish Medical unit will have an average daily census of no more than 5.5 patients, resulting in a financial loss of \$1.1 million per year. The financial situation of the North Brevard County Hospital District is deteriorating which makes it imprudent to risk over five million in capital expenditures and over two million in management fees to Rehab Care for an unneeded unit. As a public entity, the North Brevard County Hospital District should not further endanger its financial well-being by seeking to provide CMR services.
- CMR is a tertiary service, but one that should be available in each distinct medical market that has sufficient population. Unlike other areas where the Agency has approved applications for CMR hospitals or units, northern Brevard County is not a separate medical market from the rest of Brevard County. The residents of the Parrish Medical service area rely on hospitals throughout Brevard County for most tertiary hospital and physician services.

- The CMR use rates per 10,000 population for the Parrish service area (22.5) and for Brevard County (26.8) are above the state average (20.2), indicating that the residents of the Parrish Medical service area are not underserved.
- Based on the data in the application, the unmet need due to financial or geographic access is approximately 1-2 patients per month. The Affordable Care Act and Florida's adoption of a managed care model for Medicaid substantially increases financial access going forward. In addition, the North Brevard County Hospital District has the authority to more economically meet the needs of the limited number of clinically qualified patients allegedly not being admitted to HealthSouth by providing transportation for the patient's family members and by contracting with HealthSouth for underfunded residents of the North Brevard County Hospital District.
- The rehabilitation outcomes for CMR patients at Parrish Medical will, with reasonable probability, be worse than if the patient was admitted to HealthSouth.

Mr. Peach allowed the applicant time to review the document and respond to it.

Mike Cherniga stated that he would like his client to have the opportunity to respond to the written document. Mr. Richardson responded by stating a couple of key points:

- He rebutted the idea that small CMR units with hospitals cannot provide the level of care of larger freestanding CMR hospitals
- The applicant will bring Parrish Medical's entire continuum of care to the proposed CMR unit
- He noted that RehabCare has served over 500,000 patients
- RehabCare has an 8.71 readmission rate whereas Agency discharge data shows that HealthSouth patients have a 13 percent readmission rate

Ms. McGrath responded to the applicant's comments by stating that she is not aware that the applicant's data (Electronic Health Records) has been severity adjusted as independent rehabilitation hospitals serve a much more severe acuity patient. She also noted that according to a March 2014 study by Dobson & DeVanzo Associates--when outcomes of freestanding rehabilitation hospitals were compared to hospital CMR units, the outcomes in the freestanding hospitals were better.

Mr. Peach adjourned the public hearing at 2:25 p.m.

Letters of Support

The applicant submitted a total of 82 unduplicated letters of support which can be found in CON application #10234, Volume 1, Tab 3. Letter writers include 37 local health care providers, including three current Parrish Medical physicians, and 13 leaders of health care businesses, including the presidents of Halifax Health, Bert Fish Medical Center and Wuesthoff Health System. The remainder originated from 14 residents of the north Brevard community, 11 leaders of local businesses and five government officials. Lastly, the Titusville Area Chamber of Commerce and Brevard Healthcare Forum (the local health planning body) each submitted one letter.

A number of the letters from local health care providers are variations of a form letter. This letter indicates these providers have worked closely with Parrish Medical to provide the highest level of care to their mutual patients. These providers believe providing rehabilitative care locally will give them an increased ability to monitor the patient's healing process and will offer the patient the comfort of knowing family members can visit without having to travel out of town.

Tim Cerullo, Chief Executive Officer (CEO) of Wuesthoff Health System, believes the requirement for inpatient rehabilitation beds should be at the discretion of the hospital. He writes, "If the hospital has enough community need based on its analysis to support inpatient rehabilitation beds, it supports the need of their patients, and they are willing to make the investment in the infrastructure, then it is the opinion of Wuesthoff Health System that they should be allowed to proceed."

Jeff Feasel, President and CEO of Halifax Health Medical Center, believes the addition of a CMR unit would significantly enhance the comprehensive, quality and patient-driven care already provided at Parrish Medical. He speaks of his experience with a partnership his facility, Halifax Health, has created with Brooks Rehabilitation to provide a medical rehabilitation program in Daytona Beach. He says, "Through collaboration, we provide extraordinary and critical care when our residents need it the most. Parrish Medical, through its collaborative relationships, will strengthen its goal to create the community's foremost healing environment in service through the addition of this medical care."

Three current Parrish Medical physicians--Doctors Christopher Manion, Michael Magee and Patrick Sonser--discuss the benefits of their patients receiving local CMR care. Dr. Manion states, "By having Acute Rehab services onsite--it will lower our costs to our system by providing care at

the proper level, allow the Hospitalist group to continue to follow the patient and lower our length of stay.” Drs. Magee and Sonser indicate they both have had patients whose insurance was not accepted at the current options for acute inpatient rehabilitation.

C. PROJECT SUMMARY

North Brevard County Hospital District d/b/a Parrish Medical Center (CON application #10234), which will be referred to as Parrish Medical or the applicant, proposes to establish a new 20-bed comprehensive medical rehabilitation (CMR) unit at their existing facility in Titusville, Brevard County, Florida, District 7.

Parrish Medical is a 210-bed not-for-profit Class I acute care hospital composed solely of acute care beds located at 951 N. Washington Avenue, Titusville, Florida 32796. Parrish Medical is part of the North Brevard Hospital District—a legislatively-chartered health care organization governed by a nine-member board with three members appointed by the City Council, three members appointed by the Brevard County Board of County Commissioners and three members appointed by the Brevard County Board of County Commissioners with City Council confirmation. Non-CON regulated services at the facility include Level I adult cardiovascular services and designation as a primary stroke center.

The total project cost is estimated at \$5,262,711. The project involves 16,300 gross square feet (GSF) of renovation with no new construction, at a renovation cost of \$3,691,647. Project costs include: building, equipment, project development and start-up costs.

The applicant proposes the following conditions on its Schedule C upon approval of the proposed project:

- The proposed 20-bed CMR unit will be located within Parrish Medical
- Parrish Medical will provide nine percent of its CMR patient days to a combination of Medicaid, Medicaid Managed Care, charity care, and self-pay patients
- Parrish Medical will maintain its Joint Commission accreditation
- Parrish Medical will seek CARF (Commission on Accreditation of Rehabilitation Facilities) accreditation for its CMR program within 12 months of program initiation
- Parrish Medical will evaluate and admit patients to the proposed CMR program and provide rehabilitation therapies seven days a week

- Parrish Medical will establish a stroke/neurological disease rehabilitation program upon opening the proposed CMR program and will seek Joint Commission and CARF accreditation for its stroke rehabilitation program within three years of program initiation
- Parrish Medical will establish an orthopedic/hip fracture rehabilitation program upon opening the CMR program
- Parrish Medical will provide an Activities of Daily Living suite within the CMR facility at program initiation to support occupational therapy care to CMR patients
- Parrish Medical will delicense 20 acute care beds which will not be added back for at least five years from the proposed CMR unit's initiation

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 and Commission on Accreditation of Rehabilitation Facilities (CARF) accreditation (the third, fourth and sixth conditions) 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.

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, Lucy Villafrate 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 review criteria and application content requirements found in sections 408.035, and 408.037; and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code.

1. Fixed Need Pool

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? ss. 408.035 (1)(a), Florida Statutes, Rules 59C-1.008(2) and 59C-1.039(5), Florida Administrative Code.**

In Volume 40, Number 39 of the Florida Administrative Register, dated July 18, 2014, a fixed need pool of zero beds was published for CMR beds for District 7 for the January 2020 planning horizon. Therefore, the applicant's proposed project is outside the fixed need pool.

As of July 18, 2014, District 7 had 186 licensed and 69 approved CMR beds. During the 12-month period ending December 31, 2013, District 7's 186 licensed CMR beds experienced 62.66 percent utilization. Approved projects are: HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON application #10127), to establish a 50-bed CMR hospital, Nemours Children's Hospital (CON application #10167), to establish a nine-bed CMR unit, and Florida Hospital (E130011), to add 10 CMR beds.

- 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.**

As shown in the table below, District 7's 186 licensed CMR beds experienced 62.66 percent occupancy during the 12-month period ending December 30, 2013.

**CMR Bed Utilization, District 7
January 1, 2013 - December 31, 2013**

Facility	Beds	Total Occupancy
HealthSouth Sea Pines Rehabilitation Hospital	90	64.22%
Florida Hospital	10	89.23%
Orlando Regional Medical Center	53	50.71%
Winter Park Memorial Hospital	20	81.52%
Central Florida Regional Hospital	13	44.13%
District 7 Total	186	62.66%

Source: Florida Hospital Bed Need Projections & Service Utilization by District, July 2014 Batching Cycle

In addition, the last five years of utilization for these facilities are illustrated below.

**District 7 CMR Utilization
Five Year Period Ending December 31, 2013**

Facility	Beds	1/1/2009-12/31/2009	1/1/2010-12/31/2010	1/1/2011-12/31/2011	1/1/2012-12/31/2012	1/1/2013-12/31/2013
HealthSouth Sea Pines Rehab Hospital	90	52.66%	50.65%	56.35%	60.40%	64.22%
Florida Hospital	10	90.03%	93.42%	94.38%	91.61%	89.23%
Orlando Regional Medical Center*	53	53.97%	55.21%	55.35%	54.86%	50.71%
Winter Park Memorial Hospital	20	81.59%	83.37%	82.38%	83.21%	81.52%
Central Florida Regional Hospital**	13	N/A	N/A	N/A	N/A	44.13%
District 7 Total	186	58.56%	58.30%	62.17%	63.15%	62.66%

Source: Florida Hospital Bed Need Projections & Service Utilization by District, July (2010-2014) Batching Cycles

*Orlando Regional's CMR unit was licensed as Orlando Regional Lucerne Hospital until July 1, 2009

**Central Florida Regional Hospital established a 13-bed CMR unit via CON #10128 and received licensure on 05/17/2013

c. Other Special or Not Normal Circumstances

The applicant states that the proposed project is submitted as a “not-normal” circumstance based on current geographic and financial access limitations that will be resolved by the new project. Parrish Medical believes it is unlikely there will ever be a published need for CMR beds because licensed CMR facilities are currently allowed to add beds without CON review. Parrish Medical notes the Agency has previously approved CMR units where need has not been published on several occasions, District 7 included.

Parrish Medical asserts that if the proposed project is approved, it will work with RehabCare to establish the CMR unit. The applicant states that RehabCare is a proven national rehabilitation provider with over 30 years of experience in the establishment and operation of over 100 inpatient rehabilitation programs across the United States.

Parrish Medical maintains north Brevard County is a unique medical market in need of CMR services that is distinct and separate from the south Brevard, Orange, Osceola and Seminole County markets. The applicant contends that in north Brevard, the cohort most likely to use CMR services (ages 65+) reject long/out of area trips, opting to receive less intensive care at lower level services or forgo rehabilitation treatment completely. Parrish Medical asserts this suboptimal service substitution adversely impacts ultimate recovery outcomes. The reviewer notes that no statistical data in reference to the service area was submitted to support adverse outcomes.

The applicant believes that the impact of the lack of reasonable geographic access to CMR care can be shown when actual Parrish Medical discharges to CMR are compared to forecasted potential CMR discharges. According to the applicant, during Fiscal Year (FY) 2013, Parrish Medical discharged 130 patients to CMR care. As illustrated in the chart below, Parrish Medical estimates that 413 discharges to CMR service could be expected if the proposed project was implemented. Parrish Medical and RehabCare believe the data shows that while 13 to 14 percent of all patients that fall within a Rehabilitation Impairment Code (RIC) category will typically access inpatient rehabilitation care--Parrish Medical’s experience shows that only 4.4 percent of its RIC patients were referred for this service.

Parrish Medical Discharges X RIC

Diagnosis	RICS	# Of Cases	% Requiring Rehab	Rehab Points	ALOS	Rehab Patient Days
		<u>A*</u>	<u>B**</u>	<u>C***</u>	<u>D****</u>	<u>E*****</u>
Stroke-Primary	Ric 1	229	35.9%	82	14.5	1,188
Stroke-Secondary	Ric 1	55	7.5%	4	14.5	60
BI-Traumatic	Ric 2	15	21.3%	3	12.5	40
BI-Non Traumatic	Ric 3	74	15.4%	11	12.0	137
SCI-Traumatic	Ric 4	0	95.3%	0	14.9	0
SCI- Non Traumatic	Ric 5	82	22.9%	19	12.3	230
Neurological	Ric 6	45	51.4%	23	12.1	279
Fracture	Ric 7	149	60.6%	90	13.0	1,173
Joint Replacement (Other)	Ric 8	93	11.0%	10	9.1	93
BI-Hip Repl or Single Hip>84	Ric 8	13	11.5%	1	11.0	16
BI-Knee Repl or Single Knee>84	Ric 8	5	56.4%	3	9.6	27
Other Ortho	Ric 9	44	20.4%	9	11.5	103
LE Amputation	Ric 10	55	8.1%	4	13.7	61
Other Amputation	Ric 11	4	15.2%	1	12.9	8
Osteoarthritis	Ric 12	162	5.5%	9	11.8	104
Rheumatoid	Ric 13	6	22.4%	1	11.4	15
Cardiac	Ric 14	599	1.5%	9	10.5	94
Pulmonary	Ric 15	341	2.5%	8	10.7	91
Pain Syndrome	Ric 16	56	5.5%	3	11.0	34
MMT no bi/sci	Ric 17	N/A	N/A	N/A	13.2	N/A
MMT w/bi & sc	Ric 18	N/A	N/A	N/A	14.3	N/A
Guillain-Barre	Ric 19	1	18.5%	0	24.8	5
Miscellaneous	Ric 20	946	12.3%	116	11.0	1,275
Burns	Ric 21	1	3.7%	0	17.5	1
Total		2,975	13.9%	413	12.2	5,032
Internally Generated IRF (Inpatient Rehabilitation Facility) Average Daily Consensus (ADC)			13.79			

*Number of patients admitted to Parrish Medical from October 1, 2012 through September 30, 2013 that fell into a RIC grouping (inpatient only, excluding observation, maternity, and those under 16)

**The percentage of patients requiring rehab by RIC grouping (utilizing RehabCare's past experience)

***The anticipated percent to CMR (B) was applied to Parrish Medical patient volume in each RIC (A)

**** Average Length of Stay (ALOS) by RIC

*****ALOS applied to number of CMR patients

Source: CON application #10234, page 31

Additionally, Parrish Medical and RehabCare estimated an ADC of 13.79 by taking the total CMR patient days predicted and dividing by 365. Parrish Medical believes this data shows a CMR bed need of 17, 18 or 20 beds depending upon the use of a 70, 75, or 80 percent target occupancy rate -- based solely on Parrish Medical's internal FY 2013 patient base.

Parrish Medical determined its hospital serves 52 percent of total service area acute care discharges. According to the applicant, this leaves 48 percent or 5,567 actual north Brevard County acute care discharges who could potentially utilize a local CMR. The applicant indicates a Parrish Medical CMR unit could expect a +9.0, +18.0 or +28.0 percent increase in volume assuming 10, 20 or 30 percent of these discharges would utilize a local CMR unit. Next the applicant applied these volume increase scenarios to the previous Parrish Medical-only CMR volume and

determined the expected CMR ADC could be 15.1, 16.3 or 17.6 (versus 13.79 for Parrish Medical-only discharges). The applicant points out that this assumes only a small portion of the non-Parrish Medical discharges would utilize the CMR unit. Please see the table below.

**Impact of Treating Non-Parrish Medical Patients
In the Parrish Medical CMR Unit**

	Percent of Non-Parrish Medical Discharges Seeking CMR Care at Parrish Medical		
	10%	20%	30%
Non-Parrish Medical Service Area Discharge Potential	557	1,113	1,670
<i>from a base of 5,567 non-Parrish Medical discharges</i>			
Percent Increase in Parrish Medical Total Discharges Associated with the Shift to Parrish Medical	9.2%	18.5%	27.7%
<i>from a 2013 Parrish Medical base of 6,025 discharges</i>			
Forecast CMR Patient Days with Increase in Base Discharges	5,497	5,962	6,427
<i>from a base of 5,032 patient days</i>			
Forecast CMR ADC with Increase in Base Discharges	15.1	16.3	17.6
<i>from a base of 13.79 ADC</i>			

Source: CON application #10234, page 44

The applicant states that converting the expanded (to also include a portion of non-Parrish Medical patients) ADC into a bed need using the same 70, 75 or 80 percent target occupancy rates results in a bed need estimate of 19 to 25 beds.

Parrish Medical predicts utilization of the proposed project using discharges from Parrish Medical-only CMR patient days and the assessment of the expanded CMR potential days when non-Parrish Medical acute care discharges in the service area are considered. The applicant estimates 3,986 and 5,413 CMR patient days would be treated in the new CMR unit in years one and two, respectively. The applicant believes comparing these forecast volumes to the service potential show that these predictions are realistic -- with year one patient days below even the Parrish Medical-only patient day estimate and year two patient days below even the lowest +10 percent of the non-Parrish Medical volume scenario.

By comparing District 7 CMR use rates to statewide rates, the applicant finds that District 7's are the lowest in Florida. The applicant argues that this analysis documents a district-wide access limitation, supporting Parrish Medical's contention that "not-normal" circumstances are present. Please see the chart below.

CMR Use Rates for CY 2013

Discharged from CMR	CMR Discharges	Population	Use Rate Decimal	Use Rate Per 1,000
Florida Total	39,117	19,318,859	0.00202	20.2
District 1	879	706,334	0.00124	12.4
District 2	2,556	731,495	0.00349	34.9
District 3	3,737	1,638,633	0.00228	22.8
District 4	3,478	1,977,588	0.00176	17.6
District 5	3,278	1,396,864	0.00235	23.5
District 6	3,006	2,357,260	0.00127	12.7
District 7	2,818	2,472,750	0.00114	11.4
District 8	3,887	1,630,812	0.00238	23.8
District 9	4,122	1,965,445	0.00210	21.0
District 10	4,930	1,785,823	0.00276	27.6
District 11	6,426	2,655,855	0.00242	24.2

Source: CON application #10234, page 74

To further illustrate geographic limitations, Parrish Medical identifies a minimum of 28 patients at their hospital that were appropriate for CMR care but did not receive it upon discharge for the period from January 2013 to May 2014. HealthSouth Sea Pines -- currently the only CMR provider in Brevard County -- was a referral option in these cases. Seven patients were declined by HealthSouth Sea Pines at least in part due to payer/out of network issues, 10 patients decided HealthSouth Sea Pines was too far from home/family and the rest of the patients were declined for admission for an array of reasons not identified by the applicant. The applicant notes this is not a full list of all Parrish Medical patients that could have benefited from CMR care. The applicant believes that this shows the proposed project will be able to resolve financial and geographic limitations for north Brevard County patients needing CMR care.

The applicant argues an additional “not normal” circumstance is that CMR CON Rule 59C-1.039 Florida Administrative Code has not been amended since 1995. Parrish Medical states that the rule is not reflective of the current health care system and does not support CMR policy changes, current medical literature and the change in CMR delivery away from the old regional referral model and toward a more locally-based treatment model.

Parrish Medical states 89 percent of its patients served are from the Titusville/Port St. John/Mims area -- otherwise described as north Brevard County. The other 11 percent are from the Cocoa/Cocoa Beach area.

The applicant indicates that the population in its service area is concentrated in Titusville, with two Titusville ZIP codes accounting for 58 percent of the service area population. As illustrated in the chart below, the elderly cohort of age 65-74 is forecasted to grow by 22.2 percent from

2014 to 2019. The applicant also notes the 65-74 population and the 75+ population as a percentage of total population is predicted to grow from 11.3 percent to 13.5 percent and 8.7 percent to 9.1 percent from 2014 to 2019, respectively.

**Parrish Medical’s Service Area Demographic Assessment
2014 to 2019 Population Percent Change**

ZIP Code	City	0-14	15-44	45-64	65-74	75+	Total
32754	Mims	-8.0%	1.5%	-5.4%	18.9%	10.5%	0.9%
32780	Titusville	2.9%	3.8%	-4.3%	20.6%	5.6%	3.7%
32796	Titusville	-3.7%	0.8%	-6.5%	19.3%	2.8%	0.4%
32927	Port St. John	-5.8%	-1.1%	-0.5%	31.1%	13.2%	1.5%
	Total	-2.3%	1.2%	-3.7%	22.2%	6.8%	2.0%

Source: CON application #10234, page 38, based on Nielsen Pop-Facts© 2014

Parrish Medical discusses how Brevard County has been seriously impacted economically by the shutdown of the National Aeronautics and Space Administration (NASA)’s space shuttle program. The applicant indicates that Brevard County’s unemployment rate reached a high of 11.4 percent just after the program closed and still remains above the Florida statewide and national levels, at 7.1 percent.

Parrish Medical maintains that with job loss and economic decline, the provision of health care must be structured to include the treatment of patients with limited financial resources and limited health insurance options. Due to their strong history of providing Medicaid and charity care, the applicant believes they are the correct organization to operate a CMR service providing care to all regardless of ability to pay. The applicant asserts that with the local economy still impaired, it is important for Parrish Medical to maximize the utilization of all available assets to ensure the organization remains a viable and active participant in the Brevard County marketplace.

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.**

Parrish Medical 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 unit within a general hospital or specialty hospital.**

The applicant indicates that the CMR unit will be a separately organized unit on the third floor of the hospital.

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

Parrish Medical is in compliance with this rule.

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

The applicant currently participates in the Medicare and Medicaid program and states intent for the proposed CMR unit to likewise participate. Parrish Medical is conditioning project approval on a combined nine percent of CMR patient days to Medicaid, Medicaid HMO, charity care and self-pay patients.

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.**

Parrish Medical states intent to comply with this rule. The applicant indicates that while the medical director has not yet been identified, Parrish Medical and their rehabilitation partner, RehabCare, anticipate that an appropriate physician will be in place to provide the medical support in the operation of the new program.

(2) Other Required Services. In addition to the physician services, CMR inpatients 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 that it will not only ensure the availability of each of the above services to every patient, but also will make available physician and allied health consulting services, including, but not limited to:

- General surgery
- Internal medicine
- Neurology
- Neurosurgery
- Ophthalmology
- Urology
- Nutritionist
- Otorhinolaryngology
- Pediatrics
- Physical medicine and rehabilitation
- Pulmonary medicine
- Orthopedic surgery
- Respiratory therapy
- Psychologist

Parrish Medical indicates that the proposed program will provide or make formal arrangements with existing local professionals to provide for the following services: vocational rehabilitation, orthotics/prosthetics, rehabilitation engineering, driver education and therapeutic recreation.

After discharge, Parrish Medical plans on developing an individualized AfterCare program which includes periodic counseling sessions, discussion meetings and “self-help” groups which enable patients and their families to share actual challenges during the reintegration back into each one’s own environment.

c. Criteria for Determination of Need:

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

Parrish Medical states it has provided a comprehensive discussion of “not normal” circumstances, but believes further support of those factors can be found in the context of prior Agency CMR decisions—in particular the Agency’s approval of CON application #10127 (submitted by Central Florida Regional Hospital, Inc. to establish a 13-bed CMR unit in Seminole County). The reviewer notes that Central Florida Regional Hospital was actually CON application #10128.

According to the applicant, the closest existing District 7 CMR unit to Parrish Medical is Central Florida Regional Hospital (CFRH)-- located outside Brevard County and 34.3 miles from Parrish Medical with a travel time of 45 minutes or 52 minutes including traffic. Parrish Medical maintains CFRH stated in its CON application that it would not expect to treat Brevard County residents. The applicant points out this required travel distance is greater than the geographic constraints found in all of the recent Agency CMR CON approvals. Please see the chart below.

Agency Approved New CMR Facilities or Units

Facility	Agency Initial Decision Date	District	County	Distance from Closest Existing CMR
HealthSouth of Marion County	Aug-10	3	Marion	31.9 miles to Leesburg
Halifax Medical Center	Aug-10	4	Volusia	8.1 miles to FL Hospital Oceanside
HealthSouth Martin County	Feb-11	9	Martin	24.7 miles to Lawnwood Reg Ft. Pierce
Central Florida Reg Hospital	Aug-11	7	Seminole	21.1 miles to Winter Park
HealthSouth of Seminole County	Aug-11	7	Seminole	24.7 miles to Lawnwood Reg Ft. Pierce
HCA Orange Park Med Center	Aug-12	4	Clay	23.9 miles to Winter Haven
Lakeland Regional Med Center	Aug-12	6	Polk	16.3 miles to Winter Haven
The Villages Reg Hospital	Feb-14	3	Sumter	19.5 miles to HS Ocala

Source: CON application #10234, page 55

Parrish Medical argues the ultimate Agency decision to approve CON application #10128 -- submitted by HealthSouth Rehabilitation Hospital of Seminole County, LLC to establish a 50-bed CMR hospital -- validates two other “not normal”

circumstances also presented by the applicant. These circumstances are the significantly low CMR use rates in the service area and the mal-distribution of beds in District 7. The reviewer notes that HealthSouth Rehabilitation Hospital of Seminole County, LLC was actually CON application #10127 and was initially denied by the Agency. The applicant indicates that the Agency ultimately settled with HealthSouth without the matter going to administrative hearing.

The applicant believes north Brevard County is a relevant medical market for consideration of “not normal” circumstances. The applicant states residents of north Brevard do not have reasonable geographic and financial access to CMR services. Parrish Medical asserts that this lack of reasonable access reduces the quality of care and worsens patient outcomes in the current medical market.

- a. **Most Recent Average Annual District Occupancy Rate. Regardless of whether bed need is shown under the need formula in Rule 59C-1.039 (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.**

The most recent average annual District 7 occupancy rate for CMR beds was 62.66 percent. The applicant states that the project is based on not normal circumstances and contends that this section is not applicable.

- (3) **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:**

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

Parrish Medical participates in the low income pool (LIP) and DSH programs. The table below illustrates the applicant’s estimated annual allocations for FY 2014-2015 as noted in the General Appropriations Act.

**Parrish Medical Center’s LIP and DSH
Estimated Annual Allocations for FY 2014-2015**

Program	Estimated Annual Allocation
LIP	\$8,852,481
DSH	\$1,446,418

Source: Agency Division of Medicaid, Office of Program Finance

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

The applicant states intent to provide unencumbered access to Medicaid patients requiring CMR services. Parrish Medical conditions the proposed project to provide nine percent of its patient days to a combination of Medicaid, Medicaid HMO, and charity care/self-pay patients.

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

Parrish 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 7 CMR services.

However, the applicant argues the current 34-51 mile travel distance required to get to an existing CMR facility from north Brevard County does not provide adequate or reasonable access to required rehabilitation care. As illustrated in the chart below, the applicant contends required travel of at least 45 minutes “without traffic” and 52 minutes “with traffic” is a “not-normal” situation that supports the approval of the proposed project.

Parrish Medical Distance to Existing/Approved CMR Providers

Existing/Approved District 7 CMR Providers	Distance from Parrish Medical		
	Miles	Travel Time	Travel Time with Traffic
HealthSouth Sea Pines Melbourne	51.2	54 min	1 hour 18 min
Orlando Health Inpatient Rehab Orlando	42.8	54 min	1 hour 6 min
Florida Hospital Orlando	45.4	55 min	1 hour 6 min
Central Florida Regional Sanford	34.3	45 min	52 min
Winter Park Hospital	39.1	57 min	1 hour 9 min
HealthSouth Altamonte (<i>not yet licensed</i>)	51.8	60 min	1 hour 12 min

Source: CON application #10234, page 59, based on Data from Bing maps 08/20/2014, 11:00 AM.

Parrish Medical also notes that the Agency has recently approved a number of new CMR services in situations where existing CMR programs were closer to each proposed project than in the situation present in this application.

e. Quality of Care

- (1) Compliance with Agency Standards. Comprehensive medical Rehabilitation inpatient services 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.**

Parrish Medical states that the hospital has a strong and proven record of providing high quality patient care to its patients and the residents of north Brevard County. The applicant has been awarded four disease-specific certification gold seals from the Joint Commission, one in each of the following: acute coronary syndrome, breast cancer, heart failure and stroke.

Parrish Medical plans to utilize their Quality Improvement Performance Plan at the proposed CMR unit, which can be found in Appendix 6 of CON application #10234. Additionally, RehabCare will incorporate its standard practice of program evaluation. This involves tracking several clinical outcome measures and reporting the information to Parrish Medical, who will then benchmark performance against national standards.

The applicant concludes that both of these systems will provide Parrish Medical and RehabCare the opportunity to closely monitor daily patient and therapist activity in real time so adjustments can be made as necessary to any issue that may arise.

- 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

The applicant indicates that the proposed CMR program will be focused on adult patients age 16+ and will treat all patients in need of rehabilitation care consistent with the program's admission criteria. Parrish Medical notes while the majority of patients to be served will be age 65+, a wide range of patients under the age of 65 will also be served.

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

The applicant states intent to provide a wide array of inpatient rehabilitation programs including: stroke, head trauma, spinal cord injury, neurological, orthopedics, cardiac, pulmonary and wound.

(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.

Parrish Medical provides the following staffing pattern for years one and two of its CMR program. The applicant states the CMR program will result in incremental staff additions. The reviewer notes staffing for the total facility in year two is lower than in year one.

Staffing Pattern for CON Application #10234

	Year One Ending 09/30/2016		Year Two Ending 09/30/2017	
	FTEs Added	Total Facility FTEs	FTEs Added	Total Facility FTEs
ADMINISTRATION				
Administrator/Program Director	1.0	1.0	1.0	1.0
Director of Nursing	--	1.0	--	1.0
Admissions Director	--	1.0	--	1.0
Medical Records Clerk	--	--	--	--
Clinical Liaison	1.0	1.0	1.0	1.0
PHYSICIANS				
Unit/Program Director	--	--	--	--
Other	--	--	--	--
NURSING				
RNs	5.6	215.6	7.0	217.0
LPNs	2.8	12.8	4.2	12.0
Nurses' Aides	4.2	14.2	5.6	65.0
Other: Unit Secretary	1.0	9.0	1.0	60.0
Other: Nurse Manager	1.0	8.0	1.0	
Other: Other Nursing	1.0	58.0	1.0	
ANCILLARY				
Physical Therapist	2.5	23.5	6	10.0
Speech Therapist	1.0	3.0	1.5	2.5
Occupational Therapist	2.5	4.5	2.5	4.5
Other: LPTA	--	--	1.0	1.0
Other: COTA	--	--	1.0	1.0
Other: Rehab Tech	0.5	0.5	1.0	1.0
DIETARY				
Dietary Supervisor	--	4.0	--	4.0
Cooks	--	4.0	--	4.0
Dietary Aides	--	55.0	--	55.0
SOCIAL SERVICES				
Social Service Director	--	1.0	--	1.0
Activity Director	--	--	--	--
Activities Assistant	--	1.0	--	1.0
Other: MSW	1.0	1.0	1.3	1.3
HOUSEKEEPING				
Housekeeping Supervision	--	5.0	--	5.0
Housekeepers	2.0	37.0	--	37.0
LAUNDRY				
Laundry Supervisor	--	1.0	--	1.0
Laundry Aides	--	--	--	5.0
PLANT MAINTENANCE				
Maintenance Supervisor	--	2.0	--	2.0
Maintenance Assistance	--	--	--	--
Security	--	25.0	--	25.0
Other:	--	28.0	--	28.0
OTHER CLINICAL AND SUPPORT STAFF	--	578	--	569
GRAND TOTAL	26.1	1,100.1	34.6	1,099.6

Source: CON application #10234, Schedule 6A for year one and two, pages 100-101

Notes to Schedule 6A indicate that the staffing schedule for the CMR program is based upon actual RehabCare staffing ratios and patterns at its hospital-based CMR units operated nationwide. The forecast is based upon predicted patient volume for the proposed project as well as anticipated patient mix and linkage with existing Parrish Medical operations. The applicant states that the proposed staffing forecast is adequate to meet all state and federal staffing guidelines.

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

The applicant indicates that staff will be recruited via Parrish Medical’s and RehabCare’s existing recruitment resources and networks. Required staff expertise and qualifications will be identified based on licensure standards and RehabCare’s experience in the rehabilitation field. The applicant notes RehabCare is the largest employer of rehabilitation therapists in the United States, employing over 20,000 therapists in 42 states.

(5) Expected sources of patient referrals.

Parrish Medical projects its CMR unit patients to come primarily from the hospital’s own discharges. The applicant also anticipates referrals from residents of north Brevard County, including those who may be treated at acute care facilities outside of the local area.

(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.

Parrish Medical presents the following CMR unit patient days by payer type in years one and two of the proposed project.

**Parrish Medical Center CMR Unit
Patient Days by Payer Class**

	Year One	Year Two
Medicare	2,909	3,951
Medicaid	239	325
Insurance	80	108
Managed Care/Other	638	866
Self-Pay/Charity	120	163
Total	3,986	5,413

Source: CON application #10234, page 67

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

The applicant states that the proposed CMR unit will operate with the same charity care approach found in the hospital’s existing programs -- all patients eligible for admission to the CMR unit will be treated regardless of financial resources. Included in total charity care is a hardship provision category for individuals who would not normally qualify for charity care, but whose total bill exceeds 25 percent of the individual’s annual salary. Parrish

Medical reports costs associated with providing charity care amounted to approximately \$6.3 million and \$6.1 million for FYs 2012 and 2013, respectively.

Parrish Medical forecasts three percent of patient days or \$492,000 in year one and \$506,000 in year two will be provided to charity care patients. Comparatively, the applicant points out that HealthSouth Sea Pines provided 0.4 percent or \$183,821 of its total rehab care to charity patients. The reviewer notes the applicant did not provide a year for this figure in this section but had stated it as CY 2013 in another.

(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 days which occurred during the year, by principal diagnosis coded consistent with the International Classification of Diseases (ICD-9).**

The applicant states intent to comply with these data reporting requirements and any other additional information which may be requested by the Agency. Parrish Medical notes it is an existing acute care hospital and is therefore familiar with the Agency's various data and information reporting requirements.

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?**

Availability and Accessibility

Parrish Medical notes that Brevard County's only CMR beds are located in the southern part of the county at HealthSouth Sea Pines facility. The only other options available to north Brevard County residents involve traveling to CMR facilities in the Orlando area -- in Orange or Seminole

County. The applicant argues this required travel does not reflect normal patient flow patterns. Parrish Medical contends that these options are not effective or acceptable access alternatives because travel is still 50+ minutes with traffic.

In addition to these geographic concerns, the applicant argues financial access is negatively impacting north Brevard County patients. Parrish Medical states it conducted a review of Agency discharge data for calendar year (CY) 2013. The applicant's review showed only three percent of total Brevard County CMR patients with Medicaid/Medicaid Managed Care insurance coverage were treated in a CMR setting, compared to 7.1 percent for District 7 as a whole. The applicant also points out that HealthSouth Sea Pines provided less than two percent of total gross revenue to a combination of Medicaid/Medicaid Managed Care and charity care for CY 2013. Comparatively, the applicant says it provided a total of 16.3 percent of its gross revenue to this cohort², arguing this is a documentation of a "non-normal" situation -- financial access.

The applicant believes the proposed project's goal of supporting local patients gaining access to CMR services versus accessing a lower intensity nursing home or home rehabilitation service by default is important. Parrish Medical references the aforementioned March 2014 study by Dobson DaVanzo & Associates that compared outcomes of Medicare patients who utilized IRFs (designated as CMRs in Florida) with Medicare patients who utilized skilled nursing facilities (SNFs). The applicant states that the IRF patients experienced much better outcomes, such as lower mortality rates, fewer emergency room visits and fewer hospital admissions. A copy of this study is provided in Appendix 7 of CON application #10234. The applicant also notes District 7 has the lowest CMR use rate per 10,000 residents in the state.

Quality of Care

The applicant states the proposed CMR program will incorporate Parrish Medical's proven quality and safety attributes and will be held to the same quality excellence expectations as set for the hospital's existing operations. Parrish Medical asserts combining the clinical strengths and local knowledge of Parrish Medical with RehabCare's national specialty expertise will ensure that a high quality, cost-effective CMR service will be established.

² The reviewer notes District 7 as a whole contributed 23.5 percent of total gross revenue to this cohort in CY 2013

Extent of Utilization of Existing Services

Parrish Medical believes the one south Brevard and the Orlando area providers are not realistic choices for north Brevard County patients. The applicant's arguments for this conclusion include long travel times, a historical focus on CMR programs to treat patients from their own facilities and statements by recently approved programs in Brevard County. Specifically, Parrish Medical points out that HealthSouth maintained that Brevard County is a separate medical market from Orange and Seminole Counties in a CON application for CMR services in Seminole County.

The applicant asserts that although HealthSouth Sea Pines' occupancy rates are in the mid-60 percent range, these beds are not reasonably geographically or financially accessible to north Brevard County residents.

b. Does the applicant have a history of providing quality of care and has the applicant demonstrated the ability of providing quality care? ss. 408.035(1)(c), Florida Statutes.

The applicant asserts Parrish Medical is a high quality acute care hospital. In addition to the Joint Commission gold seal awards mentioned earlier, the applicant's further awards and recognitions include:

- Earning a fifth straight "A" Hospital Safety Rating from The Leapfrog Group in May 2014
- Achieving the rating as the number one safest hospital in Florida by Consumer Reports
- Having Parrish Medical's Clinical Laboratory receive another two-year accreditation by the College of American Pathologists
- Obtaining accreditation for another two years for Parrish Medical's Transfusion Services by the American Association of Blood Banks
- Earning a three-year continued accreditation for Parrish Medical's Cancer Program from the Commission on Cancer of the American College of Surgeons
- Obtaining a three-year accreditation from the American College of Radiology for Parrish Medical's Diagnostic Imaging Breast Ultrasound Program and CT Scanners

Parrish Medical notes its rehabilitation partner, RehabCare, is a proven national rehabilitation provider with over 30 years of experience in the establishment and operation of over 100 inpatient rehabilitation programs across the United States.

Parrish Medical had five substantiated complaints during the three-year period ending October 3, 2014 in the following three categories: quality of care/treatment, resident/patient/client rights and emergency access.

- 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.**

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

Short-Term Position

The applicant'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 \$19.5 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.9 is slightly above average and an adequate position. Overall, the applicant has an adequate short-term position (see Table 1).

Long-Term Position

The ratio of long-term debt to net assets of 0.7 is above average and a weak position. The ratio of cash flow to assets of 8.3 percent is slightly below average and an adequate position. The most recent year had revenues in excess of expenses of \$4.3 million which resulted in a 3.0 percent operating margin. Overall, the applicant has an adequate long-term position (see Table 1).

TABLE 1		
Parrish Medical Center – CON application #10234		
	Applicant 09/30/13	Applicant 09/30/12
Current Assets (CA)	\$41,520,543	\$48,292,633
Cash and Current Investment	\$9,245,304	\$14,594,555
Total Assets (TA)	\$250,935,851	\$264,692,346
Current Liabilities (CL)	\$22,027,049	\$24,570,903
Goodwill	\$0	\$0
Total Liabilities (TL)	\$117,832,666	\$121,397,887
Net Assets (NA)	\$133,103,185	\$143,294,459
Total Revenues (TR)	\$142,538,365	\$144,980,531
Interest Expense (Int)	\$4,523,630	\$4,179,145
Excess of Revenues Over Expenses (ER)	\$4,273,514	\$5,302,614
Cash Flow from Operations (CFO)	\$20,727,177	\$30,766,201
Working Capital	\$19,493,494	\$23,721,730
FINANCIAL RATIOS		
	09/30/13	09/30/12
Current Ratio (CA/CL)	1.9	2.0
Cash Flow to Current Liabilities (CFO/CL)	0.9	1.3
Long-Term Debt to Net Assets (TL-CL/NA)	0.7	0.7
Times Interest Earned (ER+Int/Int)	1.9	2.3
Net Assets to Total Assets (NA/TA)	53.0%	54.1%
Operating Margin (ER/TR)	3.0%	3.7%
Return on Assets (ER/TA)	1.7%	2.0%
Operating Cash Flow to Assets (CFO/TA)	8.3%	11.6%

Capital Requirements

The applicant indicates on Schedule 2 capital projects totaling \$25.8 million which includes this project, Titus Landing renovations and routine capital.

Available Capital

Funding for this project will be provided by the applicant. Based on our review, the applicant has working capital of \$19.5 million, cash of \$9.2 million, and cash flow from operations of \$20.7 million. The applicant appears to have sufficient capital to fund this project.

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 0.8674 was calculated for the applicant by taking the projected average length of stay indicated 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, 2nd Quarter, 2014.

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 \$1,140 in year one and \$1,175 in year two is between the control group's median and highest values of \$1,130 and \$1,601 in year one, and \$1,163 and \$1,648 in year two. With net revenues between the control group's median and highest values, net revenues appear reasonable (see Tables 2 and 3).

Anticipated cost per adjusted patient day (CAPD) of \$884 in year one and \$872 in year two is between the control group's lowest and median values of \$774 and \$994 in year one, and \$796 & \$1,023 in year two. With CAPD falling between the control group's lowest and median values, costs appear reasonable (see Tables 2 and 3). The applicant is projecting a decrease in CAPD between year one and year two of \$12, or 1.38 percent.

The year two projected operating income for the applicant of \$1.6 million computes to an operating margin per adjusted patient day of \$303 or 25.8 percent which is between the control group's median and highest values of \$253 & \$557. With operating margin between the control group's median and highest values, operating margin appears reasonable (see Table 3).

TABLE 2

**Parrish Medical Center
CON application #10234
2012 DATA Rehab Group**

	Sep-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	16,342,600	4,100	1,482	682	498
INPATIENT THERAPY	0	0	2	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	1,520	921	754
OUTPATIENT SERVICES	0	0	525	86	0
TOTAL PATIENT SERVICES REV.	16,342,600	4,100	2,564	1,708	1,466
OTHER OPERATING REVENUE	0	0	54	3	0
TOTAL REVENUE	16,342,600	4,100	2,600	1,733	1,467
DEDUCTIONS FROM REVENUE	11,799,051	2,960	0	0	0
NET REVENUES	4,543,549	1,140	1,601	1,130	638
EXPENSES					
ROUTINE	1,142,622	287	436	196	156
ANCILLARY	318,000	80	658	223	181
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	1,460,622	366	0	0	0
ADMIN. AND OVERHEAD	205,191	51	0	0	0
PROPERTY	301,109	76	0	0	0
TOTAL OVERHEAD EXPENSE	506,300	127	4,049	484	331
OTHER OPERATING EXPENSE	1,556,292	390	0	0	0
TOTAL EXPENSES	3,523,214	884	5,001	994	774
OPERATING INCOME	1,020,335	256 22.5%	557	253	-3,494
PATIENT DAYS	3,986				
ADJUSTED PATIENT DAYS	3,986				
TOTAL BED DAYS AVAILABLE	7,320				
ADJ. FACTOR	1.0000				
TOTAL NUMBER OF BEDS	20				
PERCENT OCCUPANCY	54.45%				
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	120	3.0%			
MEDICAID	0	0.0%	6.5%	2.0%	0.0%
MEDICAID HMO	239	6.0%			
MEDICARE	2,790	70.0%	86.1%	74.7%	44.0%
MEDICARE HMO	119	3.0%			
INSURANCE	80	2.0%			
HMO/PPO	598	15.0%	52.3%	18.0%	9.1%
OTHER	40	1.0%			
TOTAL	3,986	100%			

TABLE 3

**Parrish Medical Center
CON application #10234
2012 DATA Rehab Group**

	Sep-17	YEAR 2	VALUES ADJUSTED FOR INFLATION		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	<u>ACTIVITY</u>	<u>PER DAY</u>			
ROUTINE SERVICES	16,832,878	3,110	1,525	702	512
INPATIENT THERAPY	0	0	2	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	1,564	947	776
OUTPATIENT SERVICES	0	0	540	89	0
TOTAL PATIENT SERVICES REV.	16,832,878	3,110	2,638	1,758	1,509
OTHER OPERATING REVENUE	0	0	55	3	0
TOTAL REVENUE	16,832,878	3,110	2,675	1,783	1,510
DEDUCTIONS FROM REVENUE	10,474,701	1,935	0	0	0
NET REVENUES	6,358,177	1,175	1,648	1,163	657
EXPENSES					
ROUTINE	1,500,839	277	448	202	160
ANCILLARY	446,031	82	677	229	186
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	1,946,870	360	0	0	0
ADMIN. AND OVERHEAD	287,805	53	0	0	0
PROPERTY	301,109	56	0	0	0
TOTAL OVERHEAD EXPENSE	588,914	109	4,167	498	341
OTHER OPERATING EXPENSE	2,182,675	403	0	0	0
TOTAL EXPENSES	4,718,459	872	5,146	1,023	796
OPERATING INCOME	1,639,718	303	557	253	-3,494
		25.8%			
PATIENT DAYS	5,413				
ADJUSTED PATIENT DAYS	5,413				
TOTAL BED DAYS AVAILABLE	7,300				
ADJ. FACTOR	1.0000				
TOTAL NUMBER OF BEDS	20				
PERCENT OCCUPANCY	74.15%				
			VALUES NOT ADJUSTED FOR INFLATION		
			Highest	Median	Lowest
			86.1%	71.3%	44.3%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	163	3.0%			
MEDICAID	0	0.0%	6.5%	2.0%	0.0%
MEDICAID HMO	325	6.0%			
MEDICARE	3,789	70.0%	86.1%	74.7%	44.0%
MEDICARE HMO	162	3.0%			
INSURANCE	108	2.0%			
HMO/PPO	812	15.0%	52.3%	18.0%	9.1%
OTHER	54	1.0%			
TOTAL	5,413	100%			

Conclusion

The project appears to be financially feasible.

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

The applicant is applying to establish a new 20-bed CMR unit in District 7. These 20 beds would come from the delicensing of 20 acute care beds located at Parrish Medical Center. There are six existing CMR programs in District 7³. There is no existing CMR program in the north Brevard market.

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, on average, 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 70.0 percent of patient days are expected to come from Medicare with 24.0 percent from HMOs.

The User and Purchaser of Healthcare 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.

³ HealthSouth Rehabilitation Hospital of Seminole County was licensed on October 22, 2014 for 50 CMR beds.

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

No. 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 applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the propose project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to a have significant impact on either construction costs or the proposed completion schedule.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant owner. Approval from the Agency for Health Care Administration's Office of Plans and Construction is required before the commencement of any construction.

- 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**

Parrish Medical Center has a history of providing care to Medicaid and medically indigent patients.

The table below illustrates the Medicaid/Medicaid HMO days and percentages as well as charity percentages provided by the applicant for FY 2013 data, according to the Florida Hospital Uniform Reporting System (FHURS). Per FHURS, Parrish Medical Center provided 12.30 percent of its total patient days to Medicaid/Medicaid HMO patients and 4.00 percent to charity care. District 7 acute care facilities provided 18.30 percent of their total patient days to Medicaid/Medicaid HMO and 5.20 percent to charity care during FY 2013. Please see the table below.

**Parrish Medical Center & District 7 Acute Care Hospitals
Medicaid, Medicaid HMO and Charity Data
FY 2013**

Applicant	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percent	Percent of Charity Care	Percent Combined Medicaid, Medicaid HMO and Charity Care
Parrish Medical Center	3,539	12.30%	4.00%	16.30%
District 7 Total	314,813	18.30%	5.20%	23.50%

Source: FHURS data for FY 2013

F. SUMMARY

North Brevard County Hospital District d/b/a Parrish Medical Center (CON application #10234), proposes to establish a new 20-bed comprehensive medical rehabilitation (CMR) unit at their existing facility in Titusville, Brevard County, Florida, District 7.

Parrish Medical Center is a 210-bed not-for-profit Class I acute care hospital composed solely of acute care beds located at 951 N. Washington Avenue, Titusville, Florida 32796. Non-CON regulated services at the facility include Level I adult cardiovascular services and designation as a primary stroke center.

The applicant proposes nine conditions to CON approval on the applications Schedule C.

The total project cost is estimated at \$5,262,711. The project involves 16,300 GSF of renovation with no new construction, at a renovation cost of \$3,691,647.

Need:

Parrish Medical states the following need justification to support the proposed project:

- North Brevard County is a unique medical market in need of CMR services--this market is distinct and separate from the south Brevard, Orange, Osceola and Seminole County markets
- The current 34-51 mile travel distance required to get to an existing CMR facility from north Brevard County does not provide adequate or reasonable access to CMR care
- Financial access is negatively impacting north Brevard County patients
- As a result of these geographic and financial limitations, many north Brevard patients in need of CMR care opt to receive less intensive care at lower level services or forgo rehabilitation treatment altogether--leading to adverse outcomes
- By analyzing acute care discharges who could potentially utilize a local CMR in the service area and applying target occupancy rates, the applicant calculates a bed need estimate of 19 to 25 beds
- The elderly cohort of age 65-74 is forecasted to grow by 22.2 percent in the applicant's service area from 2014 to 2019
- CMR use rates in District 7 are the lowest in Florida, documenting a district-wide access limitation

Parrish Medical fails to document that current CMR referral patterns lead to adverse outcomes.

Quality of Care

- The applicant reports the hospital has been awarded four disease-specific certification gold seals from the Joint Commission, one in each of the following: acute coronary syndrome, breast cancer, heart failure and stroke
- Parrish Medical and its rehabilitation partner, RehabCare, will incorporate quality performance evaluations that will provide the applicant the opportunity to closely monitor daily patient and therapist activity in real time so adjustments can be made as necessary to any issue that may arise

- The applicant had five substantiated complaints during the three-year period ending October 3, 2014 in the following three categories: quality of care/treatment, resident/patient/client rights and emergency access

Cost/Financial Analysis

- Funding for this 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 existing barriers in consumer based competition, this project will not likely foster the type of competition generally expected to promote quality and cost-effectiveness

Medicaid/Indigent Care

- Parrish Medical Center provided 12.30 percent of its total patient days to Medicaid/Medicaid HMO patients and 4.00 percent to charity care during FY 2013
- Parrish Medical Center is a low-income pool participating hospital and a disproportionate share hospital
- Parrish Medical Center conditions to nine percent of its CMR patient days to a combination of Medicaid, Medicaid HMO, charity care and self-pay patients

Architectural Analysis

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

G. RECOMMENDATION

Deny CON #10234.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Marisol Fitch
Health Services and Facilities Consultant Supervisor
Certificate of Need