STATE AGENCY ACTION REPORT

ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

North Florida Regional Medical Center, Inc. /CON #10347
6500 Newberry Road
Gainesville, Florida 32605

Authorized Representative: Mr. Brian Cook, CEO
(352) 333-4100

2. Service District/Subdistrict

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

B. PUBLIC HEARING

A public hearing was not held or requested on the proposed project to establish a new 24-bed comprehensive medical rehabilitation (CMR) unit in Alachua County, District 3, Florida.

Letters of Support

The applicant submitted four letters of support. These letters were composed by staff at North Florida Regional Medical Center, a local orthopaedic surgeon and several physicians. Dr. Timothy Lane of The Orthopaedic Institute states, "I support the application of North Florida Regional Medical Center having an in house rehab facility. I think this will improve care of patients requiring a rehab facility".

Dr. Ann Weber of North Florida Regional Medical Center notes that, "we have a high demand for long-term care, having inpatient rehabilitation center as part of our facility would enhance the care that we provide to these patients". Several of the support letters mention the need for continuity of care and the importance of patients being able to maintain their relationship with their treating physicians.

Letters of Opposition

The Agency received one letter of opposition from Seann M. Frazier on behalf of Shands Teaching Hospital and Clinics, Inc. d/b/a/ UF Health Shands Rehab Hospital, signed and dated April 8, 2015. Mr. Frazier cites several factors of opposition to the proposed project by North Florida Regional Medical Center to add CMR services to District 3. Mr. Frazier states inpatient rehabilitation beds remain a tertiary service under Florida law due to its high level of intensity, complexity, specialized or limited applicability, and cost, should be limited to, and concentrated in, a limited number of hospitals to ensure the quality, availability and cost-effectiveness of such service. He notes that the Agency's CMR rule has established a two-hour drive time as the access standard for assessing the availability of CMR services. Mr. Frazier asserts that all residents in District 3 are able to access existing CMR providers within a two-hour drive time. Mr. Frazier notes that the capacity of each of these providers must be considered when deciding whether to approve another rehab hospital in the same district and that the five existing providers of CMR services in District 3 on average report less than 80 percent utilization year ending June 30, 2014.

Mr. Frazier contends that North Florida Regional Medical Center must demonstrate "special circumstances" to justify approval and states that due to excess capacity of existing providers as well as district average below 80 percent no special circumstances exist in regards to need for additional CMR providers in District 3. Mr. Frazier also notes HealthSouth Ocala's approval to add 10 beds through CON Exemption No. 140001 approved January 10, 2014 and that the district average for utilization does not include these additional beds.

Furthermore, Mr. Frazier indicates that there are no geographic barriers or financial access barriers that exist in District 3. He states that every resident in District 3 has the ability to access available CMR beds within two hours' drive time and that UF Health remains the safety net hospital for the greater Alachua County and District 3 community. He notes that UF Health is the hospital of choice for more than 90 percent of all Alachua County residents receiving CMR care. Mr. Frazier concludes by stating there is an absence of special circumstances which would justify yet another CMR provider thus re-directing patients from UF Health to a new program at North Florida Regional Medical Center.

The reviewer confirms that HealthSouth Rehabilitation Hospital of Ocala was approved to add 10 CMR beds through CON Exemption No. 140001 as of January 10, 2014. The reviewer notes that HealthSouth Rehabilitation Hospital of Ocala licensed the additional 10 beds on November 27, 2014.

C. PROJECT SUMMARY

North Florida Regional Medical Center, Inc. (CON application #10347), which will be referred to as NFRMC or the applicant, proposes to establish a 24-bed comprehensive medical rehabilitation (CMR) unit in Alachua County, District 3, Florida.

NFRMC is licensed as a class I, general hospital with 432 full-service medical and acute care beds. NFRMC provides Level II adult cardiovascular services and is a primary stroke center. Twelve of NFRMC's beds are designated as Level II neonatal intensive care unit (NICU) and an additional 20 beds are designated as adult psychiatric. The remaining 400 beds are classified as acute care. The applicant intends to locate the proposed CMR unit on the sixth floor of the main hospital building. If approved, the proposed project upon completion will be licensed for 411 total inpatient beds (355 acute care, 20 adult psychiatric, 12 Level II NICU and 24 CMR). NFRMC is a subsidiary of Hospital Corporation of America (HCA). HCA operates nine comprehensive inpatient programs in Florida at existing general acute care hospitals with a total of 238 beds:

- West Florida Hospital (58 beds)
- Rehabilitation Institute of Northwest Florida (20 beds)
- Largo Medical Center-Indian Rocks (30 beds)
- Blake Medical Center (28 beds)
- Fawcett Memorial Hospital (20 beds)
- Lawnwood Regional Medical Center and Heart Institute (34 beds)
- Mercy Hospital (15 beds)
- Central Florida Regional Hospital (13 beds)
- Palm of Pasadena Hospital (20 beds)

The project involves 17,109 gross square feet (GSF) of renovation. The construction cost is $4,688,037. Total project cost is $8,306,373. Project cost includes building, equipment, project development, financing and start-up costs.

The applicant proposes the following conditions to CON approval on CON application #10347's Schedule C:

- A minimum of 7.0 percent of total patient days in the CMR unit comprised of Medicaid, Medicaid HMO, non-payment and self-pay (including charity) categories.
- NFRMC will apply for Commission on Accreditation of Rehabilitation Facilities (CARF) accreditation for its CMR program in the first 12 months of operation.

- NFRMC will be accredited by the Joint Commission.
- The medical director of the CMR program will be a board-certified or board-eligible physiatrist with at least two years of experience in the medical management of inpatients requiring rehabilitation services.
- Therapy services will be available seven days a week.

The reviewer notes 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 (NFRMC's second condition) and CARF accreditation (NFRMC's third condition) will not be cited as conditions to approval. Should the project be approved, the applicant's 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, Dwight Aldridge analyzed the application with consultation from the financial analyst, Eric West of the 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 41, Number 11, dated January 16, 2015 of the Florida Administrative Register, a fixed need pool of zero beds was published for CMR beds in District 3 for the July 2020 planning horizon. Therefore, the applicant's proposed project is outside the fixed need pool.

District 3 has 198 licensed and zero approved CMR beds. District 3's 198 licensed CMR beds experienced 79.83 percent utilization during the 12-month period ended June 30, 2014.

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 previously stated, District 3's 198 licensed CMR beds experienced an occupancy rate of 79.83 percent during the 12-month period ending June 30, 2014. District 3 CMR percent utilization for the previous five years is shown in the table below.

District 3 Comprehensive Medical Rehabilitation Bed Utilization Calendar Years 2010-2014						
Facility	**Beds**	**7/1/2009-6/30/2010**	**7/1/2010-6/30/2011**	**7/1/2011-6/30/2012**	**7/1/2012-6/30/2013**	**7/1/2013-6/30/2014**
Shands Rehab Hospital	40	67.06%	74.23%	78.21 %	75.91%	81.37%
Seven Rivers Regional Medical Center	16	48.61%	59.67%	56.47%	72.05%	64.25%
HealthSouth Rehab Hospital of Spring Hill	80	82.83%	76.29%	77.84%	77.99%	81.71%
Leesburg Regional Medical Center—North*	22	76.73%	69.23%	62.82%	81.22%	60.36%
HealthSouth Rehab Hospital of Ocala**	40	N/A	N/A	N/A	70.10%	91.45%
District 3 Total	198	74.30%	73.12%	73.68%	74.69%	79.83%

Source: Florida Hospital Bed Need Projections & Service Utilization by District (2010-2014)
* Leesburg Regional Medical Center—North added seven beds on March 23, 2010.
** HealthSouth Rehab Hospital of Ocala was initially licensed November 2012 with 40 beds. The facility added 10 beds through Exemption No. 14001 on January 10, 2014.

c. Other Special or Not Normal Circumstances

NFRMC is seeking to establish a CMR unit comprised of 24 beds through the conversion of 45 existing acute care beds. The applicant offers several circumstances as justification for the addition of the proposed CMR services in District 3. These include the following:

- The adult population of the service area (400,200) is greater than two Florida counties (Sarasota and Seminole) with two or more CMR facilities/units. The adult populations of these two counties as of January 1, 2014 were 355,819 and 339,922 respectively. Seminole County has 63 CMR beds, all of which were approved fairly recently. Sarasota County has 130 CMR beds in two facilities/units. Alachua County, with the approval of the present project, would have a total of 64 CMR beds.
- There has not been a published need for CMR beds in several years. Because existing CMR providers can add beds via the CON exemption process, it is unlikely that there will be a net need for CMR beds projected anywhere in the state. This fact, coupled with the increasingly localized nature of CMR service delivery, constitutes a "not normal" circumstance.
- An additional "not normal" circumstance arises due to the fact that CMR CON Rule 59C-1.039, Florida Administrative Code, has not been amended since 1995. Thus the rule does not account for the many subsequent changes in health care such as the Medicare reimbursement changes affecting CMR, more recent Centers for Medicare and Medicaid Services (CMS) policy changes, and current medical literature as sampled herein, nor the resultant changes in CMR services delivery away from the regional referral model and toward a more locally-based step-down model that emphasizes and enhances patient continuity of care.

- Available data reinforces the belief that CMR units do not function as regional referral centers but instead primarily serve their own acute care discharges and other residents of their home counties.
- During the 2013-2014 time period, Florida's hospitals discharged 292,336 adult patients to either a skilled nursing facility (SNF) or a CMR bed. On average, nearly 15 percent of these were discharged to the CMR setting. The corresponding proportion for District 3 was 14 percent. In contrast, only 4.9 percent of NFRMC's combined adult discharges were directed to a CMR bed. By this measure, patients discharged from NFRMC have very limited access to CMR services, well below both the District 3 and state averages.
- This shortfall in CMR utilization represents a suppressed demand that will drive utilization of the 24-bed unit proposed at NFRMC. Thus, the proposal is unlikely to have a significant adverse impact on any existing provider.
- Shands Rehab Hospital is not readily accessible to acute care patients discharged from NFRMC. Two reasons stand out. First, Shands experiences high occupancies in its 40-bed facility thus making it more difficult for any patient to access an available CMR bed, let alone patients from NFRMC. Second, Shands discharges a much higher proportion of patients to CMR than NFRMC does, underscoring the experience of NFRMC staff that Shands gives priority to its own acute care discharges over patients from other hospitals when referring patients to its rehab facility.
- Further complicating the ability of NFRMC's patients to access CMR services at Shands Rehab Hospital is the fact that Shands, at an acute care level, functions as a regional referral center. In other words, Shands acute care patients are drawn from a wider than typical geographic area. Thus, when patients are discharged from Shands' acute care setting to its CMR facility, local patients from hospitals such as NFRMC must compete against patients from far flung areas for already-scarce CMR bed space. Shands' proportion of rehab discharges which are residents of Alachua County is, by far, the lowest in Florida regardless of whether the CMR facility is acute care hospital-based or freestanding. This phenomenon further complicates the ability of NFRMC's patients to access inpatient CMR services.

The applicant contends that none of the other inpatient CMR providers in District 3 are utilized by patients residing in NFRMC's service area to any appreciable extent. Reliance on any of these providers results in less than optimal continuity of care service for residents discharged from the acute setting at NFRMC. The applicant states that the inordinate distance to these CMR programs are bound to disrupt the continuity of treatment of a patient residing in Alachua County or elsewhere within the proposed service area.

The reviewer notes that MapQuest directions obtained April 15, 2015 indicate that the existing facilities are located within the following approximate drive times/miles from NFRMC (CON application #10347):

- Shands Rehab Hospital--five minutes/3.52 miles
- HealthSouth Rehab Hospital of Ocala--forty four minutes/40 miles
- Seven Rivers Regional Medical Center--one hour eight minutes/59.67 miles
- Leesburg Regional Medical Center--one hour 17 minutes/75.86 miles
- HealthSouth Rehab Hospital of Spring Hill--one hour 42 minutes/105.68 miles

NFRMC notes the inclusion of comprehensive rehabilitation in the statutory definition of tertiary services in Florida, while still in effect, is a throwback to a former, outdated model of CMR services delivery pre-dating significant reimbursements changes at the federal level in 2004. The applicant further states that the lack of a published bed need for CMR beds anywhere in Florida for several batching cycles is also partially a function of a regional versus local approach to need determination and points out that the Agency has been receptive to need arguments based upon "not normal" and/or unique local circumstances and has looked favorably upon several recent CON applications for new CMR hospitals and hospital-based units.

NFRMC states that despite publication of no need at a regional or "tertiary" level, the Agency approved the following applications and despite the presence of existing CMR facilities/units with occupancy rates less than optimal levels as defined by rule, located well within the travel time parameters also set forth by rule:

- CON #10097, HealthSouth Rehabilitation Hospital of Marion County LLC, 40 beds
- CON #10128, Central Florida Regional Hospital, 13 beds
- CON #10127, HealthSouth Rehabilitation Hospital of Seminole County LLC, 50 beds
- CON #10118, HealthSouth Rehabilitation Hospital of Martin County LLC, 34 beds
- CON #10160, Orange Park Medical Center, 20 beds
- CON #10164, Lakeland Regional Medical Center, 32 beds
- CON #10167, Nemours Children's Hospital, nine beds

The applicant contends that without the ability to provide in-house CMR services as requested herein, many CMR-eligible patients discharged from the acute care setting at NFRMC are forced to transfer to one of the other existing providers of CMR services. It is the applicant's position

that transferring CMR-eligible patients to existing providers results in less than optimal continuity of care for service area residents and other patients discharged from the acute setting at NFRMC.

The applicant states the approval of NFRMC's modest proposal to establish a 24-bed CMR unit will give the health care consumers of Alachua County and the rest of the service area, particularly those who elect to utilize NFRMC now for their acute care needs, a choice that they presently lack--a highly accessible CMR program that is a relatively short distance away from their homes and offices. The applicant indicates patients and their families will be the ultimate beneficiaries under this arrangement as they will be able to choose a nearby program that they believe will provide them with the highest level of services.

The CMR program at NFRMC will primarily serve patients being discharged from the acute care setting within the hospital, as well as other residents of its primary service area (PSA) and secondary service are (SSA) consisting mostly of Alachua County, plus a portion of Bradford, Columbia, Dixie, Gilchrist, Levy, Putnam, Suwannee and Union counties in District 3, plus one zip code area in extreme southwestern Clay County in District 4. The applicant provides a map on page 21 of CON application #10347 depicting the proposed service area. The combined PSA and SSA consists of 35 zip codes and comprises a total population of 400,200. This area represents the geographic territory from which the hospital draws approximately 84 percent of its acute care discharges. See the table below.

Service Area Population By Zip Code Area As of January 1, 2014				
Zip	**15-64**	**65-74**	**75+**	**Total**
32008	3,301	732	422	4,454
32024	11,918	2,036	1,202	15,156
32025	14,516	1,909	1,805	18,230
32038	6,207	1,136	582	7,924
32054	9,293	894	521	10,709
32055	10,876	1,628	1,026	13,530
32059	1,500	318	169	1,986
32060	13,428	2,469	1,742	17,639
32064	4,930	750	1,106	6,786
32091	10,520	1,582	1,221	13,322
32148	7,683	1,472	970	10,125
32601	17,169	722	457	18,348
32605	15,458	2,146	1,706	19,310
32606	15,861	1,893	1,870	19,624
32607	24,115	1,450	933	26,497
32608	35,565	2,472	2,124	40,161
32609	13,291	1,296	846	15,432
32615	10,689	1,678	915	13,282
32618	4,842	715	398	5,954
32619	3,032	623	364	4,019
32621	3,408	576	350	4,333
32626	4,860	1,143	759	6,761
32628	3,396	397	240	4,033
32640	6,493	1,326	856	8,674
32641	9,260	1,038	678	10,975
32643	6,971	1,134	712	8,817
32653	8,596	1,342	968	10,906
32656	9,023	1,575	1,098	11,695
32666	3,620	786	541	4,947
32667	2,849	573	327	3,749
32668	3,350	721	409	4,480
32669	8,471	1,213	690	10,374
32680	6,056	1,546	907	8,509
32693	7,580	1,272	970	9,822
32696	7,296	1,396	947	9,639
SA Total	**325,418**	**43,985**	**30,824**	**400,200**

Source: CON application #10347, page 23

The table below shows Alachua County resident CMR discharges in calendar year (CY) ending June 2014. The applicant states that Shands Rehab Hospital is the only CMR provider located in the geographic proximity to residents of NFRMC’s PSA and SSA.

Service Area Rehab Discharges
July 2013-June 2014

Facility Name	Total Discharges	Patient Days	Average Length of Stay (ALOS)
Shands Rehab Hospital	541	6,990	12.9
Brooks Rehabilitation Hospital	49	719	14.7
HealthSouth Rehab Hospital of Ocala	18	195	10.8
HealthSouth Rehab Hospital of Tallahassee	3	73	24.3
HealthSouth Rehab Hospital of Largo	2	42	21.0
HealthSouth Rehab Hospital Spring Hill	2	35	17.5
Orlando Regional Medical Center	2	15	7.5
Seven Rivers Regional Medical Center	1	23	23.0
HealthSouth Sea Pines Rehab Hospital	1	21	21.0
HealthSouth Rehab Hospital of Sarasota	1	14	14.0
HealthSouth Emerald Coast Rehab Hospital	1	11	11.0
Morton Plant North Bay Hospital	1	11	11.0
Bethesda Hospital East	1	10	10.0
HealthSouth Rehab Hospital of Miami	1	9	9.0
NCH Healthcare System North Naples Hospital Campus	1	9	9.0
Largo Medical Center-Indian Rocks	1	7	7.0
Memorial Regional Hospital	1	7	7.0
Tampa General	1	7	7.0
	628	8,198	13.1

Source: AHCA Discharge Data Set- CON application #10347, page 25

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) 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.

NFRMC is licensed as a class I, general hospital with 400 acute care beds.

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

NFRMC indicates that the CMR program will be provided in a separate, new hospital unit to be located in renovated space on the sixth floor of the existing six-story patient tower.

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

The proposed unit will be 24 beds in compliance with this standard.

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

NFRMC indicates that it participates in both the Medicare and Medicaid programs in existing acute care operations and will continue its participation with the implementation of the proposed program. The applicant states the unit will be a provider-based unit for reimbursement purposes.

(4) Required Staffing and Services.

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

NFRMC states the CMR program will be operated under the direct medical supervision of a board-certified physical medicine and rehabilitation specialist (physiatrist). The medical director is responsible for directing and coordinating the interdisciplinary team. NFRMC has not yet identified a medical director but anticipates recruiting a physician for this positon and will be assisted in this endeavor by the corporate physician recruitment office.

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

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

NFRMC states that it will provide a range of services that exceed this requirement which will include, but are not limited to:

- Rehabilitation nursing
- Total joint rehab
- Spine rehab
- Wound care specialist
- Diabetic nurse educator
- Neuropsych services
- Chaplin and other spiritual persons
- Certified therapeutic recreation specialist
- Pharmacology
- Physical therapy
- Speech therapy
- Orthotic services
- Prosthetic services
- Neurological disorders (such as Parkinson Disease)
- Cardiac conditions
- Significant debility
- Non-traumatic spinal cord injuries
- Brain dysfunctions
- Stroke

The applicant indicates that the basis for the wide variety of specialized programs to be offered at the NFRMC Comprehensive Inpatient Rehabilitation Center are in line with the type, scope and depth of services provided by rehabilitation professionals.

(5) Criteria for Determination of Need:

(a) 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 59C-1.039(5)(c), Florida Administrative Code.

NFRMC is applying outside the fixed need pool.

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

NFRMC does not respond directly to this criterion but does state in the application the project is based on not normal circumstances. The most recent average annual District 3 occupancy rate for 198 licensed CMR beds was 79.83 percent utilization during the 12-month period ended June 30, 2014.

(c) 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:

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

NFRMC is not a disproportionate share hospital.

2. An applicant proposing to serve Medicaid-eligible persons.

NFRMC asserts that it will serve all patients in need, including Medicaid-eligible persons. The applicant conditioned approval of CON application #10347 upon providing a minimum of 7.0 percent of total patient days in the CMR unit comprised of Medicaid, Medicaid HMO, non-payment and self-pay (including charity) categories.

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

   NFRMC is not a designated trauma center.

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

The applicant states this proposal does not depend upon improvements in this geographic access standard for its justification. The reviewer notes that the access standard is already currently met for District 3 CMR services.

NFRMC states that its facility is located such that it is accessible within two hours travel time of at least 90 percent of the population of District 3.

(7) Quality of Care.

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

NFRMC states that all HCA affiliated hospitals in Florida currently operate in compliance with licensure standards described in Chapter 59A-3, Florida Administrative Code, as well as with CMS Medicare conditions of participation and will continue to do so following implementation of the proposed inpatient comprehensive medical rehabilitation unit. The applicant gives a description of its Quality and Clinical Excellence Program on pages 56-58 of CON application #10347.

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

(a) Age group to be served.

NFRMC states that CMR inpatient services will be provided to adults (aged 18 and over). NFRMC anticipates that approximately 20 percent of admissions to the proposed unit will be age 18-64, and 80 percent will be age 65+.

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

NFRMC will provide the following specialty CMR programs in its proposed Comprehensive Inpatient Rehabilitation Center. These programs will be provided on an inpatient or outpatient basis:

- Stroke rehabilitation
- Arthritis program
- Wound care program
- Orthopedic rehabilitation program
- Spasticity management program
- Balance and vestibular program

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

NFRMC presents on Schedule 6A, the staff needs associated with this proposal by the second year of operation total 40.15 FTEs, including 23.4 nursing FTEs and 11.25 therapy FTEs. The reviewer notes that the applicant supplied Schedule 6As that indicate that year one will end on December 31, 2014 and year two will end on December 31, 2015.

North Florida Regional Medical Center (CON application #10347) Projected Year One and Year Two Staffing		
	Year Ended 12/31/2014	**Year Ended 12/31/2015**
Administration		
Program Director	1.0	1.0
Manager	1.0	1.0
Admissions Coordinator	--	--
Outreach Coordinator	1.0	1.0
PAI Coordinator	1.0	1.0
Medical Records Clerk	--	--
Other	--	--
Physicians		
Medical Director/Physiatrist	0.5	0.5
Other:	--	--
Nursing		
Charge Nurse/Clinical Coordinator	1.0	1.0
RNs	8.4	8.4
LPNs	4.2	8.4
CNAs	4.2	4.2
Unit Secretary	1.10	1.4
Ancillary		
Inpatient Therapy Manager	1.0	1.0
Physical Therapist	2.0	2.5
Physical Therapy Assistant	1.0	1.75
Speech Therapist	1.5	1.75
Occupational Therapist	2.0	2.5
Certified Occupational Therapist Asst.	1.0	11.25
Social Services		
Social Worker/Case Manager	1.0	1.0
Activity Director	--	--
Activities Assistant	--	--
Total	**32.9**	**40.15**

Source: CON application #10347, Schedule 6A

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

The applicant anticipates no unusual difficulties in filling these positions as necessary to meet patient care needs. Some of the personnel required for the unit may be reassigned from the existing hospital and others will be recruited as necessary. NFRMC currently recruits most of the affected personnel categories for its acute care units of the hospital, utilizing a variety of methods and processes. The applicant asserts that these methods have been adequate to meet the staffing needs of the facility in the past and are expected to continue to meet such needs in the future, including the proposed project.

(e) Expected sources of patient referrals.

The applicant expects to draw referral to the proposed unit from a number of sources. Many admissions to the comprehensive unit will arise from among NFRMC acute care patients who need, and can benefit from a more aggressive level of medical rehabilitation. Referrals will

come from physicians on the NFRMC staff, and others practicing in the service area. Additional referrals are also expected from area nursing homes and other acute care hospitals in the area.

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

NFRMC provides patient days by payer type for the proposed CMR unit for the first two years of operations. The applicant maintains that services will be available to a variety of payers and that charity care patients are expected and will be served. See the table below.

Forecasted Days by Payers for NFRMC Proposed CMR Program Years One and Two of Operation								
			Year One			Year Two		
Payer	**Percent**	**Discharges**	**Days**	**ALOS**	**Percent**	**Discharges**	**Days**	**ALOS**
Medicare	75.0%	302	3,362	11.12	75.0%	377	4,201	11.4
Medicare MC	5.1%	21	345	16.65	5.1%	26	431	16.67
Medicaid	2.9%	12	585	49.37	2.9%	15	731	49.42
Medicaid MC	2.2%	9	177	19.96	2.2%	11	222	19.98
Other Government	2.9%	12	173	14.57	2.9%	15	216	14.58
Commercial	9.6%	39	628	16.31	9.6%	48	785	16.33
Self/Other	2.2%	9	168	18.88	2.2%	11	210	18.90
Total	100.0%	403	5,439	13.50	100.0%	503	6,796	15.1

Source: CON application #10347, Schedule 7B

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

NFRMC indicates that it will extend and continue to extend services to all patients in need of care regardless of the ability to pay or source to payment. The applicant states Medicaid-sponsored, self-pay and indigent patients are currently served by the applicant. The project, according to the applicant, will ensure accessibility by these patients to needed inpatient rehabilitation services.

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

(a) Within 45 days after the end of each calendar quarter, facilities shall provide a report of the number of comprehensive medical rehabilitation inpatient services discharges and patient days which occurred during the quarter.

(b) Within 45 days after the end of each calendar year, facilities shall provide a report of the number of comprehensive medical rehabilitation inpatient days which occurred during the year, by principal diagnosis coded consistent with the International Classification of Disease (ICD-9).

NFRMC states that it will report utilization and other required information as scheduled to the Agency for Health Care Administration and its designees.

3. Statutory Review Criteria

a. Is need for the project evidenced by the availability, quality of care, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? ss. 408.035(1)(a) and (b), Florida Statutes.

District 3 has 198 licensed CMR beds which experienced a 79.83 percent occupancy rate during the 12-month period ended June 30, 2014.

NFRMC indicates that there are five providers of CMR services in District 3--three freestanding hospitals and two hospital-based. See the table below.

District 3 CMR Occupancy July 2013-June 2014			
Facility	**Beds**	**Patient Days**	**Occupancy**
UF Health Shands Rehab	40	11,880	81.4%
HealthSouth Ocala	40	13,352	91.5%
HealthSouth Spring Hill	80	23,859	81.7%
Seven Rivers Reg Med Ctr	16	3,752	64.2%
Leesburg Rehab Hospital	22	4,847	60.4%
	198	57,690	79.8%

Source: CON application #10347, page 24

NFRMC's position is that the need for the project proposed herein is evidenced by the availability, accessibility and extent of utilization of existing health care facilities and health services by patients discharged from the acute care setting at NFRMC. This unmet need arises out of the relative inaccessibility of Shands Rehab Hospital to acute care patients discharged from NFRMC. The applicant states that Shands Rehab Hospital experiences high occupancies in its 40-bed facility, thus making it more difficult for any patient to access an available CMR bed, let alone patients from NFRMC. The applicant further states that UF Health Shands Hospital discharges a much higher proportion of patients to CMR than does NFRMC, underscoring the experience of NFRMC staff that Shands gives priority to its own acute care discharges over patients from other hospitals when referring patients to its rehab facility. The table

below shows discharge data during the 2013-2014 time period. Florida's hospitals discharged 292,336 adult patients to either a SNF or a CMR bed. NFRMC states that while on average, nearly 15 percent of these were discharged to CMR, Shands Rehab Hospital discharged 34.7 percent, which was significantly higher than the Florida average.

Hospital Discharges to Skilled Nursing or CMR

	Discharged To		Combined	
District	**SNF**	**CMR**	**Total**	**% to CMR**
District 1	8,500	1,105	9,605	11.5%
District 2	10,449	3,271	13,720	23.8%
District 3	24,583	3,987	28,570	14.0%
NFRMC	2,634	136	2,770	4.9%
Shands Rehab	2,581	1,373	3,954	34.7%
District 4	28,456	3,979	32,235	11.8%
District 5	26,803	3,326	30,129	11.0%
District 6	30,343	3,376	33,719	10.0%
District 7	24,868	2,899	27,767	10.4%
District 8	24,867	4,334	29,201	14.8%
District 9	29,297	5,569	34,866	16.0%
District 10	16,536	5,195	21,731	23.9%
District 11	24,152	6,623	30,775	21.5%
Florida	**248,854**	**43,482**	**292,336**	**14.9%**

Source: CON application #10347, page 28

NFRMC contends that approving the 24-bed CMR unit will increase bed availability, accessibility and patient continuity of care and that the approval outweighs any negatives. The tables below show the current discharges and utilization at NFRMC, as well as the projected figures for year one (2017) and year two (2018) of the proposed project.

Expected Versus Actual CMR Discharges at NFRMC
July 2013-June 2014

	Discharges To		Combined	
	SNF	**CMR**	**Total**	**% to CMR**
State of Florida	**248,854**	**43,482**	**292,336**	**14.9%**
NFRMC Actual Discharges	2,634	136	2,770	4.9%
Expected Discharges Based On Florida Average	2,358	412	2,770	14.9%
Statewide CMR ALOS				13.5
Expected Pt Days @ NFRMC				5,562
Bed Need @ 80 Percent Occupancy				**19**

Source: CON application #10347, page 36

Expected Versus Actual CMR Discharges at NFRMC
Forecast Year 2017

	Discharges To SNF	CMR	Combined Total	% to CMR
State of Florida	**248,854**	**43,482**	**292,336**	**14.9%**
NFRMC Actual Discharges	2,634	136	2,770	4.9%
Expected Discharges in 2013-2014	2,358	412	2,770	14.9%
SA Adult Population (1/2014)				400,200
SA Adult Population (7/2017)				407,700
Percent Growth				1.9%
Projected Discharges 2017				420
Statewide CMR ALOS				13.5
Expected CMR Pt Days @ NFRMC in 2013-2014				**5,668**

Source: CON application #10347, page 37

Expected Versus Actual CMR Discharges at NFRMC
Forecast Year 2018

	Discharges To SNF	CMR	Combined Total	% to CMR
State of Florida	**248,854**	**43,482**	**292,336**	**14.9%**
NFRMC Actual Discharges	2,634	136	2,770	4.9%
Expected Discharges in 2013-2014	2,358	412	2,770	14.9%
SA Adult Population (1/2014)				400,200
SA Adult Population (7/2018)				410,199
Percent Growth				2.6%
Projected Discharges 2018				423
Statewide CMR ALOS				13.5
Expected CMR Pt Days @ NFRMC in 2013-2014				**5,709**

Source: CON application #10347, page 38

The utilization forecast for the proposed CMR unit at NFRMC is predicated on the assumption that the statewide average proportion of combined (CMR and SNF) discharges will prevail within the PSA/SSA. Expected utilization for the first two years of CMR program operation (2017 and 2018) is driven by the results depicted in the tables above. Projected utilization during the first year of 24-bed CMR unit proposed herein is depicted in the Table 11 and Table 12 on pages 39-40 of CON #10347. NFRMC predicts a first year (2017) occupancy rate of 62.1 percent and a second year (2018) occupancy rate of 77.6 percent.

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.

NFRMC states that it has a history of providing quality care to the community it serves. The applicant states its health care system offers outstanding medical programs dedicated to quality healing. These programs include:

- Heart and vascular center
- Cancer center
- Women's center
- Robotics center

- Invision imaging
- Obesity center for surgery and treatment
- Diabetes center
- Endoscopy center
- Sleep disorders center
- Wound therapy and hyperbaric
- Emergency services
- Center for obesity surgery and treatment
- Neuroscience center
- Orthopedic care

The applicant states that it is accredited by the Joint Commission, and has received numerous awards and recognitions relative to its quality of care. Recent awards and distinctions include:

- Joint Commission Advanced Primary Stroke Center Certification
- Joint Commission Top Performer on Key Quality Measures for Heart Attack, Heart Failure, Pneumonia, and Surgical Care for 2011-2013
- Additional Accreditations: American College of Surgeons Commission on Cancer, American Society for Bariatric Surgery, American Academy of Sleep Medicine, and American Diabetes Association
- The American Heart and Stroke Association Get With the Guidelines Gold Plus Performance Achievement Award for Stroke Care
- Blue Distinction Center for Spine Surgery
- Blue Distinction Center for Knee and Hip Replacement
- Blue Distinction Center of Bariatric Surgery
- United Health Premium Designation for Cardiac

NFRMC notes that it currently provides care to Medicare and Medicaid patients and is in good standing with both programs, along with Veterans Affairs, Workers Comp, private insurance carriers, and HMOs and other managed care providers. The applicant states it has never had a hospital license or any other type of health care license denied, revoked, or suspended, nor has it had any facility placed into receivership at any time. NFRMC asserts full compliance with all applicable state licensing standards is maintained.

The applicant expresses that each of the above mentioned programs provides evidence of NFRMC's experience, ability, and commitment to developing, implementing and operating high quality organized programs of specialized care with dedicated and specially trained staff and equipment. The applicant provides details regarding each of these programs in Tab 11 of CON application #10347.

NFRMC reaffirms its commitment to providing high quality care and states that a number of quality programs and safety initiatives have been recently implemented that reflect the best practices across the country driven by accreditation and regulatory standards. The applicant states that relevant initiatives with direct or continuity of care applicability to the proposed project includes but is not limited to the following and provides an overview of each program on pages 76-84 of CON application #10347:

- BCTA-barcode-enabled transfusion administration
- Modified early warning system (MEWS) monitoring process
- SurgiTrak family notification of surgical status
- Severe sepsis program
- Image lightly
- Hospital Corporation of America affiliation
- UDS-Uniform Data Systems
- Life Gait
- ReoGo
- Balance Master
- Visipitch
- SaeboFlex wrist splint and exercise station
- VitalStim
- Bioness
- Interactive Metronome (IM)

The applicant indicates that it follows an organizational performance improvement plan that provides a framework for leadership in planning, directing, coordinating, providing and improving health care services systematically. A brief overview of this plan is provided on pages 84-86 and Tab 7 of CON application #10347. NFRMC states that through its focus on the ongoing challenge to deliver superior patient care, NFRMC asserts that it has amassed an extensive body of experience, resources, proven ability and reliability in the operation of its existing highly regarded acute care hospital and in the provision of quality health care in the service area affected by this proposed program.

NFRMC had two substantiated complaint during the three-year period ending March 16, 2015, in two categories: EMTALA and emergency access.

Agency complaint records indicate, for the three-year period ending March 4, 2015, HCA had 228 substantiated complaints at 48 of its 49 facilities. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

HCA Substantiated Complaint Categories for the Past 36 Months	
Complaint Category	**Number Substantiated**
Quality of Care/Treatment	79
Nursing Services	53
Emergency Access	33
Resident/Patient/Client Assessment	29
EMTALA	26
Resident/Patient/Client Rights	26
Administration/Personnel	19
Admission, Transfer & Discharge Rights	16
Physician Services	10
Resident/Patient/Client Abuse	8
Physical Environment	7
Infection Control	6
State Licensure	6
Unqualified Personnel	5
Dietary Services	3
Falsification of Records	3
Life Safety Code	3
Restraints/Seclusion General	3

Source: Florida Agency for Healthcare Administration Complaint Records

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

NFRMC is a class I general hospital with 400 acute care beds in Alachua County, Florida. The applicant is a subsidiary of HCA Holdings, Inc. (Parent).

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

Historically we have compared all applicant financial ratios regardless of type to bench marks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a particular CON project it is a reasonable proxy for health care related entities. The applicant is a development stage company with no

operations to date. The below is an analysis of the audited financial statements of HCA Holdings, Inc. (parent of the applicant) where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year. All values are in millions.

HCA HOLDINGS, INC. (In millions)		
	Dec-14	**Dec-13**
Current Assets	$8,930	$8,037
Total Assets	$31,199	$28,831
Current Liabilities	$5,480	$5,695
Total Liabilities	$37,697	$35,759
Net Assets	($6,498)	($6,928)
Total Revenues	$40,087	$38,040
Excess of Revenues Over Expenses	$3,481	$2,946
Cash Flow from Operations	$4,448	$3,680
Short-Term Analysis		
Current Ratio (CA/CL)	1.6	1.4
Cash Flow to Current Liabilities (CFO/CL)	81.17%	64.62%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	-495.8%	-433.9%
Total Margin (ER/TR)	8.68%	7.74%
Measure of Available Funding		
Working Capital	$3,450	$2,342

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

Capital Requirements and Funding:

The applicant indicates on Schedule 2 capital projects totaling $26,381,159 which includes this project, various capital projects, and routine capital expenditures for fiscal years 2015, 2016, and 2017. The applicant indicates on Schedule 3 of its application that funding for the project will be provided by its parent company, HCA Holdings, Inc. The applicant provided a copy of their most recent 10-K filings. A letter from the parent's senior vice president in support of the related company financing was also included. These statements were analyzed for the purpose of evaluating the parent's ability to provide the capital and operational funding necessary to implement the project. Based on our analysis above, the applicant has an adequate financial position.

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 management skills 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 go either beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

The applicant provided projected bed data for the project, but not the hospital as a whole. 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 0.9906 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 3.0 percent per year. Inflation adjustments were based on the new CMS Market Basket, 4th Quarter, 2014.

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	8,732,964	1,285	1,288	1,008	920
Total Expenses	7,584,073	1,116	1,292	854	693
Operating Income	1,148,891	169	429	235	-343
Operating Margin	13.16%		Comparative Group Values		
	Days	Percent	Highest	Median	Lowest
Occupancy	6,796	77.6%	83.1%	72.1%	57.5%
Medicaid	731	10.8%	5.9%	2.4%	0.0%
Medicare	4,201	61.8%	87.5%	77.4%	46.1%

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

The projected net revenue, total expenses and profit per patient day fall within the group range and are considered reasonable. Profitability appears achievable.

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

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

The applicant is applying to establish a new 24-bed CMR unit in District 3. There are five existing CMR programs in District 3 with a total of 198 licensed CMR beds.

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 71 percent of CMR hospital charges in Florida, while HMO/PPOs account for approximately 22.7 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 61.8 percent of patient days are expected to come from Medicare with 21.2 percent from HMOs.

The User and Purchaser of Health Care are Often Different – Roughly 93.7 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:
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 or 59A-4, Florida Administrative Code.

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives

and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

The plans submitted with this application were schematic in detail with the expectation that they will be necessarily revised and refined prior to being submitted for full plan review. The architectural review of this application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the applicant 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.

NFRMC is not a low-income pool participating hospital or a disproportionate share hospital.

The applicant states that it will serve all payer groups and will continue to do so with the development of the proposed CMR unit. The applicant provides its recent history by payer. See the table below.

NFRMC's Patient Days by Payer Fiscal Years 2012 and 2013				
	Fiscal Year 2012		**Fiscal Year 2013**	
Payer	**Days**	**Percent**	**Days**	**Percent**
Medicare	58,000	58.2%	54,161	56.0%
Medicare HMO	7,591	7.6%	8,053	8.3%
Medicaid	9,692	9.7%	10,253	10.6%
Medicaid HMO	806	0.8%	1,292	1.3%
Comm HMO/PPO	18,191	18.2%	17,564	18.25
Charity	886	0.9%	984	1.0%
All Other	4,538	4.6%	4,447	4.6%
Total	**99,704**	**100.0%**	**96,754**	**100.0%**

Source: CON application #10347, page 104

The applicant provides a forecast of patient days by payer for the first two years of operation of the proposed unit. See the table below.

NFRMC's Projected Patient Days by Payer Years One and Two: 2017-2018				
	Fiscal Year 2017		Fiscal Year 2018	
Payer	**Discharges**	**Percent**	**Discharges**	**Percent**
Medicare	302	75.0%	377	75.0%
Medicare Managed Care	21	5.1%	26	5.1%
Medicaid	12	2.9%	15	2.9%
Medicaid Managed Care	9	2.2%	11	2.2%
Other Government	12	2.9%	15	2.9%
Commercial HMO/PPO	39	9.6%	48	9.6%
Self-Pay/Other	9	2.2%	11	2.2%
Total	**403**	**100.0%**	**503**	**100.0%**

Source: CON application #10347, page 105

NFRMC agrees to condition the proposed unit upon a minimum of 7.0 percent of total patient days comprised of Medicaid, Medicaid HMO, non-payment and self-pay categories. NFRMC maintains that the hospital ensures accessibility by these and other service area patients both at present and in the future.

F. SUMMARY

North Florida Regional Medical Center, Inc. (CON application #10347) proposes to establish a 24-bed CMR unit in Alachua County, District 3, Florida.

The project involves 17,109 GSF of renovation. The construction cost is $4,688,037. Total project cost is $8,306,373. Project cost includes building, equipment, project development, financing and start-up costs.

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

Need:

In Volume 41, Number 11, dated January 16, 2015 of the Florida Administrative Register, a fixed need pool of zero beds was published for CMR beds in District 3 for the July 2020 planning horizon. Therefore, the applicant's proposed project is outside the fixed need pool.

District 3 has 198 licensed and zero approved CMR beds. District 3's 198 licensed CMR beds experienced 79.83 percent utilization during the 12-month period ended June 30, 2014.

Below are the applicant's major justifications to warrant project approval:

- The adult population of the service area (400,200) is greater than two Florida counties (Sarasota and Seminole) with two or more CMR facilities/units
- There has not been a published need for CMR beds in several years
- CMR CON Rule 59C-1.039, Florida Administrative Code, has not been amended since 1995
- Available data reinforces the belief that CMR units do not function as regional referral centers but instead primarily serve their own acute care discharges and other residents of their home counties
- Only 4.9 percent of NFRMC's combined adult discharges were directed to a CMR bed demonstrating very limited access to CMR services--well below both the District 3 and state averages
- Shands Rehab Hospital is not readily accessible to acute care patients discharged from NFRMC
- UF Health Shands Hospital functions as a regional referral center

NFRMC fails to document that current CMR referral pattern lead to adverse outcomes.

Quality of Care:

According to Agency complaint records, the applicant had two substantiated complaints in two categories for the three-year period ending March 4, 2015. The parent company, HCA had 228 substantiated complaints at 48 of its 49 facilities over the same period.

The applicant demonstrated the ability to provide quality care.

Medicaid/Indigent Care:

The applicant conditioned the proposed project to 7.0 percent of total inpatient days to be provided to Medicaid/Medicaid HMO, non-payment and self-pay patients.

Cost/Financial Analysis:

The applicant's parent has an adequate short-term and long-term position. Funding for this project and the entire capital budget should be available as needed. The project appears to be financially feasible.

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 #10347.

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