# 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 #10348**
951 N. Washington Avenue
Titusville, Florida 32796

Authorized Representative: Mr. Edwin Loftin
Vice President of Acute Care/CNO
(321) 268-6111

**Osceola Regional Hospital, Inc.**
**d/b/a Osceola Regional Medical Center/CON #10349**
700 West Oak Street
Kissimmee, Florida 34741

Authorized Representative: Mr. Robert M. Krieger
Chief Operating Officer
(407) 846-2266

2. Service District

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

## B. PUBLIC HEARING

A public hearing was requested and it was held on Tuesday, April 21, 2015 at the Health Council of East Central Florida, Inc., at 2641 West SR 426, Suite 2041, Oviedo, Florida 32765. The hearing was facilitated by Ken Peach, Executive Director of the Health Council of East Central Florida, Inc. and lasted approximately one hour and 15 minutes.

The applicant waived its right to speak first and Mr. Terry Rigsby presented opposition on CON application #10348 on behalf of HealthSouth Sea Pines. He noted that the only notable changes to the current application from the application submitted in October of 2014 were the smaller size of the proposed unit and a lower projected

utilization. Mr. Rigsby noted that Parrish Medical Center does not have adequate staffing for the proposed project and that it will rely on RehabCare. Mr. Rigsby also mentioned that a management contract was not provided in the application and that there is no obligation for Parrish to retain RehabCare after the proposed project is implemented. Mr. Rigsby also indicated that there might be concerns about the proposed per-click compensation for RehabCare in terms of a discharge incentives and anti-kickback issues.

Mr. Rigsby asserted a number of items in his presentation:

- 153 patients were referred to HealthSouth from Parrish in 2014
- The proposed project will result in adverse financial impact to the North Brevard County Hospital District—between $343,000 and $1 million dollars
- Brevard County, not the Parrish-identified services area, is the relative medical market
- Brevard County residents receive above average utilization of comprehensive medical rehabilitation (CMR) patients
- There is a surplus of 107 beds in District 7 and a surplus of 24 in the county
- The proposed project will result in a minimum six to nine percent adverse financial effect to HealthSouth Sea Pines

Ms. Denise McGrath, Chief Executive Officer of HealthSouth Sea Pines, stated that her facility has made substantial improvement to its facility, equipment, staffing, program offerings and technology over the past several years—including a five million dollar renovation that will conclude in August of 2015. She noted that her facility will take any clinically appropriate patient Parrish Medical Center refers at the Medicare rate. Ms. McGrath also indicated that HealthSouth Sea Pines has a higher readmission rate due to the proximity of the facility to Holmes Regional Medical Center and their designation as a Level II Trauma Center.

The three documents submitted by Mr. Rigsby were a letter from Ms. McGrath reiterating her presentation, a letter from Mr. Rigsby with attached opinions regarding the federal anti-kickback statute and comments from RPC, health planning consultants. The document focused on several reasons why the application should not be approved:

- Few substantive differences between the application that was denied in December 2014 and the current application
- Unreasonable utilization projections
- Adverse financial impact on the North Brevard County Hospital District
- The identified service area is not a separate medical market
- Brevard County and the Parrish service area are not underserved

- No need for additional CMR beds in Brevard County
- The RehabCare CMR unit could hurt patient outcomes
- No new CMR unit is needed to improve financial and geographic access
- Adverse impact on HealthSouth Sea Pines

Mike Cherniga, attorney with Greenberg Traurig, spoke next on behalf of the applicant. Mr. Cherniga stated that the anti-kickback issues raised earlier by Mr. Rigsby are speculative and bordering on defamatory, inflammatory and slanderous. He asserted that Parrish is very comfortable with the proposed arrangement with RehabCare. Mr. Cherniga also indicated that HealthSouth has a "fast and loose" definition of tertiary service to suit their purposes, noting that HealthSouth's definition was different when it applied for a CMR facility in Seminole County.[1]

Mark Richardson, health care planning consultant, spoke next on behalf of the applicant. He noted that HealthSouth is not opposing co-batched applicant Osceola Regional Medical Center (CON application #10349) despite the proposed CMR unit being located approximately 30 miles from HealthSouth Altamonte. Mr. Richardson indicates that HealthSouth specified it will treat any patient at the Medicare reimbursement rate, not the Medicaid reimbursement rate.

Mr. Richardson rebutted the idea that care would be of a lesser quality at Parrish compared to HealthSouth. He also rebutted the connotation by HealthSouth that Parrish has been "hands-off" with the proposed project.

Brian Samberg, Division Vice President of RehabCare Group, Inc., spoke last on behalf of the applicant. Mr. Samberg discussed the included discharge data, utilization projections and methodologies employed in the application. He noted that RehabCare is well above the national average on quality measures. Mr. Samberg asserted that HealthSouth is misrepresenting the applicant's data regarding the 60 percent rule. As to the financial impact of the proposed unit, Mr. Samberg noted that the break-even point is 122 patients—and that is well within even HealthSouth's own analysis.

Ms. McGrath responded to the applicant's comment by stating that her nurse liaisons have been counseled to be sensitive regarding Medicaid and charity care patients, but still have not received many referrals from facilities, including Parrish. She welcomes any discussions the applicant may wish to conduct with her facility. Mr. Rigsby responded that

[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.

Mr. Cherniga's comments on the anti-kickback opinions were unwarranted as one of the submitted opinions is similar to the proposed project. Mr. Rigsby also noted that mileage is not the sole criteria for "not normal circumstances".

Mr. Edwin Loftin, Vice President of Acute Care Services and Chief Nursing Officer at Parrish Medical Center, noted that he had internal knowledge regarding Parrish's patients not wanting to travel. He also noted that Parrish would certainly impose any quality indicators if needed for the proposed project.

Mr. Cherniga concluded by stating that OIG opinions, like the ones submitted by Mr. Rigsby, are unique and cannot be correlated to other situations/cases.

Mr. Peach adjourned the public hearing at 10:14 a.m.

**Letters of Support**

**Parrish Medical Center (CON application #10348)** submitted a total of 82 unduplicated letters of support which can be found in CON application #10348, Tab 3. The reviewer notes that the applicant included the same letters composed in September of 2014 submitted as part of CON application #10234. Letter writers include local health care providers and leaders of health care businesses, including the presidents of Halifax Health, Bert Fish Medical Center and Wuesthoff Health System. The remainder originated from residents of the north Brevard community, leaders of local businesses and 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. These 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. Jeff Feasel, President and CEO of Halifax Health Medical Center, believes the addition of a comprehensive medical rehabilitation (CMR) unit would significantly enhance the comprehensive, quality and patient-driven care already provided at Parrish Medical.

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 that they both have had patients whose insurance was not accepted at the current options for acute inpatient rehabilitation.

**Osceola Regional Medical Center (CON application #10349)** submitted a total of 10 unduplicated letters of support which can be found in CON application #10349, Volume I, Tab 3. The letters were all composed by local health care providers, including four providers who currently work at Osceola Regional Medical Center (ORMC).

The four ORMC providers--Mr. Duke Walker, MSPT, MBA, CSCS, Mr. Mo Nankoo, BA, Ms. Lisa R. Frey, MBA-HCM, BSN, RN, CCRN and Dr. Renato V. Araujo, DPT, MBA, CWS--express their frustration that the only current rehabilitation options in Osceola County are skilled nursing facilities (SNFs). Ms. Frey notes that ORMC will become a Level II trauma center in the upcoming months, stating, "With the anticipated increase in the population of patients suffering from traumatic injury, a comprehensive, aggressive rehabilitation unit will allow ORMC to provide continuity of care, increase the odds of these patients to regaining optimal functional ability and give them the opportunity and support to progress to their maximum functional independence with improved quality of life prior to returning home."

The other local health care providers express their strong support and excitement for the proposed project. Dr. Joanne M. Lee, MD, FACS of ORMC Surgical Trauma Group, indicates that she was recruited to ORMC to help build a Level II trauma center. She states, "When our patients have needs for aggressive and comprehensive rehabilitation services that are not locally and conveniently available in Osceola County, they elect not to receive this level of aggressive rehabilitation treatments or they have to leave the local community to receive these treatments."

## C. PROJECT SUMMARY

**Parrish Medical Center (CON application #10348),** hereafter referred to as Parrish Medical or the applicant, proposes to establish a new 16-bed CMR unit at its existing facility in District 7, Brevard County, Florida.

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 County Hospital District--a legislatively-chartered health care organization governed by a nine-member board with three members appointed by the Titusville 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 $5,260,697. The project involves 16,300 gross square feet (GSF) of renovation with no new construction, at a renovation cost of $3,671,647. Project costs include: building, equipment, project development and start-up costs.

The applicant proposes the following conditions on its Schedule C:

- 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 16 acute care beds which will not be added back for at least five years from the proposed CMR unit's initiation

**Osceola Regional Medical Center (CON application #10349),** hereafter referred to as ORMC or the applicant, a subsidiary of the Hospital Corporation of America (referred to as HCA throughout this document) proposes to establish a new 28-bed CMR unit at its existing facility in District 7, Osceola County, Florida.

ORMC is a 318-bed for-profit medical/surgical facility composed of acute care beds (283), adult psychiatric beds (25) and Level II neonatal intensive care unit beds (10) located at 700 West Oak Street, Kissimmee, Florida 34741. Non-CON regulated services at the facility include Level II adult cardiovascular services and designation as a primary stroke center. The applicant states that HCA is the second largest provider of inpatient rehabilitation facility services in the nation. ORMC asserts that HCA affiliated hospitals in Florida operate nine CMR programs with a total of 238 beds.

The total project cost is estimated at $7,805,000. The project involves 27,492 GSF of renovation with no new construction, at a construction cost of $4,687,670. Project costs include: building, equipment, project development, financing and start-up costs.

The applicant proposes the following conditions on its Schedule C:

- ORMC will provide four percent of its annual CMR patient days to a combination of Medicaid, Medicaid HMO and charity (including self-pay) patients
- ORMC will apply for CARF accreditation for its CMR program in the first 12 months of operation
- ORMC 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

**Total GSF and Project Costs of Co-Batched Applicants**

| Applicant | CON # | Project | GSF | Costs $ | Cost Per Bed |
|---|---|---|---|---|---|
| Parrish Medical | 10348 | New 16-Bed CMR Unit | 16,300 | $5,260,697 | $328,793.56 |
| ORMC | 10349 | New 28-Bed CMR Unit | 27,492 | $7,805,000 | $278,750.00 |

Source: CON applications #10348 and 10349, Schedule 1 and 9

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 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, Felton Bradley, 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 41, Number 11 of the Florida Administrative Register, dated January 16, 2015, a fixed need pool of zero beds was published for CMR beds for District 7 for the July 2020 planning horizon. Therefore, each co-batched applicants' proposed project is outside the fixed need pool.

As of January 16, 2015, District 7 had 236 licensed and 19 approved CMR beds. During the 12-month period ending June 30, 2014, District 7's 186 licensed CMR beds experienced 59.57 percent utilization. Approved projects are: 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 59.57 percent occupancy during the 12-month period ending June 30, 2014. HealthSouth Rehabilitation Hospital of Altamonte Springs, a 50-bed freestanding CMR facility, was licensed in Seminole County on October 22, 2014 bringing the total up to 236 licensed CMR beds in District 7 as of the publication of the fixed need pool on January 16, 2015.

**CMR Bed Utilization, District 7**
**July 1, 2013 to June 30, 2014**

| Facility | Beds | Total Occupancy |
|---|---|---|
| HealthSouth Sea Pines Rehabilitation Hospital | 90 | 57.97% |
| Florida Hospital | 10 | 88.60% |
| Orlando Regional Medical Center | 53 | 51.31% |
| Winter Park Memorial Hospital | 20 | 78.84% |
| Central Florida Regional Hospital | 13 | 52.37% |
| **District 7 Total** | **186** | **59.57%** |

Source: Florida Hospital Bed Need Projections & Service Utilization by District, January 2015 Batching Cycle

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

**District 7 CMR Utilization**
**Five-Year Period Ending June 30, 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 |
|---|---|---|---|---|---|---|
| HealthSouth Sea Pines Rehab Hospital | 90 | 50.65% | 54.25% | 59.34% | 58.76% | 57.97% |
| Florida Hospital | 10 | 93.42% | 94.27% | 94.45% | 87.72% | 88.60% |
| Orlando Regional Medical Center* | 53 | 55.21% | 58.66% | 56.73% | 57.05% | 51.31% |
| Winter Park Memorial Hospital | 20 | 83.37% | 80.21% | 86.63% | 76.79% | 78.84% |
| Central Florida Regional Hospital** | 13 | -- | -- | -- | -- | 52.37% |
| **District 7 Total** | **186** | **58.30%** | **60.91%** | **63.72%** | **61.99%** | **59.57%** |

Source: Florida Hospital Bed Need Projections & Service Utilization by District, January (2011-2015) 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

**Driving Distance in Miles—Existing Facilities and Proposed Sites**

| Facility | Parrish Medical Center (CON application #10348) | Osceola Regional Medical Center (CON application #10349) | HealthSouth Sea Pines | Florida Hospital | Orlando Health | Winter Park Memorial Hospital | Central Florida Regional Hospital | HealthSouth Altamonte Springs |
|---|---|---|---|---|---|---|---|---|
| Parrish Medical Center (CON application #10348) | | 57.38 miles | 50.97 miles | 44.26 miles | 42.33 miles | 39.24 miles | 34.45 miles | 51.51 miles |
| Osceola Regional Medical Center (CON application #10349) | 57.38 miles | | 56.78 miles | 19.90 miles | 16.79 miles | 24.77 miles | 41.43 miles | 57.38 miles |
| HealthSouth Sea Pines | 50.97 miles | 56.78 miles | | 77.10 miles | 72.84 miles | 74.38 miles | 81.10 miles | 56.70 miles |
| Florida Hospital | 44.26 miles | 19.90 miles | 77.10 miles | | 4.35 miles | 4.10 miles | 22.40 miles | 20.03 miles |
| Orlando Health | 42.33 miles | 16.79 miles | 72.84 miles | 4.35 miles | | 9.97 miles | 26.63 miles | 16.96 miles |
| Winter Park Memorial Hospital | 39.24 miles | 24.77 miles | 74.38 miles | 4.10 miles | 9.97 miles | | 20.37 miles | 24.99 miles |
| Central Florida Regional Hospital | 34.45 miles | 41.43 miles | 81.10 miles | 22.40 miles | 26.63 miles | 20.37 miles | | 41.52 miles |
| HealthSouth Altamonte Springs | 51.51 miles | 57.38 miles | 56.70 miles | 20.03 miles | 16.96 miles | 24.99 miles | 41.52 miles | |

Source: MapQuest

## c. Other Special or Not Normal Circumstances

**Parrish Medical Center (CON application #10348)** states that the proposed project is submitted as a "not-normal" circumstance based on current geographic and financial access limitations and unnecessarily high readmission rates from SNF settings 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. The reviewer notes that pursuant to 59C-1.005 (6) (c), Florida Administrative Code, facilities can add beds through exemption review by the CON unit. Parrish Medical notes that the Agency has previously approved CMR units where need has not been published on several occasions, District 7 included.

Parrish Medical maintains that data supporting the conclusion that north Brevard County is a unique medical market in need of CMR services includes patient flow data from Parrish Medical's defined service area (SA). The applicant contends that based on Agency discharge data for the 12 months ending June 2014, a combined 78 percent of its SA residents stayed in the north half of the county versus traveling to either a Melbourne provider or leaving the county for care--54 percent used Parrish Medical's facilities plus an additional 24 percent used central county acute care providers. Parrish Medical states that in fact, only seven percent of its SA residents traveled to south Brevard County for care.

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 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 SA 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. The applicant reports that during fiscal year (FY) 2013, Parrish Medical discharged 125 patients to CMR care. As illustrated in the chart below, Parrish Medical estimates that 378 discharges to CMR service could be expected if the proposed project was implemented. Parrish Medical and RehabCare believe the data shows that while approximately 13 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 4.3 percent of its RIC patients were referred for this service. See below.

**Parrish Medical Discharges X RIC**

| Diagnosis | RICS | # Of Cases | % Requiring Rehab | Rehab Points | ALOS | Rehab Patient Days |
|---|---|---|---|---|---|---|
| | | A* | B** | C*** | D**** | E***** |
| Stroke-Primary | Ric 1 | 195 | 35.9% | 70 | 14.5 | 1,011 |
| Stroke-Secondary | Ric 1 | 101 | 7.5% | 8 | 14.5 | 109 |
| BI-Traumatic | Ric 2 | 11 | 21.3% | 2 | 12.5 | 29 |
| BI-Non Traumatic | Ric 3 | 51 | 15.4% | 8 | 12.0 | 95 |
| SCI-Traumatic | Ric 4 | 1 | 95.3% | 1 | 14.9 | 14 |
| SCI- Non Traumatic | Ric 5 | 50 | 22.9% | 11 | 12.3 | 140 |
| Neurological | Ric 6 | 45 | 51.4% | 23 | 12.1 | 279 |
| Fracture | Ric 7 | 124 | 60.6% | 75 | 13.0 | 976 |
| Joint Replacement (Other) | Ric 8 | 193 | 11.0% | 21 | 9.1 | 193 |
| Bilat THR or Single Hip>84 | Ric 8 | 21 | 11.5% | 2 | 11.0 | 26 |
| Bilat THR or Single Knee>84 | Ric 8 | 3 | 56.4% | 2 | 9.6 | 16 |
| Other Ortho | Ric 9 | 52 | 20.4% | 11 | 11.5 | 122 |
| LE Amputation | Ric 10 | 61 | 8.1% | 5 | 13.7 | 67 |
| Other Amputation | Ric 11 | 3 | 15.2% | 0 | 12.9 | 6 |
| Osteoarthritis | Ric 12 | 19 | 5.5% | 1 | 11.8 | 12 |
| Rheumatoid | Ric 13 | 0 | 22.4% | 0 | 11.4 | 0 |
| Cardiac | Ric 14 | 632 | 1.5% | 9 | 10.5 | 99 |
| Pulmonary | Ric 15 | 353 | 2.5% | 9 | 10.7 | 94 |
| Pain Syndrome | Ric 16 | 66 | 5.5% | 4 | 11.0 | 40 |
| MMT no bi/sci | Ric 17 | N/A | N/A | 4 | 13.2 | 50 |
| MMT w/bi & sc | Ric 18 | N/A | N/A | 0 | 14.3 | 4 |
| Guillain-Barre | Ric 19 | 1 | 18.5% | 0 | 24.8 | 5 |
| Miscellaneous | Ric 20 | 902 | 12.3% | 111 | 11.0 | 1,220 |
| Burns | Ric 21 | 1 | 3.7% | 0 | 17.5 | 1 |
| | | | | | | |
| **Total** | | **2,885** | **13.1%** | **378** | **12.2** | **4,608** |
| Internally Generated IRF (Inpatient Rehabilitation Facility) Average Daily Consensus (ADC) | | | 12.63 | | | |

*Number of Parrish Medical's calendar year (CY) 2014 discharges 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 #10348, page 50

Additionally, Parrish Medical and RehabCare estimated an average daily census (ADC) of 12.63 by taking the total CMR patient days predicted and dividing by 365. Parrish Medical believes this data shows a CMR bed need of 16, 17 or 18 beds depending upon the use of a 70, 75, or 80 percent target occupancy rate--based solely on Parrish Medical's internal CY 2014 patient base.

Parrish Medical determined its hospital serves 54 percent of total SA acute care discharges. The applicant states that this leaves 46 percent or 5,117 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 +8.5, +17.1 or +25.6 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 13.7, 14.8 or 15.9 (versus 12.63 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 SA Discharge Potential** | 512 | 1,023 | 1,535 |
| *from a base of 5,117 non-Parrish Medical discharges* | | | |
| **Percent Increase in Parrish Medical Total Discharges Associated with the Shift to Parrish Medical** | 8.5% | 17.1% | 25.6% |
| *from a 2013 Parrish Medical base of 6,001 discharges* | | | |
| **Forecast CMR Patient Days with Increase in Base Discharges** | 5,001 | 5,394 | 5,787 |
| *from a base of 4,608 patient days* | | | |
| **Forecast CMR ADC with Increase in Base Discharges** | 13.7 | 14.8 | 15.9 |
| *from a base of 12.63 ADC* | | | |

Source: CON application #10348, page 52

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 17 to 23 beds. Parrish Medical notes that this reduction in bed complement from the prior CON application (#10234) is due to two issues:

- Parrish Medical made the decision that the operation of 100 percent private rooms was the most important consideration in setting the proposed bed size
- While the forecast model shows a need for 16+ beds, the likelihood is that not all Parrish Medical potential CMR patients will utilize the proposed new CMR service--the conservative decision was made to apply now for 16 beds with the ability to expand beds later if the facility utilization exceeds 80 percent

The applicant estimates 3,976 and 4,838 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 (4,608 patient days) and year two patient days below even the lowest +10 percent of the non-Parrish Medical volume scenario (5,001 patient days).

The applicant maintains that it should be noted that at the public hearing for the prior CON application (#10234), HealthSouth stated that the proposed project would not meet the Centers for Medicare and Medicaid Services (CMS) "60/40 Rule" and therefore the project was not reasonable or viable. Parrish Medical explains its understanding of this CMS Rule and declares that it will monitor compliance and ensure that the proposed new CMR program complies for the operation of its entire CMR program.

Parrish Medical compares District 7 CMR use rates to statewide rates, contending that District 7's are the lowest in Florida--thereby documenting a District-wide access limitation. The reviewer notes that District 7 has more licensed and approved comprehensive medical rehabilitation beds than any other district in the state other than District 11 (Miami-Dade and Monroe Counties). See table below.

**CMR Use Rates for July 2013-June 2014**

| Discharged from CMR | CMR Discharges | Population | Use Rate Decimal | Use Rate Per 10,000 |
|---|---|---|---|---|
| Florida Total | 40,898 | 19,654,457 | 0.002080851 | 20.8 |
| District 1 | 894 | 725,364 | 0.001232485 | 12.3 |
| District 2 | 2,598 | 743,097 | 0.003496179 | 35.0 |
| District 3 | 3,982 | 1,646,411 | 0.002418594 | 24.2 |
| District 4 | 3,710 | 2,002,289 | 0.001852879 | 18.5 |
| District 5 | 3,284 | 1,408,786 | 0.002331085 | 23.3 |
| District 6 | 3,016 | 2,411,967 | 0.001250432 | 12.5 |
| District 7 | 2,987 | 2,510,449 | 0.001189827 | 11.9 |
| District 8 | 3,992 | 1,646,007 | 0.002425263 | 24.3 |
| District 9 | 4,893 | 2,001,995 | 0.002444062 | 24.4 |
| District 10 | 5,090 | 1,842,008 | 0.002763289 | 27.6 |
| District 11 | 6,452 | 2,716,083 | 0.00237548 | 23.8 |

Source: CON application #10348, page 85

The applicant argues that this low District 7 use rate was accepted as a "not normal" circumstance in prior CON applications and analysis of Agency discharge data show that the CMR use rate in Parrish Medical's north Brevard SA is well below that observed in the southern portions of the county. The applicant analyzes CMR use rates within Brevard County based upon discharge data from the Agency's discharge database for the 12-months ending June 2014. The applicant notes that while the use rate for Brevard County is higher than the state use rate--it is still lower than seven of 11 Florida districts. Parrish Medical feels that these use rate comparisons document an access limitation within the district and specifically within north Brevard County and further supports Parrish Medical's contention that "not normal" access issues are present which support the approval of the proposed project. See the table below.

**CMR Use Rates within Brevard County Discharge Data**
**12-months ending June 2014**

| Discharged from CMR | CMR Discharges | 2014 Population | Use Rate per 10,000 |
|---|---|---|---|
| North Brevard County | 213 | 95,652 | 22.3 |
| Central/South Brevard County | 1,352 | 459,275 | 12.4 |
| Total Brevard County | 1,565 | 554,927 | 22.8 |

Source: CON application #10348, page 86

The reviewer notes that the calculations on the table above are incorrect. The use rates for central/south Brevard County should be 29.4 and 28.2 for Brevard County as a whole. The reviewer notes that use rate per 10,000 for Brevard County is only surpassed by District 2's use rate.

Parrish Medical states that it should be noted that during the public hearing for the prior CON application (#10234), HealthSouth presented an opposition statement. The applicant points out that HealthSouth attempted to diminish the magnitude of the access problems identified in CON application #10234 but did not take the position that they did not exist. Parrish Medical rejects HealthSouth's proposed solution of transporting patients to HealthSouth Sea Pines, indicating that it is based on an incorrect assumption of how RehabCare would be reimbursed for its services, does nothing to resolve local geographic and financial access issues and only further supports HealthSouth's lack of care to the financially limited patients of Brevard County.

To further illustrate geographic limitations, Parrish Medical identifies a minimum of 28 patients at their hospital that were appropriate for CMR care upon discharge but did not receive it upon discharge for the period from January 2013 to May 2014 (seventeen months). HealthSouth Sea Pines 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.

Parrish Medical believes that an additional "not normal" limitation that will be improved is a reduction in the rate of readmissions associated with an anticipated shift of patients from a SNF setting to a CMR setting once the proposed new program is opened. The applicant reports that Parrish Medical data show that patients discharged to CMR settings had a 30-day readmission rate of seven percent, while patients discharged to SNF settings had a 30-day readmission rate of 13 percent.

The applicant argues that 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 90 percent of its patients served are from the Titusville/Port St. John/Mims area--otherwise described as north Brevard County. The other 10 percent are from the Cocoa/Cocoa Beach area.

The applicant indicates that the population in its SA is concentrated in Titusville, with two Titusville ZIP codes accounting for 58 percent of the SA 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 SA 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 #10348, page 46, 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.

**Osceola Regional Medical Center (CON application #10349)** includes a map of the location of existing CMR units in District 7 and its primary and secondary service areas (PSAs and SSAs). The applicant states that the nearest CMR beds are located in downtown Orlando or Orange County--a considerable distance from Osceola County's SA. ORMC feels it is noteworthy that Osceola County is the most populous county in Florida with no licensed or approved CMR beds.

The applicant asserts that 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. ORMC contends that this fact, coupled with the increasingly localized nature of CMR service delivery, constitutes a "not normal" circumstance.

ORMC believes that 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. The applicant states that thus the rule does not account for many subsequent changes in health care. ORMC notes that the Agency has however, been receptive to need arguments based on "not normal" and/or unique local circumstances and has looked favorably upon several recent CON applications for CMR hospitals and hospital-based units.

The applicant insists that clinical continuity of care is of primary importance to the patient--over the past decade the severity rating of patients admitted to rehabilitation program has increased. ORMC feels that a clinical program at its facility will allow for the shortest amount of time between discharge from acute care and admission to the program.

ORMC insists that inpatient CMR utilization in District 7 lags behind other areas of the state--this lag is more apparent when use rates are compared among districts to the state. The applicant provides the following table depicting the rate of resident CMR discharges by Agency district and the state during the 12-month period ending June 2014. ORMC points out that District 7 ranks last out of the 11 districts--by this measure the residents of District 7 receive significantly fewer CMR services than the typical Floridian. The reviewer notes that District 7 has more licensed and approved comprehensive medical rehabilitation beds than any other district in the state other than District 11 (Miami-Dade and Monroe Counties).

**Adult CMR Discharge Rate by Agency District of Residence**

| Rate per 100,000 | District | 15-64 | 65-74 | 75+ | Total |
|---|---|---|---|---|---|
| | 1 | 70.0 | 362.7 | 739.9 | 154.2 |
| | 2 | 133.7 | 1,199.3 | 2,808.9 | 425.8 |
| | 3 | 90.4 | 420.8 | 1,218.4 | 283.5 |
| | 4 | 91.8 | 525.9 | 1,087.7 | 226.2 |
| | 5 | 90.5 | 432.5 | 1,200.1 | 274.4 |
| | 6 | 70.1 | 322.2 | 689.9 | 155.7 |
| | 7 | 63.4 | 339.2 | 842.8 | 145.2 |
| | 8 | 85.1 | 409.7 | 1,079.1 | 287.8 |
| | 9 | 90.1 | 482.0 | 1,208.7 | 296.5 |
| | 10 | 125.9 | 722.3 | 1,928.8 | 345.0 |
| | 11 | 100.4 | 745.7 | 1,632.0 | 292.1 |
| | **Florida** | **89.8** | **499.4** | **1,228.3** | **253.4** |

Source: CON application #10349, page 20

The applicant maintains that its proposed program will primarily serve patients being discharged from within its hospital, as well as other residents of its PSA and SSA consisting of most of Osceola County, plus two ZIP code areas in extreme southern Orange County and one in Polk County. The reviewer notes that Orange County has three licensed CMR programs consisting of 83 beds and Polk County has one licensed CMR program consisting of 24 beds and one approved CMR program consisting of 32 beds.

ORMC provides the following table illustrating its combined SA (PSA and SSA) population by ZIP code and age group and insists that two facts stand out. First, the adult population of the SA is greater than several Florida counties with licensed and approved CMR beds--there are 31 counties in Florida where CMR beds are located and 14 (or 45 percent) of those have fewer residents than the SA. Secondly, the age comparison of the SA is more heavily weighted toward the elderly population (ages 65+) than the overall population of Osceola County or District 7 as a whole--15.1 percent of the total SA population is 65+ compared to 11.7 percent in Osceola County and 13.5 percent in District 7. The applicant feels that this finding is significant because persons 65-75 and 75+ are the most intensive users of CMR services. See the table below.

**Service Area Population by ZIP Code Area as of January 1, 2014**

| ZIP | 15-64 | 65-74 | 75+ | Total |
|---|---|---|---|---|
| 32824 | 29,705 | 2,221 | 1,222 | 33,148 |
| 32837 | 38,267 | 3,153 | 1,939 | 43,358 |
| 34741 | 29,598 | 2,749 | 1,874 | 34,220 |
| 34743 | 24,258 | 2,608 | 1,820 | 28,685 |
| 34744 | 32,889 | 3,677 | 2,038 | 38,603 |
| 34746 | 26,754 | 3,211 | 2,385 | 32,349 |
| 34747 | 10,731 | 1,225 | 499 | 12,454 |
| 34758 | 23,872 | 2,486 | 1,489 | 27,846 |
| 34759 | 20,684 | 4,303 | 1,768 | 26,755 |
| 34769 | 16,873 | 2,229 | 2,036 | 21,139 |
| 34771 | 11,014 | 1,453 | 849 | 13,316 |
| 34772 | 15,921 | 1,668 | 1,135 | 18,724 |
| **SA Total** | **280,565** | **30,980** | **19,052** | **330,597** |

*The reviewer notes that the columns for 15-64, 65-74 and 75+ actually total 280,566, 30,983 and 19,054, respectively.
Source: CON application #10349, page 23

ORMC states that the lower occupancies experienced at certain hospitals in District 7, especially the larger facilities, are partially a function Medicare program's "60-percent rule." The applicant explains that it is stipulated that at least 60 percent of patients discharged from an inpatient rehabilitation facility (IRF) had to be treated for one of 13 conditions in order for the facility to maintain its IRF status and receive Medicare payments under the IRF prospective payment system, a more generous payment provision than that followed for acute care services.

The applicant includes a table depicting statewide utilization of hospital-based CMR services at "large" (40 or more beds) versus "small" (fewer than 40 beds) units on page 28 of CON application #10349. The chart notes that from July 1, 2013-June 30, 2014, the occupancy rate averaged 51.7 percent for large units and 70.5 percent for small units. ORMC declares that the considerably higher utilization of units of less than 40 beds reinforces the finding that many hospital-based units that were established with larger bed inventories have had greater difficulties filling their beds under current Medicare payment guidelines.

ORMC provides a table presenting statewide data indicating that the percentage of CMR discharges originating from the home county of the CMR facility during the period July 2013-2014 on page 30 of CON application #10349. The applicant feels that the data reflect that, given current practice patterns and payment restrictions, CMR facilities no longer function as regional referral centers. The applicant reports that on average, 76 percent of CMR discharges from hospital-CMR units and 80 percent of CMR discharges from freestanding CMR hospitals were residents of the county in which the CMR facility was located.

The applicant indicates that this threshold places restrictions on the numbers and types of patients that would be eligible under the rehabilitation payment system. ORMC feels that as a consequence, many older facilities that were established with large bed inventories, predicated on a greater ability to admit more varied types of cases, have difficulties filling their beds.

The applicant believes there is a perceived need for CMR beds at ORMC as evidenced by its letters of support. ORMC states that all of these letters attest to the gap in the choices available to patients and families that would be rectified if ORMC was allowed to provide inpatient CMR services and resultant improvements in the continuity of care available to patients and their families.

ORMC provides the following forecasted CMR utilization, indicating that utilization is predicated upon three variables:

- A 75 percent capture rate of the difference between expected and base-year actual PSA/SSA are assumed--this three-fourths capture rate represents the belief that, in the start-up year of operations, ORMC has the potential to achieve a 75 percent share of CMR discharges attributable to the PSA/SSA residents after factoring out those historical discharges already being served in other locations
- An ALOS of 13.5 days is employed--this represents the actual CMR ALOS experienced by CMR providers statewide during 2013-2014
- A figure of 14 percent has been employed to calculate the proposed "out-of-area" draw of a CMR unit at ORMC--this figure is the actual proportion that ORMC historically experienced in its acute care beds during 2013-2014 and represents the percentage of the proposed CMR's inpatient caseload expected to reside outside the PSA/SSA
- An 85 percent capture rate is assumed in the second year based upon the belief that the CMR program will be able to garner a moderately higher market share of PSA/SSA resident discharges as it matures

**ORMC Forecast CMR Utilization**
**CY 2017 and 2018**

| | | | **CY 2017** | | **CY 2018** | |
|---|---|---|---|---|---|---|
| Service Area | Discharges | Capture Rate | 75% | 434 | 85% | 515 |
| | Days | ALOS | 13.5 | 5,852 | 13.5 | 6,954 |
| | ADC | | | 16.0 | | 19.0 |
| Out of Area | Discharges | Percent | 14.0% | 71 | 14.0% | 84 |
| | Days | Percent | 14.0% | 953 | 14.0% | 1,132 |
| | ADC | | | 2.6 | | 3.1 |
| Program Total | Discharges | | | 504 | | 599 |
| | Days | | | 6,805 | | 8,086 |
| | ADC | | | 18.6 | | 22.1 |
| | **Occupancy** | **Beds** | **28** | **66.6%** | **28** | **78.9%** |

Source: CON application #10349, pages 42-43

ORMC states that the discussion of bed need and the utilization forecast presented in its application are based on the assumption that an establishment of a CMR unit at ORMC will help bring District 7 CMR use rates more in line with statewide norms and that utilization will be driven primarily by the shortfall between expected discharged based on these norms and the actual, suppressed, demand. The applicant concludes that its modest proposal is unlikely to have a significant adverse impact on any existing provider.

**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.**

**Each co-batched applicant** 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.**

**Parrish Medical Center (CON application #10348)** indicates that the CMR unit will be a separately organized unit on the third floor of the hospital.

**Osceola Regional Medical Center (CON application #10349)** indicates that the CMR unit will be a separate, new hospital unit to be located as a fifth floor addition to an existing three-story patient tower.

**(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 Center (CON application #10348)** states that while the proposed 16-bed unit size is below the Agency's

minimum beds size, the decision to provide only private bed rooms and the organizational prioritization on the anticipated patient satisfaction and outcome gains associated with the 100 percent private bed facility was felt to be more important than the 20-bed minimum--which would have entailed eight patients to be situated in a semi-private patient room environment.

The applicant indicates that further, with the Agency recently approving a number of under 20-bed CMR projects, the decision was made to put a priority focus on patient care.

**Osceola Regional Medical Center (CON application #10349)** is in compliance with this criterion.

**(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.**

**Parrish Medical Center (CON application #10348)** currently participates in the Medicare and Medicaid programs 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.

**Osceola Regional Medical Center (CON application #10349)** currently participates in the Medicare and Medicaid programs and states intent to do so in the proposed CMR unit. ORMC indicates that Medicare and Medicare HMO patients are expected to be 67.7 percent of total rehabilitation patient days while Medicaid and Medicaid HMO patients are expected to be 5.6 percent during the first two years of operation.

**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 physiatrist and has had at least two years of experience in the medical management of inpatients requiring rehabilitation services.**

**Each co-batched applicant** states intent to comply with this rule.

**Parrish Medical Center (CON application #10348)** 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.

**Osceola Regional Medical Center (CON application #10349)** includes a list of the physician's roles, indicating that it anticipates recruiting a physician for this position and will be assisted in the endeavor by its corporate physician recruitment office.

ORMC states that it is the intent of the proposed program to couple with the expertise of the rehab physician with that of an internal medicine physician with geriatric medicine specialization. The applicant explains that one of the main drivers of organization in the CMR in this manner is the observation that since 2003 the measurement known as Case Mix Index for rehabilitation programs has increased substantially.

**(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**

**Parrish Medical Center (CON application #10348)** 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 and urology
- Nutritionist, otorhinolaryngology and 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.

**Osceola Regional Medical Center (CON application #10349)** asserts that in addition to the above services, CMR inpatient services shall include at least the following services and includes a description of each:

- Rehabilitation nursing
- Physical therapy
- Occupational therapy
- Speech therapy
- Social worker
- Case management services

ORMC includes a description of each of the following additional personnel to be provided based on patient need:

- Diabetic nurse educator
- Wound care specialist
- Psychology, neuropsych and orthotic services
- Pharmacology
- Certified therapeutic recreation specialist
- Chaplin and other spiritual persons

**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 Center (CON application #10348)** states that 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 #10128 (submitted by Central Florida Regional Hospital, Inc. (CFRH) to establish a 13-bed CMR unit in Seminole County.

The applicant insists that the closest existing District 7 CMR unit to Parrish Medical is CFRH--located outside Brevard County and 34.3 miles from Parrish Medical with a travel time of 47 minutes or 51 minutes including traffic. Parrish Medical maintains that 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 #10348, page 64

Parrish Medical argues that the ultimate Agency decision to approve CON application #10127--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 SA and the mal-distribution of beds in District 7. The applicant notes that HealthSouth's application was initially denied, but 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.

**Osceola Regional Medical Center (CON application #10349)** provides a discussion of CMR bed need on pages 38-41 of CON application #10349. The applicant provides the following table illustrating the expected versus actual ages 15+ CMR discharges in the SA for July 2013-June 2014.

**Expected Versus Actual 15+ CMR Discharges in the SA**

| | 15-64 | 65-74 | 75+ | Total |
|---|---|---|---|---|
| **Florida CMR Discharge Rate** | **89.9** | **499.4** | **1,228.3** | **253.4** |
| SA Population 1/2014 | 280,565 | 30,980 | 19,052 | 330,597 |
| Expected Discharges | 252 | 155 | 234 | 641 |
| Actual Discharges | 100 | 36 | 25 | 161 |
| Expected-Actual | 152 | 119 | 209 | 480 |
| Statewide ALOS | 13.88 | 13.04 | 13.47 | 13.48 |
| Expected Patient Days | 3,499 | 2,022 | 3,152 | 8,673 |
| Actual Patient Days | 1,573 | 409 | 343 | 2,325 |
| Expected-Actual | 1,923 | 1,613 | 2,809 | 6,348 |
| **Bed Need @ 80% Occupancy** | | | | **22** |

Source: CON application #10349, page 41

The applicant explains that expected discharges are the product of the statewide discharge rates and the January 2014 SA population estimates. ORMC indicates that the differences between the expected discharges and the actual discharges are multiplied by the statewide ALOS by age cohort to arrive at an estimate of expected CMR patient days. The applicant further explains that subtracting actual patient days from the expected figures and summarizing across the age groups yields a result of 6,348 SA-resident CMR patient days that would have been generated had the statewide average prevailed within the SA.

ORMC maintains that this shortfall of 6,348 days equates to a base-year CMR bed need within the SA of 22 beds, employing an 80 percent occupancy standard as found in 408.036(3)(j) 1.a, Florida Statutes and Rule 59C-1.039 Florida Administrative Code. The applicant declares that this represents an unmet need under "not normal" circumstances beyond the current level of service being provided by existing CMR units. The applicant feels that implicit in this finding is that offering CMR services at ORMC will have no significant impact on any existing CMR provider.

ORMC believes that the substitution of statewide average use rates for the lower rates actually generated by the SA residents during 2013-2014 is a reasonable health planning approach--regulatory and clinical changes and advancements have led to an evolution in CMR delivery away from the regional referral model and toward a more locally-based step down model. The applicant feels that the actual CMR use rate within the SA is suppressed due to the unavailability of the service within the SA.

The applicant believes that another factor positively impacting the need for CMR services is the Patient Protection and Affordable Care Act, which imposes reduced Medicare payments to hospitals that have high rates of Medicare readmissions. ORMC asserts that hospitals may seek CMR services to a greater extent than SNF services in future years because they provide intensive treatment that can reduce the need to return to the acute care hospital.

The applicant replicates this method to forecast CMR bed need for CYs 2017 and 2018. ORMC finds a shortfall of 7,663 patient days in CY 2017 and 8,039 in CY 2018, equating to a CMR bed of 26 beds and 27 beds, respectively.

**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 reviewer notes that the most recent average annual District 7 occupancy rate for CMR beds was 59.57 percent.

**(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.**

**Both co-batched applicants** participate in the low income pool (LIP) program and Parrish Medical participates in the disproportionate share hospital (DSH) program. The table below illustrates each applicant's estimated annual allocations for FY 2014-2015 as noted in the General Appropriations Act.

**Parrish Medical and ORMC LIP and DSH**
**Estimated Annual Allocations for FY 2014-2015**

| Program | Estimated Annual Allocation |
|---|---|
| **Parrish Medical** | |
| LIP | $8,852,482 |
| DSH | $1,446,296 |
| **ORMC** | |
| LIP | $180,741 |

Source: Agency Division of Medicaid, Office of Program Finance

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

**Parrish Medical Center (CON application #10348)** states intent to provide unencumbered access to Medicaid patients requiring CMR services. Parrish Medical conditions the proposed project to provide at least nine percent of its patient days to a combination of Medicaid, Medicaid HMO, and charity care/self-pay patients.

**Osceola Regional Medical Center (CON application #10349)** states that as described in numerous places in its application, ORMC proposes to provide care to Medicaid-eligible persons.

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

**Parrish Medical Center (CON application #10348)** is not a designated trauma center.

**Osceola Regional Medical Center (CON application #10349)** states that it submitted an application on April 1, 2015 to the Florida Department of Health to become a designated Level II trauma center. The applicant notes that it expects to be achieve provisional designation and begin trauma center operation in October 2015.

**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.

**Parrish Medical Center (CON application #10348)** argues that 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 47 minutes "without traffic" and 51 minutes "with traffic" is a "not-normal" situation that supports the approval of the proposed project.

**Parrish Medical Distance to Existing/Approved CMR Providers**

| | Distance from Parrish Medical | | |
|---|---|---|---|
| **Existing/Approved District 7 CMR Providers** | **Miles** | **Travel Time** | **Travel Time with Traffic** |
| HealthSouth Sea Pines Melbourne | 51.2 | 56 min | 1 hour 15 min |
| Orlando Health Inpatient Rehab Orlando | 42.8 | 59 min | 1 hour 4 min |
| Florida Hospital Orlando | 45.4 | 60 min | 1 hour 5 min |
| Central Florida Regional Sanford | 34.3 | 47 min | 51 min |
| Winter Park Hospital | 39.1 | 62 min | 1 hour 9 min |
| HealthSouth Altamonte | 51.8 | 65 min | 1 hour 11 min |

Source: CON application #10348, page 69, based on Data from Bing maps 03/24/15

The applicant states that further, the closest facility to Parrish Medical is CFRH in Sanford and while geographically closest to Parrish Medical, the reality of the situation is that there is minimal patient flow from north Brevard County to Sanford (less than 10 north Brevard patients traveled to Sanford for care).

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.

**Osceola Regional Medical Center (CON application #10349)** maintains that this project is expected to greatly enhance geographic accessibility to inpatient rehabilitation services for the residents of ORMC's Osceola County SA. The applicant contends that many area patients who require this level of care to obtain optimal functional independence following illness or injury fail to obtain it due to transportation and family accessibility issues.

ORMC notes that Orlando Regional Medical Center is the shortest driving time and distance from ORMC of any existing provider of inpatient CMR services, yet it is located approximately 33 minutes and 22 miles from the applicant. ORMC feels that given the traffic congestion in the greater Orlando area, even this distance is bound to disrupt the continuity of care for SA residents. The applicant points out that the other two CMR units in Orange County range from 25-28 miles from ORMC--the HealthSouth facility in Melbourne, Brevard County, is over one hour and 55 minutes from ORMC.

The reviewer notes that according to FloridaHealthFinder.gov the following providers of CMR services are within 25 miles of the applicant: Orlando Health (15.68 miles from ORMC), Florida Hospital (19.09 miles

from ORMC), Winter Park Memorial Hospital (21.17 miles from ORMC) and HealthSouth Rehabilitation Hospital of Altamonte Springs (24.33 miles from ORMC).

**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 Center (CON application #10348)** 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 includes a list of its awards and recognitions.

The applicant plans to utilize their Quality Improvement Performance Plan at the proposed CMR unit, which can be found in Appendix 6 of CON application #10348. 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.

Parrish Medical 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.

**Osceola Regional Medical Center (CON application #10349)** asserts that through its program, its ORMC Comprehensive Inpatient Rehabilitation Center will have the ongoing ability to internally monitor the quality of care provided to patients and implement improvement activities when needed.

The applicant notes that the Quality and Clinical Excellence Programs focus on four major areas: clinical outcomes, patient experience, technology and innovation and the culture of safety--and includes a list of the reporting tools used to measure the success of each program.

ORMC provides a table that sets forth the current HCA rehabilitation performance improvement indicators for 2015 on page 61 of CON application #10349. The applicant explains that these are updated periodically as necessary and the version in effect at the time of licensure of the proposed unit will be applicable to it.

**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**

**Parrish Medical Center (CON application #10348)** indicates that the proposed CMR program will be focused on adult patients aged 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+ and the financial forecasts assume that 70+ percent of patient volume will be Medicare, a wide range of patients under the age of 65 will also be served.

**Osceola Regional Medical Center (CON application #10349):** notes that it will serve adults age 18 and older. The applicant anticipates that approximately 13.5 percent of patient days in the proposed unit will be adults under age 65 and 86.5 percent will be age 65+.

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

**Parrish Medical Center (CON application #10348)** states intent to provide a wide array of inpatient rehabilitation programs including: stroke, head trauma, spinal cord injury, neurological, orthopedics, cardiac, pulmonary and wound.

**Osceola Regional Medical Center (CON application #10349)** states intent to provide the following specialty CMR programs and includes a description of each: stroke rehabilitation, arthritis, wound care, orthopedic rehabilitation, spasticity management and balance/vestibular.

**(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 Center (CON application #10348)** notes that additional staff requirements are concentrated in the nursing and therapy areas. Parrish Medical provides the following staffing pattern for years one and two of its proposed CMR program. The reviewer notes staffing for the total facility in year two is lower than in year one.

**Staffing Pattern for Parrish Medical (CON Application #10348)**

| | Year One Ending 09/30/2017 | | Year Two Ending 09/30/2018 | |
|---|---|---|---|---|
| | **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 |
| Clinical Liaison | 1.0 | 1.0 | 1.0 | 1.0 |
| **NURSING** | | | | |
| RNs | 5.6 | 215.6 | 5.6 | 215.6 |
| LPNs | 2.8 | 12.8 | 4.2 | 14.2 |
| Nurses' Aides | 4.2 | 14.2 | 4.2 | 14.2 |
| Other: Unit Secretary | 1.0 | 9.0 | 1.0 | 9.0 |
| Other: Nurse Manager | 1.0 | 8.0 | 1.0 | 8.0 |
| Other: Other Nursing | -- | 58.0 | -- | 58.0 |
| **ANCILLARY** | | | | |
| Physical Therapist | 2.5 | 23.5 | 2.5 | 23.5 |
| Speech Therapist | 1.0 | 3.0 | 1.5 | 3.5 |
| 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 |
| 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 | 2.0 | 37.0 |
| **LAUNDRY** | | | | |
| Laundry Supervisor | -- | 1.0 | -- | 1.0 |
| Laundry Aides | -- | 5.0 | -- | 5.0 |
| **PLANT MAINTENANCE** | | | | |
| Maintenance Supervisor | -- | 2.0 | -- | 2.0 |
| Security | -- | 25.0 | -- | 25.0 |
| Other: | -- | 28.0 | -- | 28.0 |
| **OTHER CLINICAL AND SUPPORT STAFF** | -- | 569.0 | -- | 559.0 |
| **GRAND TOTAL** | **26.1** | **1,091.1** | **30.8** | **1,085.8** |

Source: CON application #10348, Schedule 6A

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.

**Osceola Regional Medical Center (CON application #10349)** notes that its staffing levels are consistent with licensure, CMS and CARF standards, as are the training and experience requirements for each staff position providing CMR services. The applicant asserts that it will train all medical staff and employees on the significance of a culture of safety and includes a list of topics. ORMC provides the following staffing pattern for years one and two of its proposed CMR program.

**Staffing Pattern for ORMC (CON application #10349)**
**New Inpatient Health Care Facilities**

| | Year One FTEs | Year Two FTEs |
|---|---|---|
| **ADMINISTRATION** | | |
| Program Director | 1.00 | 1.00 |
| Manager | 1.00 | 1.00 |
| Outreach Coordinator | 1.00 | 1.00 |
| PAI Coordinator | 1.00 | 1.00 |
| **PHYSICIANS** | | |
| Medical Director/Physiatrist | 0.50 | 1.00 |
| **NURSING** | | |
| Charge Nurse/Clinical Coordinator | 1.00 | 1.00 |
| RNs | 8.40 | 9.10 |
| LPNs | 8.40 | 9.10 |
| CNAs | 4.20 | 4.90 |
| Unit Secretary | 1.40 | 1.40 |
| **ANCILLARY** | | |
| Inpatient Therapy Manager | 1.00 | 1.00 |
| Physical Therapist | 2.50 | 2.50 |
| Physical Therapist Assistant | 1.75 | 2.00 |
| Speech Therapist | 1.75 | 2.00 |
| Occupational Therapist | 2.50 | 2.50 |
| Occupational Therapy Assistant | 1.75 | 2.00 |
| **SOCIAL SERVICES** | | |
| Social Worker/Case Manager | 1.00 | 1.00 |
| **TOTAL** | **40.15** | **43.50** |

Source: CON application #10349, Schedule 6A

Notes to Schedule 6A indicate that no FTEs are shown for non-patient care services--these services will be provided directly by the hospital and both staffing and other expenses for these service departments have been allocated and included on Schedule 8A.

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

**Parrish Medical Center (CON application #10348)** 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.

**Osceola Regional Medical Center (CON application #10349)** asserts that some of the personnel required for the unit may be reassigned from the existing hospital--others will be recruited as necessary. The applicant maintains that it currently recruits most of the affected personnel categories for its acute care units of the hospital using a variety of methods and processes--these methods have been adequate in the past and are expected to meet such needs in the future, including for the proposed project.

**(5) Expected sources of patient referrals.**

**Parrish Medical Center (CON application #10348)** 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.

**Osceola Regional Medical Center (CON application #10349)** expects that many admissions will arise from among ORMC acute care patients. The applicant indicates that referrals will come from physicians on the ORMC staff and other physicians practicing in the SA. ORMC notes that additional referrals are also expected from area nursing homes and other acute care hospitals in the 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 Center (CON application #10348)** presents the following CMR unit patient days by payer type in years one and two of the proposed project.

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

| | Year One | Year Two |
|---|---|---|
| Medicare | 2,902 | 3,531 |
| Medicaid | 239 | 290 |
| Insurance | 80 | 97 |
| Managed Care/Other | 636 | 775 |
| Self-Pay/Charity | 119 | 145 |
| **Total** | **3,976** | **4,838** |

Source: CON application #10348, page 77

**Osceola Regional Medical Center (CON application #10349)** presents the following CMR unit patient days by payer type in years one and two of the proposed project on its Schedule 7B.

**ORMC CMR Unit**
**Patient Days by Payer Class**

| | Year One | Year Two |
|---|---|---|
| Medicare | 3,960 | 4,704 |
| Medicare HMO | 1,926 | 2,289 |
| Medicaid | 151 | 180 |
| Medicaid HMO | 66 | 78 |
| Commercial Insurance/HMO/PPO | 392 | 466 |
| Self-Pay/Charity | 85 | 101 |
| Other Payers | 226 | 268 |
| **Total** | **6,805** | **8,086** |

Source: CON application #10349, Schedule 7B

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

**Parrish Medical Center (CON application #10348)** 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.

Parrish Medical forecasts that three percent of patient days or $487,900 in year one and $502,537 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 that the applicant did not provide a year for this figure in this section but had stated it as CY 2013 in another.

**Osceola Regional Medical Center (CON application #10349)** indicates that ORMC extends and will continue to extend services to all patients in need of care regardless of the ability to pay or source of payment--Medicaid-sponsored, self-pay and indigent

patients are currently served by the applicant. ORMC declares that the proposed herein will ensure accessibility by these patients to needed rehabilitation services.

ORMC's Schedule 7B forecasts that 1.2 percent or $487,900 in year one and $502,537 in year two will be provided to charity care patients.

**(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).**

**Parrish Medical Center (CON application #10348)** 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.

**Osceola Regional Medical Center (CON application #10349)** states that it currently reports to the Agency or its designee its inpatient acute care discharge data consistent with this provision and will collect and report similar data for patients discharged from the proposed inpatient rehabilitation unit.

**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 SA?**

**Parrish Medical Center (CON application #10348)** 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 that 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.

The applicant argues that financial access to the one existing Brevard County CMR provider is also an issue adversely impacting north Brevard County patients. Parrish Medical indicates that review of Agency discharge data for the 12 months ending June 2014 show that only 3.6 percent of total Brevard County CMR patients with Medicaid/Medicaid Managed Care insurance coverage were treated in a CMR setting, compared to 8.1 percent for District 7 as a whole. The applicant also reports 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 15.2 percent of its gross revenue to this cohort[2] according to its 2014 audited statements, arguing this is a documentation of a "non-normal" situation--financial access.

The applicant believes that 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 a 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 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 #10348.

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.

Parrish Medical believes that 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

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

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 while HealthSouth Sea Pines' occupancy rates are in the upper 50 percent range, these beds are not reasonably geographically or financially accessible to north Brevard County residents.

**Osceola Regional Medical Center (CON application #10349)** indicates that none of the inpatient CMR providers in District 7 are utilized by patients residing in ORMC's SA to any applicable extent. To illustrate this point, the applicant summarizes the utilization of CMR beds by SA residents and finds that 165 SA residents were discharged from CMRs during the 2013-2014 time period--76 percent of those were discharged from either Orlando Regional Medical Center, Florida Hospital (Orlando) or Winter Park Memorial Hospital.

The applicant explains that when patient days generated by SA residents are compared to the total CMR patient days reported by these three hospitals, however it is apparent that utilization by SA residents accounts for only a minor proportion of their overall volume: Orlando Regional Medical Center--9.1 percent, Winter Park Memorial Hospital--7.4 percent and Florida Hospital (Orlando)--8.8 percent. ORMC believes that reliance on any of these providers results in less than optimal continuity of care for SA residents discharged from ORMC or anywhere else in the SA.

ORMC states that SNFs are generally not an acceptable alternative to CMR services and makes the following arguments:

- CMR services are deemed to be tertiary--SNF care clearly is not tertiary per CON statues and rules
- CMR patients receive more physician visits and more treatment by specialty care physicians than SNF patients
- CMRs are required to provide rehabilitation nursing and to develop an interdisciplinary plan of care for each patient geared toward rehabilitation--SNFs are not
- CMS has imposed restrictions on SNF rehabilitation reimbursement to encourage more care for appropriate patients in hospital-based CMR settings
- SNFs can admit Medicare patients only within 30 days of an acute care hospital episode of at least three consecutive days--CMR facilities can admit a patient from any location at any time provided the patient needs inpatient rehabilitative services

ORMC discusses two 2008 studies that have noted the benefits of care in the CMR setting versus that in a SNF. ORMC states that a more recent study, the aforementioned March 2014 study by Dobson DaVanzo & Associates, compared outcomes of Medicare patients who utilized IRFs (designated as CMRs in Florida) with Medicare patients who utilized 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.

ORMC includes the following table that presents data comparing the proportion of non-CMR hospital adult discharges to SNF versus CMR.

**Hospital Discharges to SNF or CMR**
**July 2013-June 2014**

| | Discharges to | | | |
|---|---|---|---|---|
| **District** | **SNF** | **CMR** | **Combined 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% |
| District 4 | 28,456 | 3,797 | 32,253 | 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 | 29,207 | 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 #10349, page 34

The applicant states that during the 2013-2014 time period, Florida's hospitals discharged 292,336 adult patients to either a SNF or CMR bed--nearly 15 percent were discharged to the CMR setting, contrasted to 10.4 percent of District 7. ORMC insists that when the same analysis is performed on adult discharges at ORMC, however, only 2.4 percent of the combined adult discharges were directed to a CMR bed. The applicant feels that by this measure, patients discharged from ORMC have very limited access to CMR services, well below both the District 7 and state averages.

ORMC states that it makes no representations regarding the adequacy of the quality of care available via the existing providers of CMR in the district--the need for the proposed project is not dependent upon an assertion or finding of an absence of quality preventing utilization. The applicant declares that the greatly below average utilization of CMR services by the residents of the PSA and District 7 arises for other reasons, as previously discussed.

**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.**

**Parrish Medical Center (CON application #10348)** asserts that it is a high quality acute care hospital and includes a detailed list of its awards and recognitions on pages 90-91 of CON application #10348. The applicant notes that 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 believes that it is important to note that HealthSouth Sea Pines, in opposition to the prior CON application (#10234), took the position that a hospital-based program such as proposed in this CON application would offer lower quality of care than the care provided at HealthSouth Sea Pines. The applicant feels that these HealthSouth statements have no basis in fact and are incorrect.

Parrish Medical discusses some of the highlights of RehabCare's evolution into the leader of post-acute care and mentions that in June of 2011, it merged with Kindred Healthcare. The applicant declares that the merger has meant expanded capabilities and efficiencies as they build upon the best practices and experience of both companies.

The applicant discusses its commitment to quality first, stating that quality outcomes will be measured and reported continuously to demonstrate improvement in function for patients who received care in the proposed program. Parrish Medical insists that patients at RehabCare facilities nationwide achieve better outcomes compared to other CMR providers.

Parrish Medical notes that it provides charts illustrating comparative outcome data on RehabCare's superior patient outcomes upon discharge as compared to the nation as a whole for the most recent 12-month period (10/01/2013-09/30/2014). The reviewer notes that the applicant did not provide a data source for its analysis. Parrish Medical finds that:

- RehabCare discharged a higher percentage of patients to the community than the nation as a whole
- RehabCare's average Functional Independence Measure (FIM) gain was higher than that of CMR programs across the nation
- RehabCare outperformed other CMR programs in FIM efficiency
- The number of RehabCare patients that returned to an acute care setting rather than returning home is significantly lower than the national average

The applicant declares that the conclusion that should be reached from this information is that it will be able to offer a high quality CMR program with outcomes and quality results equal to or better than the care currently provided at HealthSouth Sea Pines.

Parrish Medical had four substantiated complaints during the three-year period ending March 4, 2015. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

| Parrish Medical Substantiated Complaint Categories for the Past 36 Months | |
|---|---|
| **Complaint Category** | **Number Substantiated** |
| Quality of Care/Treatment | 3 |
| Emergency Access | 1 |
| Resident/Patient/Client Rights | 1 |

Source: Florida Agency for Healthcare Administration Complaint Records

**Osceola Regional Medical Center (CON application #10349)** states that it is designed to be a patient friendly blend of comprehensive state-of-the-art medical technology with the highest level of comfort and convenience possible for patients and visitors. The applicant indicates that the facility was completed in 1997 and has undertaken a number of expansion and renovation projects since.

ORMC maintains that it is accredited by the Joint Commission and has received numerous awards and recognitions relative to its quality of care. A list of these and also the applicant's specialized care programs can be found on pages 77-78 of CON application #10349.

The applicant insists that in furtherance of its commitment to providing high quality care it has recently implemented a number of quality and patient safety initiatives reflecting of best practices across the country as driven by accreditation and regulatory standards. ORMC includes a description of recent initiatives that the applicant states illustrate its commitment to quality:

- Airstrip OB and cardiology
- TheraDoc: Infection prevention surveillance system
- Medical education
- Broselow system for acute pediatric administration of drugs in the ER
- Flu season preparation
- STEMI imitative
- HCA affiliation
- Uniform data systems
- American Medical Rehabilitation Providers Association

The applicant also includes a description of the following partial list of rehabilitation specific equipment, some or all of which is utilized at existing HCA CMR programs:

- Lite Gait (supportive ambulation system)
- ReoGo
- Balance master
- Visipitch
- SaeboFlex wrist splint and exercise station
- VitalStim
- Bioness
- Interactive metronome

ORMC asserts that from an organizational perspective, the proposed CMR will be incorporated into the applicant's existing care delivery and performance improvement and utilization review structure. The applicant discusses its mission, values, goals and objectives and includes its 2014 Performance Improvement Plan in Tab 7 of CON application #10349.

ORMC had 14 substantiated complaints during the three-year period ending March 4, 2015. A single complaint can encompass multiple complaint categories. The substantiated complaint categories are listed below:

| **ORMC Substantiated Complaint Categories for the Past 36 Months** | |
|---|---|
| **Complaint Category** | **Number Substantiated** |
| Quality of Care/Treatment | 4 |
| Admission, Transfer & Discharge Rights | 3 |
| Emergency Access | 3 |
| EMALTA | 2 |
| Administration/Personnel | 1 |
| Infection Control | 1 |
| Nursing Services | 1 |
| Physician Services | 1 |

Source: Florida Agency for Healthcare Administration Complaint Records

Agency complaint records indicate, for the three-year period ending March 4, 2015, HCA had 228 substantiated complaints at 48 of its 49 Florida facilities. 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.**

**Parrish Medical Center (CON application #10348):**

**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 below is an analysis of the audited financial statements of North Brevard County Hospital District (Applicant) where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

| **North Brevard County Hospital District** | | |
|---|---|---|
| | **Sep-14** | **Sep-13** |
| Current Assets | $41,017,576 | $41,520,543 |
| Total Assets | $252,703,589 | $250,935,851 |
| Current Liabilities | $21,733,641 | $22,027,049 |
| Total Liabilities | $123,756,443 | $117,832,666 |
| Net Assets | $128,947,146 | $133,103,185 |
| Total Revenues | $148,931,540 | $142,538,365 |
| Excess of Revenues Over Expenses | $4,829,321 | $4,273,514 |
| Cash Flow from Operations | $12,791,738 | $20,727,177 |
| | | |
| **Short-Term Analysis** | | |
| Current Ratio (CA/CL) | 1.9 | 1.9 |
| Cash Flow to Current Liabilities (CFO/CL) | 58.86% | 94.10% |
| **Long-Term Analysis** | | |
| Long-Term Debt to Net Assets (TL-CL/NA) | 79.1% | 72.0% |
| Total Margin (ER/TR) | 3.24% | 3.00% |
| **Measure of Available Funding** | | |
| Working Capital | $19,283,935 | $19,493,494 |

| **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 $20.8 million which includes this project, Titus Landing renovations, and routine capital. Funding for this project will be provided by the applicant. The applicant provided a copy of its September 30, 2013 and 2014 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. 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. (Note: This conclusion is based on the assumption that the architectural review has revealed no material items that would affect the cost of the project. If the architectural review has indicated an item that

may have a material impact of the cost of the project, the financial reviewer should be notified to determine if the above conclusion and analysis should be changed.)

**Osceola Regional Medical Center (CON application #10349):**

**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 Holding, 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.

| **HCA HOLDINGS, INC.** | | |
|---|---|---|
| | **Dec-14** | **Dec-13** |
| Current Assets | $8,930,000,000 | $8,037,000,000 |
| Total Assets | $31,199,000,000 | $28,831,000,000 |
| Current Liabilities | $5,480,000,000 | $5,695,000,000 |
| Total Liabilities | $37,697,000,000 | $35,759,000,000 |
| Net Assets | ($6,498,000,000) | ($6,928,000,000) |
| Total Revenues | $40,087,000,000 | $38,040,000,000 |
| Excess of Revenues Over Expenses | $3,481,000,000 | $2,946,000,000 |
| Cash Flow from Operations | $4,448,000,000 | $3,680,000,000 |
| | | |
| **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 | $3,450,000,000 | $2,342,000,000 |

| **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 $17,562,370 which includes this project, contingency funding, and routine capital. The applicant indicates on Schedule 3 of its application that funding for the project will be provided by its parent company, HCA Holdings. The applicant provided a copy of the December 31, 2014 10-K for its parent. A letter from the parent's treasurer 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.**

**Parrish Medical Center (CON application #10348):**

**Analysis:**
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.

Because the proposed CMR Unit cannot operate without the support of the hospital, we have evaluated the reasonableness of the projections of the entire hospital including the project. 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 0.8952 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.

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

| | PROJECTIONS PER APPLICANT | | COMPARATIVE GROUP VALUES PPD | | |
|---|---|---|---|---|---|
| | **Total** | **PPD** | **Highest** | **Median** | **Lowest** |
| Net Revenues | 5,600,324 | 1,158 | 1,180 | 923 | 843 |
| Total Expenses | 4,262,994 | 881 | 1,183 | 782 | 634 |
| Operating Income | 1,337,330 | 276 | 429 | 235 | -343 |
| Operating Margin | 23.88% | | **Comparative Group Values** | | |
| | **Days** | **Percent** | **Highest** | **Median** | **Lowest** |
| Occupancy | 4,838 | 82.8% | 83.1% | 72.1% | 57.5% |
| Medicaid | 0 | 0.0% | 5.9% | 2.4% | 0.0% |
| Medicare | 3,386 | 70.0% | 87.5% | 77.4% | 46.1% |

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.

**Osceola Regional Medical Center (CON application #10349):**

**Analysis:**
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.

Because the proposed CMR Unit cannot operate without the support of the hospital, we have evaluated the reasonableness of the projections of the entire hospital including the project. 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.

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

| | PROJECTIONS PER APPLICANT | | COMPARATIVE GROUP VALUES PPD | | |
|---|---|---|---|---|---|
| | **Total** | **PPD** | **Highest** | **Median** | **Lowest** |
| Net Revenues | 11,849,743 | 1,465 | 1,313 | 1,027 | 938 |
| Total Expenses | 9,647,434 | 1,193 | 1,316 | 871 | 706 |
| Operating Income | 2,202,309 | 272 | 429 | 235 | -343 |
| Operating Margin | 18.59% | | **Comparative Group Values** | | |
| | **Days** | **Percent** | **Highest** | **Median** | **Lowest** |
| Occupancy | 8,086 | 79.1% | 83.1% | 72.1% | 57.5% |
| Medicaid | 180 | 2.2% | 5.9% | 2.4% | 0.0% |
| Medicare | 4,704 | 58.2% | 87.5% | 77.4% | 46.1% |

The projected CPD and profit fall within the group range and are considered reasonable, while NRPD of $1,465 is above the group high of $1,313. Profitability appears achievable but likely at a lower rate than projected.

**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.**

**Parrish Medical Center (CON application #10348):**

**Analysis:**
The applicant is applying to establish a new 16-bed CMR hospital in District 7. There are 5 existing CMR programs in District 7 with a total of 186 licensed CMR beds. This includes Brevard, Orange, and Seminole counties.

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 71.0 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 70.0 percent of patient days are expected to come from Medicare with 24.0 percent from HMO/PPOs.

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.

**Osceola Regional Medical Center (CON application #10349):**

**Analysis:**
The applicant is applying to establish a new 28-bed CMR hospital in District 7. There are 5 existing CMR programs in District 7 with a total of 186 licensed CMR beds. This includes Brevard, Orange, and Seminole counties.

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 71.0 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 58.2 percent of patient days are expected to come from Medicare with 29.3 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, Florida Administrative Code.**

**Parrish Medical Center (CON application #10348):** 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.

**Osceola Regional Medical Center (CON application #10349):** 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**

The table below illustrates the Medicaid/Medicaid HMO days and percentages as well as charity percentages provided by each co-batched applicant for FY 2013 data, according to the Florida Hospital Uniform Reporting System (FHURS). Per FHURS, Parrish Medical and ORMC provided 12.30 percent and 19.80 percent, respectively, of their total patient days to Medicaid/Medicaid HMO patients and 4.00 percent and 1.00 percent, respectively, 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.

**Parrish Medical, ORMC and 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 | 3,539 | 12.30% | 4.00% | 16.30% |
| ORMC | 16,057 | 19.80% | 1.00% | 20.70% |
| District 7 Total | 314,813 | 18.30% | 5.20% | 23.50% |

Source: FHURS data for FY 2013

**Parrish Medical Center (CON application #10348)** insists it has a strong history of providing health care services to all patients in need of required care, including Medicaid patients. The applicant reports that its 2014 audited financials show that 12.00 percent of Parrish Medical's gross revenues were provided to Medicaid and Medicaid managed care with an additional 3.20 percent provided to charity care patients.

**Osceola Regional Medical Center (CON application #10349)** asserts that it extends and will continue to extend services to all patients in need of care regardless of ability to pay or source of payment. The applicant provides the following table summarizing the historical indigent care payer proportions for ORMC for FY 2012 and 2013. The reviewer confirms these data in the Agency's 2012 and 2013 publications, *Florida Hospital Financial Data*. See below.

**ORMC Patient Days by Payer**
**FY 2012 and FY 2013**

| | 2012 | | 2013 | |
|---|---|---|---|---|
| | **Patient Days** | **Percent** | **Patient Days** | **Percent** |
| Medicare | 25,091 | 33.0% | 26,727 | 32.9% |
| Medicare HMO | 19,009 | 25.0% | 21,344 | 26.3% |
| Medicaid | 10,962 | 14.4% | 10,022 | 12.3% |
| Medicaid HMO | 5,863 | 7.7% | 6,035 | 7.4% |
| Comm HMO/PPO | 8,963 | 11.8% | 8,778 | 10.8% |
| Charity | 832* | 1.1% | 773* | 1.0% |
| All Other | 5,283 | 7.0% | 7,588 | 9.3% |
| | **76,003** | **100.0%** | **81,267** | **100.0%** |

*Applicant's note: Estimated from combined inpatient/outpatient financial data
Source: CON application #10348, page 104

ORMC includes the following estimates of utilization by payer class for its CMR program for the first two years, indicating that the specific mix is based on rehabilitation discharges in the SA and the experience of other HCA hospitals with CMR units.

**Projected Payer Mix: ORMC CMR**

| | 2017 | | 2018 | |
|---|---|---|---|---|
| | **Patient Days** | **Percent** | **Patient Days** | **Percent** |
| Medicare | 3,960 | 58.2% | 4,704 | 58.2% |
| Medicare Mgd Care | 1,926 | 28.3% | 2,289 | 28.3% |
| Medicaid | 151 | 2.2% | 180 | 2.2% |
| Medicaid Mgd Care | 66 | 1.0% | 78 | 1.0% |
| Self-Pay/Charity | 85 | 1.2% | 101 | 1.2% |
| Commercial Insurance | 0 | 0.0% | 0 | 0.0% |
| Commercial HMO/PPO | 392 | 5.8% | 466 | 5.8% |
| Other | 226 | 3.3% | 268 | 3.3% |
| | **6,805** | **100.0%** | **8,086** | **100.0%** |

Source: CON application #10349, page 105

## F. SUMMARY

**Parrish Medical Center (CON application #10348)** proposes to establish a new 16-bed CMR unit at its existing facility in District 7, Brevard County, Florida.

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 total project cost is estimated at $5,260,697. The project involves 16,300 GSF of renovation with no new construction, at a renovation cost of $3,671,647. Project costs include: building, equipment, project development and start-up costs.

The applicant proposes nine conditions on its Schedule C.

**Osceola Regional Medical Center (CON application #10349),** a subsidiary of HCA, proposes to establish a new 28-bed CMR unit at its existing facility in District 7, Osceola County, Florida.

ORMC is a 318-bed for-profit medical/surgical facility composed of acute care beds (283), adult psychiatric beds (25) and Level II neonatal intensive care unit beds (10) located at 700 West Oak Street, Kissimmee, Florida 34741. Non-CON regulated services at the facility include Level II adult cardiovascular services and designation as a primary stroke center.

The total project cost is estimated at $7,805,000. The project involves 27,492 GSF of renovation with no new construction, at a construction cost of $4,687,670. Project costs include: building, equipment, project development, financing and start-up costs.

The applicant proposes five conditions on its Schedule C.

**Need:**

A fixed need pool of zero beds was published for CMR beds for District 7 for the July 2020 planning horizon. Therefore, each co-batched applicants' proposed project is outside the fixed need pool.

As of January 16, 2015, District 7 had 236 licensed and 19 approved CMR beds. During the 12-month period ending June 30, 2014, District 7's 186 licensed CMR beds experienced 59.57 percent utilization.

District 7's 186 licensed CMR beds experienced 59.57 percent occupancy during the 12-month period ending June 30, 2014. HealthSouth Rehabilitation Hospital of Altamonte Springs, a 50-bed freestanding CMR facility, was licensed in Seminole County on October 22, 2014 bringing the total up to 236 licensed CMR beds in District 7 as of the publication of the fixed need pool on January 16, 2015. District 7 has more licensed

and approved comprehensive medical rehabilitation beds than any other district in the state other than District 11 (Miami-Dade and Monroe Counties).

**Parrish Medical Center (CON application #10348)** states the following need justification to support the proposed project:

- Data supporting the conclusion that north Brevard County is a unique medical market in need of CMR services includes patient flow data from Parrish Medical's defined SA
- 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
- The residents of north Brevard do not have reasonable geographic and financial access to CMR services
- 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--this suboptimal service substitution adversely impacts ultimate recovery outcomes
- By analyzing acute care discharges who could potentially utilize a local CMR in the SA and applying target occupancy rates, the applicant calculates a bed need estimate of 17 to 23 beds
- The elderly cohort of age 65-74 is forecasted to grow by 22.2 percent in the applicant's SA from 2014 to 2019
- District 7's use rates are the lowest in Florida--thereby documenting a District-wide access limitation.

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

**Osceola Regional Medical Center (CON application #10349)** states the following need justification to support the proposed project:

- Osceola County is the most populous county in Florida with no licensed or approved CMR beds
- The adult population of the SA is greater than several Florida counties with licensed and approved CMR beds
- The actual CMR use rate within the SA is suppressed due to the unavailability of the service within the SA
- Regulatory and clinical changes and advancements have led to an evolution in CMR delivery away from the regional referral model and toward a more locally-based step down model
- The estimated and projected difference between expected and actual discharges from CMR beds in District 7 hospitals and among PSA/SSA residents supports a "not normal" need of up to 28 additional CMR beds

- The applicant concludes that its modest proposal is unlikely to have a significant adverse impact on any existing provider
- Patients discharged from ORMC have very limited access to CMR services, well below both the District 7 and state averages

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

**Quality of Care**

**Parrish Medical Center (CON application #10348):**
- The applicant reports that 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 notes that 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
- The applicant had four substantiated complaints during the three-year period ending March 4, 2015 in the three complaint categories

**Osceola Regional Medical Center (CON application #10349):**
- The applicant notes that the Quality and Clinical Excellence Programs focus on four major areas: clinical outcomes, patient experience, technology and innovation and the culture of safety
- ORMC maintains that it is accredited by the Joint Commission and has received numerous awards and recognitions relative to its quality of care
- The applicant had 14 substantiated complaints during the three-year period ending March 4, 2015 in eight complaint categories
- Agency complaint records indicate, for the three-year period ending March 4, 2015, HCA had 228 substantiated complaints at 48 of its 49 facilities

**Cost/Financial Analysis**

**Parrish Medical Center (CON application #10348):**
- Funding for this project and the entire capital budget should be available as needed
- This project appears to be financially feasible based on the projections provided by the applicant
- 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

**Osceola Regional Medical Center (CON application #10349):**

- Funding for this project and the entire capital budget should be available as needed
- This project appears to be financially feasible based on the projections provided by the applicant
- 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

**Medicaid/Indigent Care**

**Parrish Medical Center (CON application #10348):**

- The applicant reports that its 2014 audited financials show that 12.00 percent of Parrish Medical's gross revenues were provided to Medicaid and Medicaid managed care with an additional 3.20 percent provided to charity care patients
- Parrish Medical is a LIP participating hospital and a DSH
- Parrish Medical conditions to nine percent of its CMR patient days to a combination of Medicaid, Medicaid HMO, charity care and self-pay patients

**Osceola Regional Medical Center (CON application #10349):**

- The applicant reports that during FYs 2012 and 2013, it provided 25.0 percent and 26.3 percent of patient days to Medicaid HMO, 14.4 percent and 12.3 percent to Medicaid and 1.1 and 1.0 percent to charity care, respectively
- ORMC is a LIP participating hospital and is not a DSH
- ORMC conditions to four percent of its annual CMR patient days to a combination of Medicaid, Medicaid HMO and charity (including self-pay) patients

**Architectural Analysis**

**Parrish Medical Center (CON application #10348):**

- 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

**Osceola Regional Medical Center (CON application #10349):**

- 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 #'s 10348 and 10349.

**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: _____

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**Marisol Fitch**
**Health Services and Facilities Consultant Supervisor**
**Certificate of Need**