

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number:

Sarasota County Public Hospital District
d/b/a Sarasota Memorial Hospital (CON #10457)
1700 South Tamiami Trail
Sarasota, Florida 34239

Authorized Representative: David Verinder
President and CEO
(941) 917-2498

Venice HMA Hospital, LLC
d/b/a Venice Regional Bayfront Health (CON #10458)
540 The Rialto
Venice, Florida 34285

Authorized Representative: John McLain
Chief Executive Officer
(941) 483-7773

2. Service District/Subdistrict

District 8/Subdistrict 8-6 (Sarasota County)

B. PUBLIC HEARING

Public hearing requests were not held or requested for either of the proposed projects submitted in comparative review for an acute care hospital.

Letters of Support

Sarasota County Public Hospital District
d/b/a Sarasota Memorial Hospital (CON #10457)

Sarasota County Public Hospital District included 94 letters of support in Tab 12 of CON Application #10457. Thirteen separate letters of support were received separately at the Agency. Support letters from many physicians indicate an affiliation with the applicant. Letters of support

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from physicians and allied health practitioners ground their favorable recommendation of the proposed project on their experience with the applicant. Major themes expressed in support of the proposed project include:

- The proposed facility will give invaluable hands-on experience to students in the south county area.
- Sarasota Memorial has a longstanding reputation for providing excellent care.
- The proposed facility will improve accessibility
- Financial accessibility to the community will be improved since Sarasota Memorial delivers the majority of Medicaid and uninsured care in Sarasota County.
- The proposed facility will ease capacity constraints at the existing Sarasota Memorial campus.
- Residents face long wait times at local health care facilities.
- The new facility would entice additional medical facilities and personnel to establish offices in the service area.
- The proposed facility would allow residents the ability to access Sarasota Memorial's services, facilities, and technology.
- The rapidly expanding and aging residents of the service area face numerous health challenges and need additional hospital and emergency care.
- The existing hospital offers childbirth options and delivery services.

Some support letters are noted from the following:

- Representative Ray Pilon, Florida House of Representatives, District 72
- Representative Jim Boyd, Florida House of Representatives, Majority Whip, District 71
- John Holic, Mayor, City of Venice
- Charles H. Henry, Administrator, Florida Department of Health in Sarasota County
- Dr. Bruce H. Berg, FSU College of Medicine Sarasota Regional Campus
- Ms. Beverly Hindenlang, Dean of Nursing and Health Professions, State College of Florida, Manatee-Sarasota
- Bryan Guentner, President and Founding Director, Osprey Nokomis Chamber of Commerce
- Christopher J. Romig, Senior Pastor, Venice Presbyterian Church
- Gary Radford, President and CEO, Tidewell Hospice

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON #10458) Venice Regional Bayfront Health included 100 letters of support from healthcare facilities, educational organizations, physicians, community members, organizations, and businesses. Support letters from many physicians indicate an affiliation with the applicant. Letters of support from physicians and allied health practitioners ground their favorable recommendation of the proposed project on their experience with the applicant.

Major themes expressed in support of the proposed project include:

- The proposed facility will be cost effective and provide a better long-term path
- Venice Regional Bayfront Health is an excellent community partner that is an important link for students and residents of the surrounding community
- Venice Regional Bayfront Health is a safety-net provider for at risk individuals
- The applicant provides a vital component of medical care in Venice and the surrounding area
- The proposed facility will serve the needs of the greater Venice community
- A replacement facility would benefit the community by providing increased accessibility of a variety of health services to year-round and seasonal residents and would allow for a competitive advantage against other hospitals while meeting community needs
- The new facility would allow the facility to recruit and retain high quality physicians, nurses and other health professionals by demonstrating that the community values and supports excellent medical care for patients
- The proposed facility represents an investment into the future of the region and current facilities will be insufficient to meet the level of care that the medical community in this area is committed to provide
- The proposed facility would allow for greater access to medical care for the southern part of Sarasota County and would minimize disruptions to patient care.
- Venice Regional Bayfront Health has provided quality health services to the area

Noted letters of support include:

- John G. Ryan, President and CEO, Venice Area Chamber of Commerce
- Thomas Hodge, Pastor, First Baptist Church of Venice
- Dick Fenstermaker, President, Hospital Volunteers of Venice
- Carol F. Probstfeld Ed. D, President, State College of Florida, Manatee-Sarasota

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- Eric Jackson, Principal, Venice High School
- Joel Anderson, Chief Executive Officer, Village on the Isle
- Daniela Koci, President/CEO, Loveland Center, Inc.
- Steve Roskamp, Freedom Senior Management

C. PROJECT SUMMARY

Sarasota County Public Hospital District d/b/a

Sarasota Memorial Hospital (CON application #10457) also referenced as SCPHD, Sarasota Memorial Hospital, SMH, or the applicant proposes to establish a new 90-bed acute care hospital consisting of: 80 adult medical/surgical beds and 10 obstetric (LDRP) beds. The proposed facility will also include a 20-bed observation unit and 25 emergency care treatment rooms. The applicant specifies that the intended location of the proposed facility will be: “the southwest corner of Laurel Road and Interstate 75 in Venice/Nokomis within zip code 34275” (CON Application #10457, Project Summary, Page 4-48). The applicant states that the proposed facility will serve as a companion, specifically “sister facility”, to its main Sarasota Memorial Hospital campus. The applicant states that services rendered from the proposed facility will reflect the existing matrix of services offered through the Sarasota Memorial Health Care System.

Sarasota Memorial Hospital is a Class I government-owned general hospital and Level II Trauma Center with 819 licensed beds consisting of: 666 acute care beds, 20 Level II neonatal intensive care unit (NICU) beds, 13 Level III NICU beds, 49 adult psychiatric beds, 37 child/adolescent psychiatric beds and 34 comprehensive medical rehabilitation (CMR) beds. Sarasota Memorial Hospital is also a comprehensive stroke center and provides Level II adult cardiovascular services.¹

According to the applicant, Sarasota County Public Hospital District, need for the proposed project is evidenced by the following factors:

- There is a growing need for health care services in Subdistrict 8-6, in particular the medically underserved, elderly, and maternity population in south Sarasota County.
- Capacity constraints at SMH prevent additional expansion resulting in lack of availability and accessibility for inpatient services to residents of the proposed PSA/SSA.
- The proposed project (SMH at Laurel Road) will foster competition and promote quality and cost effectiveness for residents, not just of the PSA/SSA, but all residents of Sarasota County (Subdistrict 8-6).
- The need to continue to provide care pursuant to the District’s mandated mission.

¹Accessed via FloridaHealthFinder: <http://www.floridahealthfinder.gov/facilitylocator/FacilityProfilePage.aspx?id=9902>

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The applicant also outlines the following anticipated community benefits expected from implementation of the project which are summarized below:

- The expansion of geographic access to care in the South Sarasota County market.
- The enhancement of financial access to care for individuals living in the south Sarasota county market with financial barriers to care with the intent to provide care to all individuals regardless of their ability to pay.
- Cost alternatives to existing providers
- The delivery of high quality patient care services
- An increase in the efficiency and timeliness of care as a result of “decompression” or shifting of patients to the new proposed site

The applicant, SCPHD, provides the following set of conditions of approval for CON Application #10457 in its Schedule C:

- The proposed new hospital will be located at the southwest corner of the intersection of Laurel Road and Interstate 75.
- The proposed new hospital will provide needed medical care to all patients in need, regardless of ability to pay.
- The proposed new hospital will provide at least 13 percent of its patient volume to Medicaid, Medicaid Managed Care, non-payment, self-pay, and charity patients.
- A new Community Medical Clinic operation will be established at the proposed new hospital, with a minimum of \$100,000 per year committed to support this important community health initiative.
- A minimum of \$100,000 per year will be provided by Sarasota Memorial Hospital to enhance the ability of the existing local transportation networks to access the new hospital and to enhance access to health care facilities and services in South Sarasota County.
- A total of 90 acute care beds will be delicensed from the Sarasota Memorial Hospital main campus and transferred to the new facility upon licensure of the new hospital.

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

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458) also referenced as Venice HMA, VRBH, Venice Regional, or the applicant proposes to establish a replacement for the existing 312-bed Venice Regional Bayfront Health Hospital which will consist of 210 acute care beds: 30 intensive care beds and 180 medical/surgical beds. The applicant will maintain outpatient services at the existing campus via a freestanding emergency department and supporting diagnostic services.

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The applicant indicates that the proposed facility is needed in light of limited space at the existing hospital for on-campus development, the impact of potential renovations on operations and availability of beds, and parking challenges. The applicant notes that infrastructural challenges in the form of pipe breakages and system failures have adversely impacted VRBH operations.

Venice Regional Bayfront Health is a private for-profit hospital consisting of 312 licensed acute care beds. Venice Regional Bayfront Health is also a primary stroke center that provides adult cardiovascular services and adult open heart surgery.²

The applicant, VRBH, provides the following set of conditions of approval for CON Application #10458 in its Schedule C:

- Location: Zip code area 34292.
- Percent of particular population group to be served:
The replacement hospital will provide a minimum of 8 percent of its inpatient days to Medicaid, Medicaid HMO, other state and local government, charity care, self -pay and underinsured patients on an annual basis.

Special Programs

- Maintain an outpatient presence in the Venice zip code area 34285.
- Work with the city of Venice to evaluate other healthcare services to be placed on the island.
- Maintain physician and outpatient presence in North Port.
- Work with the North Port officials including seeking to serve on its Task Force to define needed healthcare services in the North Port community.
- Continue to provide financial and personnel support, including physicians, for the area free clinic, Good Samaritan Pharmacy and Health Services.
- Continue to provide scholarships for healthcare related education programs.
- Continue to provide first response tents and personnel for Venice area events.
- Continue to provide sponsorships for Venice area events.
- Continue to oversee American Heart Association instructors in the Venice area.
- Host education and wellness seminars for the community a minimum of once per quarter

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

² Accessed via: <http://www.floridahealthfinder.gov/facilitylocator/FacilityProfilePage.aspx?id=9885>

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Sections 408.035 and 408.037, 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 (subdistrict), 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; however, two exceptions exist regarding receipt of information concerning general hospital applications. Pursuant to Section 408.039(3)(c), Florida Statutes, an existing hospital may submit a written statement of opposition within 21 days after the general hospital application is deemed complete and is available to the public. Pursuant to Section 408.039(3)(d), Florida Statutes, in those cases where a written statement of opposition has been timely filed regarding a certificate of need application for a general hospital, the applicant for the general hospital may submit a written response to the Agency within 10 days of the written statement due date. 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, Bianca Eugene, analyzed the application in its entirety.

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.

The reviewer presents the following analysis and review of CON application #10431 with reference to the identified statutory criteria of Section 408.035, Florida Statutes.

1. Statutory Review Criteria0

For a general hospital, the Agency shall consider only the criteria specified in ss. 408.035 (1)(a), (1)(b), except for quality of care, and (1)(e), (g), and (i), Florida Statutes. ss.408.035(2), Florida Statutes.

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

The bed need methodology for acute care beds pursuant to Rule 59C-1.038, F.A.C. was repealed effective April 21, 2005.

The existence of unmet need is not determined solely on the absence of a health service, health care facility, or beds in the district, subdistrict, region or proposed service area. Current and likely future levels of utilization are better indicators of need than bed-to-population ratios or similar measures, and, as such, the following table illustrates bed utilization levels in District 8, Subdistrict 8-6, and the state for the 12-month period ending December 31, 2015.

Acute Care Hospital Utilization District 8/Subdistrict 8-6/Statewide 12-Month Period Ending December 31, 2015				
Hospital/Area	Beds	Bed Days	Patient Days	Utilization
DOCTORS HOSPITAL OF SARASOTA	139	50,735	30,526	60.17%
ENGLEWOOD COMMUNITY HOSPITAL	100	36,500	12,202	33.43%
SARASOTA MEMORIAL HOSPITAL	666	243,090	113,844	46.83%
VENICE REGIONAL BAYFRONT HEALTH	312	113,880	40,056	35.17%
Subdistrict 8-6 Total	1,217	440,554	196,628	44.63%
DISTRICT 8 TOTAL	4,122	1,492,164	833,692	55.87%
Statewide	50,888	18,432,010	10,613,962	57.58%

Source: Florida Hospital Bed and Service Utilization by District, published July 15, 2016

For the 12-month period ending on December 31, 2015 District 8, Subdistrict 8-6 had 1,217 licensed acute care beds and a utilization rate of 44.63 percent. The subdistrict (8-6) utilization rate was lower than the

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total utilization rate for District 8, or, 55.87 percent and the statewide utilization rate, 57.58 percent. Doctors Hospital of Sarasota was the only hospital within subdistrict 8-6 with a utilization rate that exceeded the utilization rates of District 8 and the state.

District 8, Subdistrict 8-6, does not currently have a CON approved general hospital project pending licensure.

Acute care utilization in Subdistrict 8-6 is depicted for the three year period from 2013 to 2015 in the chart below.

**District 8/Subdistrict 8-6 Acute Care Hospital Utilization
Three Years Ending December 31, 2015**

	JAN 2013 DEC 2013	JAN 2014 DEC 2014	JAN 2015 DEC 2015
Number of Acute Care Beds	1,217	1,217	1,217
Percentage Occupancy	40.97%	42.60%	44.63%

Source: Florida Bed Need Projections and Services Utilization, published July 2014-July 2016

Note: Bed counts are as of December 31 for the appropriate years

Beginning with the 12 month period ending on December 31, 2013 and the 12 month period ending December 31, 2015, Subdistrict 8-6 experienced a 3.66 percent increase in acute care bed utilization. Subdistrict 8-6 had 181,990 acute care patient days for the 12 month period ending on December 31, 2013 and 196,628 patient days for the 12 month period ending on December 31, 2015, an increase of approximately 7.44 percent in patient days. Notably, the occupancy rate increase is derived from a constant acute care bed count of 1,217 beds for the three-year periods from: January 2013-December 2013, January 2014-December 2014, and January 2015-December 2015.

The following is a chart depicting District 8 population estimates for January 2016 and July 2022.

**District 8 Total Population and Population Age 65 and Over
Estimates and Percent Change by County: January 2016 - July 2022**

County	Total January 2016	Total July 2022	Percent Change	Age 65+ January 2016	Age 65+ July 2022	Age 65+ Percent Change
Charlotte	167,682	177,267	5.72%	59,721	67,421	12.89%
Collier	350,249	393,848	12.45%	96,542	116,319	20.49%
Desoto	34,582	35,225	1.86%	6,538	7,250	10.89%
Glades	12,999	13,717	5.52%	3,050	3,499	14.72%
Hendry	38,303	39,362	2.76%	4,957	5,768	16.36%
Lee	687,835	794,599	15.52%	167,449	210,325	25.61%
Sarasota	397,505	427,614	7.57%	130,327	152,466	16.99%
District Total	1,689,155	1,881,632	11.39%	468,584	563,048	20.16%
State Total	19,956,381	21,749,244	8.98%	3,751,848	4,573,737	21.91%

Source: Agency for Health Care Administration Population Projections, published February 2015

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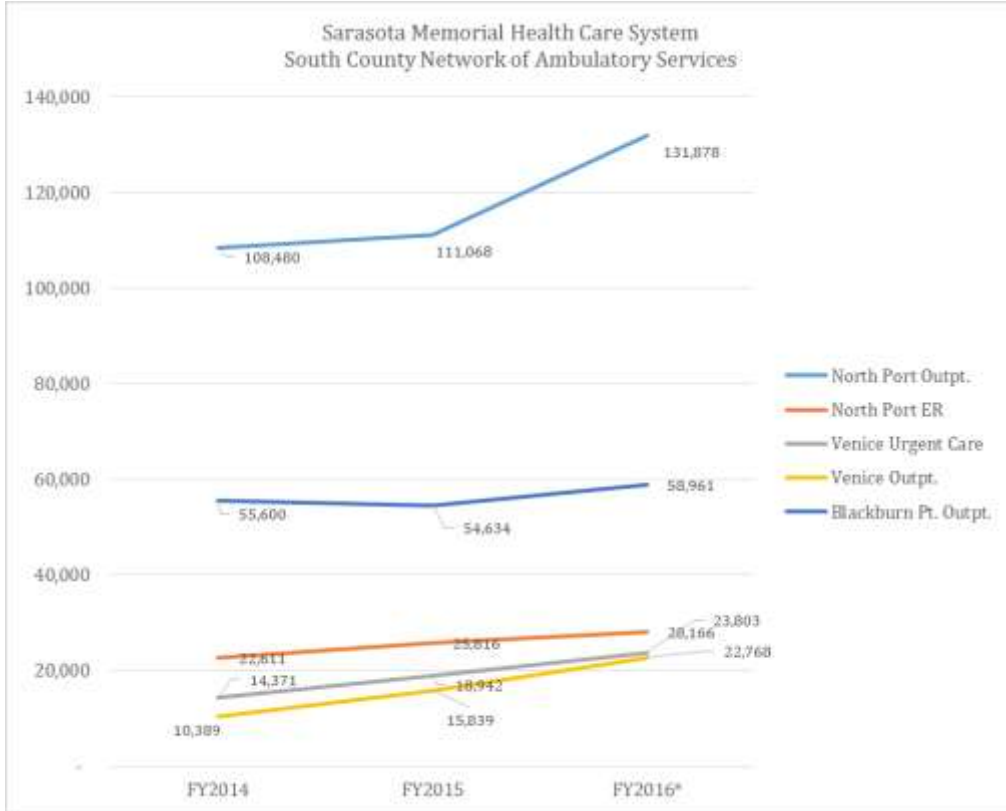
As shown above, Sarasota County, the proposed project location, has the second largest total population and the second largest 65+ population in District 8. The total population in Sarasota County is projected to increase by 7.57 percent and the 65+ population in Sarasota County is projected to increase by 16.99 percent, from January 2016 to July 2022.

**Sarasota County Public Hospital District d/b/a
Sarasota Memorial Hospital (CON application #10457):**

The applicant states the intent to situate its proposed facility at the intersection of Laurel Road and I-75 at 2600 Laurel Road. The applicant, Sarasota Memorial Hospital, expresses a commitment to provide major ambulatory and emergency services and boasts its historical implementation of services and facilities in the southern portion of Sarasota County as evidence to this commitment. Facilities and services that the applicant enumerates in attestation of its commitment to provide such services in the southern region of Sarasota County include: Sarasota Memorial Health Care Center at Blackburn Point, Sarasota Memorial Freestanding Emergency Room (ER) and Health Care Center in North Port, and Sarasota Memorial Venice Health Care Center.

The applicant details the growth in the rate utilization of outpatient or ambulatory care among its affiliate Sarasota Memorial Health Care System facilities over a three-year period encompassing three fiscal years: FY2014, FY 2015, and FY2016 in demonstration of need for its proposed project. The applicant notes that utilization for FY2016 has been: “annualized based on seasonal adjustment to six months actual data” (CON Application #10457, E.1.a-Project Need, Page 5-5). Ambulatory volume was included from five sources, attributed in the application as follows: North Port Outpatient, North Port Emergency Room, Venice Urgent Care, Venice Outpatient, and Blackburn Outpatient. The applicant accounts for ambulatory volume at these sites through: emergency room and urgent care visits, outpatient services and office visits to SMHCS First Physicians Group, radiology/imaging procedures, laboratory tests, and other ancillary diagnostic and treatment services. The graph depicting this data is reproduced on the following page.

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Source: (CON Application #10457, E.1.a, Project Need, Page 5-5)

In analysis of ambulatory services derived from SMHCS Ambulatory Care Data from October 2013 – March 2016, the applicant identifies an increase in ambulatory volume in excess of 25 percent, specifically 25.59 percent, based on the gross volume of services at the sites included in its analysis.

Using data obtained from the Agency for Healthcare Administration’s Discharge Data and Legacy Consulting Group Analysis for Calendar Year 2015, the applicant cites that nearly 25 percent (24.5 percent) of south county residents received inpatient care at Sarasota Memorial Hospital’s main campus. The applicant anticipates that a portion of the 24.5 percent of patients currently served by Sarasota Memorial Hospital will serve as a referral base for its proposed project and subsequently reduce volume at its existing site.

In addition to the provision of ambulatory services in the southern portion of Sarasota County, the applicant advances the inclusion of obstetrical care as a component of its proposed project. The applicant evaluates discharge data for pediatric cases (*i.e.* pediatric patients under 15 years) and obstetric cases from the Agency for Healthcare Administration’s Discharge data. From these sources, Sarasota Memorial Hospital accounts for 61.5 percent of discharge volume for pediatric patients and 68.2 percent of discharge volume of obstetrical

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patients in the service area. The applicant again expects a subset of both pediatric and obstetrical patients currently served at its main site to serve as a referral base for care at its proposed campus.

The applicant attributes other areas of need for its proposed project in light of the following factors:

- Population growth, especially among those 65 and older, in this area is placing additional demands on health care services in the area.
- Seniors who live in the area experience heavy traffic volumes and resultant driving difficulties when driving to the SMH main campus.
- Sarasota Memorial Hospital is experiencing severe capacity issues at the main campus. A south county location would help to mitigate these issues by giving south county residents a more convenient option to the main campus.

In demonstration of need for the proposed project, the applicant evaluates how the geographic location of Sarasota County compares to the acute care hospital cluster. The applicant contends that Sarasota County is geographically isolated from other populations located south of Sarasota County within District 8 and that travel throughout the county is restricted by north-south roadways US-Highway 41, Interstate 75, and the Peace River. The distribution of acute care hospitals within the district (8) and subdistrict (8-6) is geographically depicted on Page 5 -11 of Con Application #10457.

The anticipation of population growth in the 65 and older demographic within Sarasota County is also a factor attributed to need for the applicant's proposed project. Using Agency population projections for Sarasota County, the applicant evaluates population growth across three time references: 2016, 2021, and 2026. Mid-year (July 1) population estimates are evaluated for Sarasota County, District 8, and Florida within 0-14, 15-64, 65 and older age cohorts. The applicant uses the July 1, 2016 Agency population size projection for Sarasota County in its analysis, 400,014. Based on this data, the applicant projects a 5.8 percent increase in population size across Sarasota County from 2016 to 2021 and a 5.2 percent increase in the total population size from the five year period from 2021 to 2016. An increase of nearly 25 (24.8) percent in the age 65 and older population is predicted within Sarasota County from 2016 to 2026.

The applicant provides the following table which delineates its primary and secondary service areas and projected discharge volumes which is reproduced below.

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Primary and Secondary Service Areas for Sarasota Memorial Hospital: Laurel Road

Zip Code	Projected Discharge Volume 2021			Percent Total
	Med/Surg	OB	Total	
<i>Primary Service Area</i>				
34287 North Port	768	123	891	16%
34293 Venice	708	141	849	15%
34275 Nokomis	660	56	717	13%
34286 North Port	372	117	489	9%
34285 Venice	470	42	511	9%
34292 Venice	414	44	458	8%
34288 North Port	234	74	308	5%
Total	3,626	598	4,224	75%
<i>Secondary Service Area</i>				
34223 Englewood	221	41	262	5%
34229 Osprey	230	13	244	4%
34224 Englewood	178	35	214	4%
34291 North Port	96	65	161	3%
34289 North Port	43	15	58	1%
Total	769	170	939	17%
<i>In-migration</i>	488	-	488	9%
Total	4,883	768	5,651	100%

Source: (CON Application #10457, E.1a- Project Need, Page 5-14)

*The reviewer has shaded incorrect totals in grey.

The applicant identifies 12 zip codes within its targeted service area and notes that the zip code of its proposed project is 34275 in Nokomis. The applicant accounts for inclusion of these zip codes as a result of estimated demographic changes in the 12 zip code service area. Nielsen/Claritas data is used to predict demographic changes in the primary and secondary service areas. Based on population data obtained from Nielsen/Claritas, the applicant estimates that 39.5 percent of the population comprised by its primary and secondary service areas is aged 65 and older and that by 2021 the population of the 65 and older age cohort will increase by 42.2 percent. The applicant notes that the proportion of elderly aged 65 and older comprised by the applicant's targeted service area is greater than the proportion of elderly aged 65 and older within the subdistrict Sarasota County (33.1 percent), the district (unspecified) and the state (19.1 percent). The applicant anticipates the largest population growth within the service area to occur among seniors, specifically, an increase of 14.2 percent from 2016-2021. Increases in the senior population are expected to account for 81 percent of the

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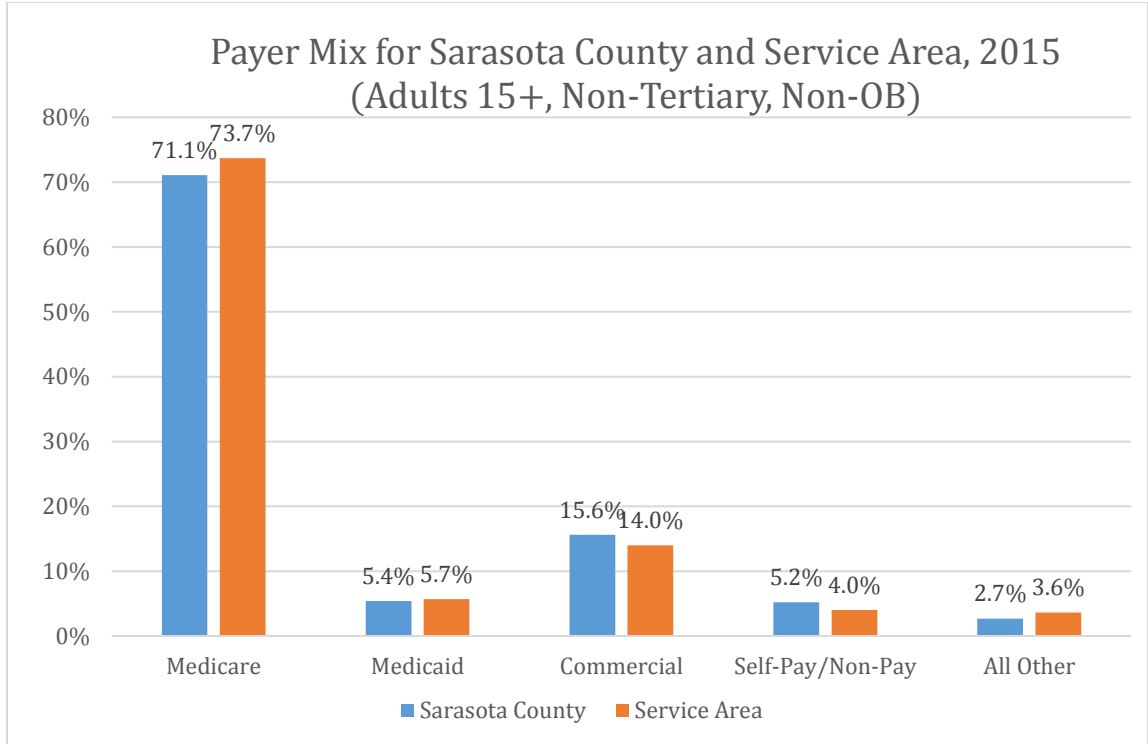
service area's population growth. The pace of growth in the senior population within this service area is presented as a factor contributing to the location of the proposed facility and an opportunity to increase access to senior demographics.

Service area discharge trends are also evaluated within the twelve zip code primary service area from: 2013, 2014, and 2015. Using inpatient discharge volume derived from the AHCA inpatient database, the applicant notes that there was a 5.1 percent increase in adult non-tertiary discharges from 2013-2015. In the same period, the applicant states that adult non-tertiary discharges from the twelve zip code service area accounted for 55 percent of Sarasota County resident discharges from short-term acute care hospitals. In evaluation of the volume of discharges for non-tertiary services across the service area by zip code and age groups 15-64 and 65 and older, the applicant notes that individuals aged 65 and older represented 70.1 percent of non-tertiary discharges when comparing the volume of non-tertiary contributed by the 15-64 and 65 and older cohorts. The applicant expects that growth in the 65 and older population will drive healthcare demand in the service area and that implementation of its proposed facility will facilitate high-quality healthcare delivery for elderly with diminished driving skills.

The existing market share of current acute care providers within the district is also evaluated across the applicant's proposed twelve zip code service area. The applicant accounts for 17.3 percent of the market share for adult non-tertiary services, based on 2015 inpatient market share data for adult non-tertiary services acquired from the Agency for Health Care Administration's inpatient database which the applicant advances as evidence to the strength of its market share in the service area.

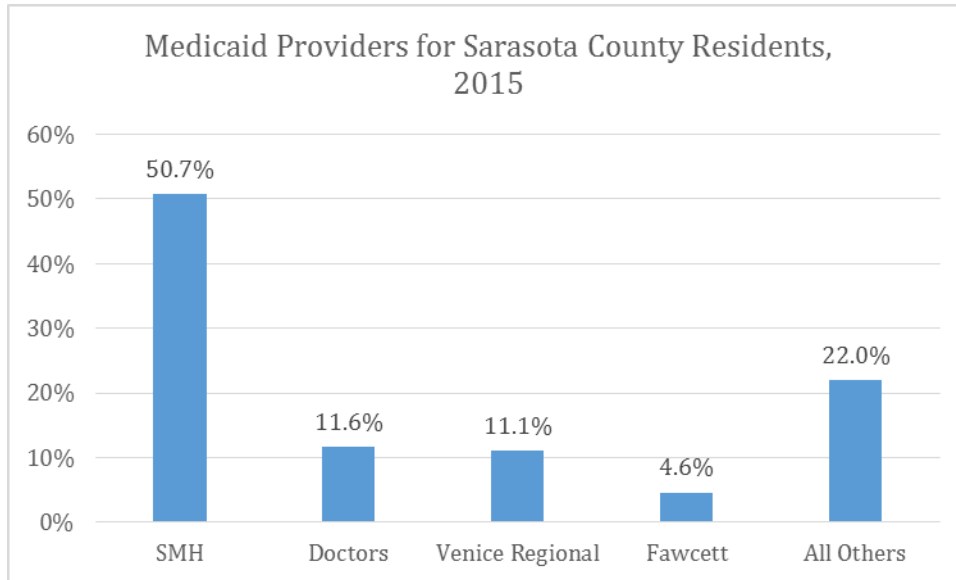
Payor source contribution comparisons between the service area and Sarasota County are also evaluated by the applicant, as justification for the proposed project. The payer mix comparison between the service area and Sarasota County is reproduced in the graph on the following page.

The applicant notes the similarity of the payor mix between the targeted service area and Sarasota County.



Source: (CON Application #10457, E.1.a. - Project Need, Page 5-24).

In addition to payor mix comparisons the applicant also presents its historical provision of Medicaid care in explanation of need for the proposed project. In this analysis the applicant compares the proportion of Medicaid care provided by Sarasota Memorial (SMH) Hospital, Doctors, Venice Regional, Fawcett, and All Others from short-term acute care hospitals for which Medicaid is the payor for adult non-tertiary and non-OB discharges. Based on Medicaid provider data obtained from the AHCA Inpatient database, the applicant demonstrates its larger provision of Medicaid care in comparison to other providers in Sarasota County. The chart presented in CON Application #10457 depicting the applicant’s provision of Medicaid care is reproduced on the following page.



Source: (CON Application #10457, E.1a-Project Need, Page 5-25)

Changes in the extent of utilization across District 8 and its corresponding subdistricts are summarized by the applicant as evidence of need for the proposed project for: 2013, 2014, and 2015. Utilization trends are obtained from Florida Hospital Bed Need Projections & Service Utilization by District published in July 2014, July 2015, and July 2016. The applicant notes that occupancy rates across the district currently range from 23.4 percent (23.37) in Hendry County to 70.2 percent (70.18) in Lee County. Overall, utilization in District 8 has increased by 3.1 percent, or, as the applicant notes—52.8 percent to 55.9 percent from 2013 to 2015.

The applicant notes that acute care utilization in Subdistrict 8-6 was lower than the overall acute care utilization rate in District 8. Acute care utilization in District 8 for the 12 month-period ending on December 31, 2015 was 55.87 percent. In the same 12-month period ending on December 31, 2015, acute care utilization for Sarasota County (Subdistrict 8-6) was 44.63 percent. The applicant contends that despite differences in utilization between Subdistrict 8-6 and the acute care utilization rate in District 8 overall, Sarasota County experienced an 8.0 percent increase in patient days from 2013 to 2015. In comparison, statewide patient days increased by 3.1 percent. The reviewer notes that changes in utilization reflect utilization rates published in the July 2014 and July 2016 Florida Hospital Bed Need Projections & Service Utilization.

Moreover, the applicant notes that patient days for Sarasota Memorial Hospital have increased by 16.9 percent (97,424 to 113, 844 patient days) which exceeds growth rates for all other hospitals in the subdistrict (Sarasota County), district, and state. The applicant also contends that

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the actual occupancy rate of Sarasota Memorial Hospital is much greater than the utilization rate published in the most recent July 2016 Florida Hospital Bed Need Projections & Service Utilization report. The occupancy rate reported and published by the Agency (46.83 percent) is derived from the total number of licensed beds, 666, whereas the applicant explains that the actual number of operational beds in utilization is lower than the total number of licensed beds.

The applicant also comments on the practical limitations of the five-year planning horizon for acute care hospitals cited on pages E.1a- Project Need 5-27 - E.1a 5-28 of CON Application #10457.

In evaluation of need for the proposed project the applicant examines the relationship between projected changes in population growth within its targeted 12 zip code service area and historical numbers of surgical volume from the 12 zip code service area. The applicant applies the average annual growth rate in population for each zip code to existing discharge volume for each zip code to project anticipated non-tertiary, non-OB volume in 2021 and 2026.

The applicant anticipates that volume will increase by 13.1 percent, from 18,930 discharges in 2016 to 21,408 in 2026. The applicant's table demonstrating predicted changes in discharge volume is reproduced on the following page.

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Projected Service Area Demand, 2021 to 2026: Sarasota Memorial Hospital

Zip Code	2015		Population AAGR ²	Project Demand	
	Volume ¹	ALOS		2021	2026
34223 Englewood	2,140	3.9	0.5%	2,210	2,269
34224 Englewood	1,706	4.0	0.8%	1,785	1,853
34229 Osprey	539	4.5	1.1%	576	608
34275 Nokomis	1,569	4.1	0.8%	1,650	1,721
34285 Venice	2,255	4.2	0.7%	2,348	2,429
34286 North Port	1,300	4.7	2.3%	1,487	1,664
34287 North Port	2,871	5.2	1.1%	3,072	3,249
34288 North Port	812	4.5	2.4%	937	1,056
34289 North Port	150	4.1	2.4%	173	195
34291 North Port	341	4.3	1.9%	383	421
34292 Venice	1,857	4.1	1.8%	2,070	2,267
34293 Venice	3,390	4.0	0.7%	3,542	3,674
<i>Total</i>	18,930	4.3	1.2%	20,233	21,408

¹Non-Tertiary, non-OB discharges for patients 15 and older

²Average annual growth rate for 15+ population, 2016-2021

*The reviewer notes that values shaded in grey are incorrect

Source: (CON Application #10457, E.1a- Project Need, Page 5-30).

Based on the existing market share the applicant anticipates that its proposed facility will obtain 22 percent of the adult non-tertiary, non-OB market share. The applicant expects that its proposed project will generate a total volume of 4,395 cases from the service area in 2021, 10 percent of patient volume at its proposed facility will be derived from in-migration outside of the service area (+ 488 patients), 21,366 patients days or an average daily census of 58.5. The applicant assumes that a 75 percent occupancy rate will result in an implied bed need of 78, with an acute care bed count of 80 and an average daily census (ADC) of 58.5 the applicant anticipates an occupancy rate of 73.1 percent. The applicant provides a table summarizing the expected market share and service area demand to be captured for each zip code within its targeted service area.

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Projected SMH/LR Service Area Demand, 2021

Zip Code	Service Area Demand ¹	Estimated SMH/LR Share	Projected SMH/LR Volume	ALOS ²	Projected SMH/LR Days	Projected SMH/LR ADC
34223 Englewood	2,210	10%	221	3.9	870	2.4
34224 Englewood	1,785	10%	178	4	716	2.0
34229 Osprey	576	40%	230	4.5	1,031	2.8
34275 Nokomis	1,650	40%	660	4.1	2,679	7.3
34285 Venice	2,348	20%	470	4.2	1,994	5.5
34286 North Port	1,487	25%	372	4.7	1,750	4.8
34287 North Port	3,072	25%	768	5.2	4,027	11
34288 North Port	937	25%	234	4.5	1,065	2.9
34289 North Port	173	25%	43	4.1	178	0.5
34291 North Port	383	25%	96	4.3	409	1.1
34292 Venice	2,070	20%	414	4.1	1,705	4.7
34293 Venice	3,542	20%	708	4	2,834	7.8
Total	20,233	22%	4,395	4.3	19,258	52.8
In-Migration (@10%)			488	4.3	2,108	5.8
Total Volume			4,883	4.3	21,366	58.5

¹Non-Tertiary, non-OB discharges for patients 15 and older

²Based on 2015 actual length of stay

*The reviewer has shaded incorrect values grey

Source: (CON Application #10457, E.1a- Project Need, Page 5-31)

In 2026 the applicant projects a total discharge volume of 4,665 from the service area and 10 percent of discharge volume (518) from in-migration outside of the service area which produces a total of 5,183 discharges. The applicant anticipates 22,698 patient days or an average length of stay (ALOS) of 6.22. Utilizing a “med/surg” bed count of 80, the applicant anticipates an occupancy rate of 78 percent which it maintains will represent reasonable efficiency for a hospital with all private rooms. The applicant also includes a table which depicts projected volumes for the year 2026 which is reproduced on the following page.

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Projected SMH/LR Service Area Demand, 2026

Zip Code	Service Area Demand ¹	Estimated SMH/LR Share	Projected SMH/LR Volume	ALOS ²	Projected SMH/LR Days	Projected SMH/LR ADC
34223 Englewood	2,269	10%	227	3.9	893	2.4
34224 Englewood	1,853	10%	185	4.0	743	2.0
34229 Osprey	608	40%	243	4.5	1,089	3.0
34275 Nokomis	1,721	40%	689	4.1	2,795	7.7
34285 Venice	2,429	20%	486	4.2	2,062	5.7
34286 North Port	1,664	25%	416	4.7	1,958	5.4
34287 North Port	3,249	25%	812	5.2	4,260	11.7
34288 North Port	1,056	25%	264	4.5	1,200	3.3
34289 North Port	195	25%	49	4.1	201	0.6
34291 North Port	421	25%	105	4.3	450	1.2
34292 Venice	2,267	20%	453	4.1	1,867	5.1
34293 Venice	3,674	20%	735	4.0	2,940	8.1
Total	21,408	22%	4,665	4.3	20,459	56.1
In-Migration (@10%)			518	4.3	2,239	6.1
Total Volume			5,183	4.3	22,698	62.2

¹Non-Tertiary, non-OB discharges for patients 15 and older

²Based on 2015 actual length of stay

*The reviewer has shaded incorrect values grey

Source: (CON Application #10457, E.1a- Project Need, Page 5-32)

The applicant also includes a table that documents estimated effects on the volume impact of other providers in the area (CON Application # 10457, E.1a, Page 5-33). The applicant expects that the largest decline in average daily census (ADC) from Venice Regional, which the applicant expects will experience a reduction in volume of 5.8 ADC in 2021 and 6.1 ADC in 2026. The applicant maintains that this reduction will have an immaterial impact on the facility.

Adult, Non-Tertiary Service Area Volume Impact, 2021

Hospital	Market Share			Volume Change ¹	ADC Change ²
	2015	2021	Change		
Venice Regional	42.8%	40.4%	-2.4%	-492	-5.8
Sarasota Memorial	17.3%	22.0%	4.7%	951	11.2
Fawcett Memorial	11.5%	10.8%	-0.7%	-132	-1.6
Englewood Community	10.6%	10.0%	-0.6%	-122	-1.4
Bayfront Port Charlotte	6.2%	5.8%	-0.4%	-71	-0.8
Doctors Hospital	4.9%	4.6%	-0.3%	-56	-0.7
All Others	6.7%	6.3%	-0.4%	-77	-0.9
Total	100%	100%	0%	0	0

¹Based on total service area demand volume of 20,233

²Based on average length of stay of 4.3 days

Source: (CON Application #10457, E.1a- Project Need, Page 5-33)

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Adult, Non-Tertiary Service Area Volume Impact, 2026

Hospital	Market Share			Volume Change ¹	ADC Change ²
	2015	2021	Change		
Venice Regional	42.8%	40.4%	-2.4%	-521	-6.1
Sarasota Memorial	17.3%	22.0%	4.7%	1006	11.9
Fawcett Memorial	11.5%	10.8%	-0.7%	-140	-1.6
Englewood Community	10.6%	10.0%	-0.6%	-129	-1.5
Bayfront Port Charlotte	6.2%	5.8%	-0.4%	-75	-0.9
Doctors Hospital	4.9%	4.6%	-0.3%	-60	-0.7
All Others	6.7%	6.3%	-0.4%	-82	-1.0
Total	100%	100%	0%	0	0

¹Based on total service area demand volume of 21,408

²Based on average length of stay of 4.3 days

Source: (CON Application #10457, E.1a- Project Need, Page 5-34)

The applicant will offer obstetrical services as a part of its proposed project. A comparative review of obstetrical discharges within the targeted service area between Sarasota Memorial Hospital and Bayfront Health Port Charlotte, and other facilities is presented using data obtained from the AHCA inpatient database. Based on this data, the applicant—Sarasota Memorial Hospital, accounts for the largest share of discharges from obstetrical volume in the service area in all zip codes. The applicant underscores that its new proposed project will offer enhanced access for deliveries and other obstetrical services to residents of the service area with preferences for Sarasota Memorial Hospital. A table of the applicant’s market share as depicted in CON Application #10457 is reproduced below.

Obstetric Discharge Volume for Service Area Residents, 2015

Zip Code	Total	ALOS	Volume			Market Share		
			SMH	BHPC	Other	SMH	BHPC	Other
34223 Englewood	70	2.2	43	21	6	61.4%	30.0%	8.6%
34224 Englewood	86	2.3	37	42	7	43.0%	48.8%	8.1%
34229 Osprey	24	2.5	23	0	1	95.8%	0.0%	4.2%
34275 Nokomis	78	2.3	75	0	3	96.2%	0.0%	3.8%
34285 Venice	52	2.5	47	2	3	90.4%	3.8%	5.8%
34286 North Port	180	2.3	111	58	11	61.7%	32.2%	6.1%
34287 North Port	192	2.3	114	67	11	59.4%	34.9%	5.7%
34288 North Port	128	2.4	56	59	13	43.8%	46.1%	10.2%
34289 North Port	28	2.5	12	15	1	42.9%	53.6%	3.6%
34291 North Port	89	2.3	61	25	3	68.5%	28.1%	3.4%
34292 Venice	47	2.6	43	4	0	91.5%	8.5%	0.0%
34293 Venice	168	2.3	157	6	5	93.5%	3.6%	3.0%
Total	1,142	2.3	779	299	64	68.2%	26.2%	5.6%

• DRGS 765-770, 774-782

Source: (CON Application #10457, E.1a Project Need, Page 5-35)

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The applicant also makes note of the proportion of obstetric cases paid by Medicaid within District 8 (58.4 percent), Subdistrict or Sarasota County (51.9 percent), and service area residents (51.6 percent); commercial payers accounted for 44.1 percent of obstetrical volume within the subdistrict (CON Application #10457, E.1a, Table 5-22, Page 5-36). The applicant notes that Medicaid and charity care also account for 53.3 percent of obstetrical (OB) volume within the service area.

The applicant projects increases in obstetrical volume to be dictated by the growth rate in females aged 15 to 44; beginning with an initial volume of 1,142 obstetrical cases, the applicant anticipates that the obstetrical volume across the service area will increase by 8.6 percent between 2016 and 2021 (1,240 obstetrical cases) and by 7.1 percent from 2021 to 2026 (1,328 obstetrical cases).

The allocation of obstetrical cases across the applicant’s proposed and existing facility is reproduced in the following table.

Projected OB Market Share Allocation by Facility, 2021

Zip Code	Current Market Share	Combined SMH Market Share*	Market Share Split		Resulting SMH/LR Market Share
			To SMH Main Campus	To SMH/LR	
34223 Englewood	61%	65%	15%	85%	55%
34224 Englewood	43%	45%	15%	85%	38%
34229 Osprey	96%	96%	50%	50%	48%
34275 Nokomis	96%	96%	30%	70%	67%
34285 Venice	90%	90%	15%	85%	77%
34286 North Port	62%	70%	15%	85%	60%
34287 North Port	59%	70%	15%	85%	60%
34288 North Port	44%	60%	15%	85%	51%
34289 North Port	43%	55%	15%	85%	47%
34291 North Port	69%	80%	15%	85%	68%
34292 Venice	91%	95%	15%	85%	81%
34293 Venice	93%	95%	15%	85%	81%

*Combined SMH main campus and SMH/LR market share
Source: (CON Application #10457, E.1a- Project Need, Page 5-38)

With the exception of zip codes 34229 Osprey and 34275 Nokomis, the applicant expects to split volume at a 15:85 ratio between both facilities. The applicant also depicts projected volume at the Laurel Road campus and estimates that 768 obstetric cases will be generated in 2021 and 821 cases will be generated in 2026.

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The applicant again depicts obstetrical discharge volume at Laurel Road Campus in the years 2021 and 2026, which is included below.

Projected OB Discharge Volume at Laurel Road Campus

Zip Code	SMH/LR Market Share	Projected Service Area Discharge Volume			Projected SMH/LR Discharge Volume	
		2021	2026	2021	2026	
34223 Englewood	55%	75	79	41	44	
34224 Englewood	38%	92	98	35	38	
34229 Osprey	48%	28	31	13	15	
34275 Nokomis	67%	84	89	56	60	
34285 Venice	77%	54	57	42	43	
34286 North Port	60%	197	212	117	126	
34287 North Port	60%	207	220	123	131	
34288 North Port	51%	145	161	74	82	
34289 North Port	47%	32	35	15	16	
34291 North Port	68%	96	103	65	70	
34292 Venice	81%	55	62	44	50	
34293 Venice	81%	175	180	141	146	
<i>Total</i>	62%	1,240	1,328	768	821	

Source: (CON Application #10457, E.1a-Project Need, Page 5-39)

*The reviewer has shaded incorrect values grey

The applicant details that the future payer mix for obstetrical cases will likely mirror the existing payor mix over the next five to ten years, specifically: 50-55 percent Medicaid, self-pay/non-pay, 40-45 percent commercial payer cases. The applicant also anticipates an average length of stay of 2.3 days (the existing OB ALOS in the service area), an average daily census of 4.7 maternity patients per day, and an assumed occupancy rate of 70 percent which would result in a required bed need of 7 beds in 2021. In 2026, the applicant anticipates an ADC of 5.2 and a bed need of 7 to 8 beds. The applicant additionally qualifies that variations in occupancy are merited given the unpredictable nature of delivery timing.

The applicant states that Sarasota Memorial Hospital will account for variation in the timing of deliveries, specifically, “situations where arrival is not scheduled” using the Poisson distribution formula:

$$\text{Beds Needed} = \text{ADC} + \text{PF} * \sqrt{\text{ADC}}$$

ADC= Average Daily Census

PF= Probability Factor (1.96 for 95% confidence).

Source: (CON Application # 10457, E.1a, Project Need, Page 5-40).

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The applicant expects that Sarasota Memorial Health Care System will assume 929 obstetrical cases from the targeted service area in 2021. The resulting increase in obstetrical cases will increase the market share of Sarasota Memorial Hospital from 68 (2015) to 75 (2021) percent. The share of volume allocated between the proposed facility and existing facility will be: 62 percent (SMH/LR), 13 percent (Existing SMH Campus). The applicant expects that Bayfront Health Port Charlotte will experience a five percent reduction (21 to 25 percent; -0.4 ADC) in 2021 and 2026 in maternity services as a result of implementation of its proposed new facility. The applicant attributes this reduction in maternity services from Bayfront Health Port Charlotte as a result of proximity to the SMH/LR site and improved access to maternity services and prenatal care at the new SMH/LR site.

The applicant provides a table which summarizes changes in expected medical or surgical volume and obstetrics in 2021 and 2026 which is reproduced below.

SMH at Laurel Road Projected Volume Summary: 2021 and 2026

Category	2021	2026
Adult Med/Surg		
Discharges	4,883	5,183
ALOS	4.3	4.3
Patient Days	20,997	22,287
Obstetrics		
Discharges	768	821
ALOS	2.3	2.3
Patient Days	1,766	1,888
Total		
Discharges	5,651	6,004
ALOS	4.0	4.0
Patient Days	22,763	24,175
ADC	62.4	66.2
Occupancy	69%	74%

Source: (CON Application #10457, E.1a –Project Need, Page 5-42)

Capacity and infrastructural limitations of the existing Sarasota Memorial Hospital campus are evaluated in an overview of past renovations and structural improvements from 1921 to December 2016. The applicant makes note of changes to infrastructure and the Sarasota Memorial Hospital overall. In evaluation of need for its proposed project, the applicant maintains that existing infrastructural changes cannot

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accommodate necessary improvements that would improve healthcare delivery, technology, and/or code compliance.

The applicant provides a list of issues noted from site surveys nursing units at Sarasota Memorial Hospital's campus which included:

- Insufficient space in patient rooms to accommodate equipment, patient bed movement, EMR charting stations, families and minimal amounts of furniture.
- Lack of sufficient utilities in patient headwalls.
- Ergonomic issues.
- High proportions of semi-private rooms which impacts capacity. For example, a proliferation of patients that had to be housed in semi-private rooms reduced the available beds by 20 – 30 at certain times.
- Insufficient storage on units with other needed functional rooms being used for storage.
- Lack of patient showers in rooms.
- Lack of sinks in patient toilets (they are available in patient rooms).
- No family waiting areas in certain units.
- Lack of ADA bathrooms sufficiently sized to allow staff to assist patients.
- Support functional located off the unit due to insufficient space on the unit.
- Aged systems and utilities infrastructure for electrical, mechanical, medical gas and nurse call systems.
- Of significant concern are floor-to-floor heights in the 11'-12' range are far below the typical current 14' (+/-) and do not allow for a patient care unit renovation due to insufficient space for above ceiling utilities, especially HVAC systems

Additional photographs are provided of patient rooms with locations and issues noted in Con Application #10457, E.1a on Pages 5-47 – 5-52.

In addition to infrastructural limitations of the existing Sarasota Memorial Hospital campus, the applicant also advances that the existing layout of Sarasota Memorial Hospital encumbers improvements such that renovations like the addition of bed towers would result in:

- Acquisition of additional property (logistically and economically problematic) which would also create massive inefficiencies in wayfinding and the circulation of patients, visitors, and materials.
- Demolition of one or more existing patient towers, requiring the additional cost of demolition, significant impact on existing operations, and the lack of bed capacity during multiple years of construction.

The applicant also maintains that the current configurations of many patient rooms restricts the capacity needed to meet the demands of

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contemporary health care. The applicant maintains that establishment of a new facility with a full complement of services will allow for decompression at the existing facility and opportunities for growth and expansion of the main campus.

The applicant includes a supplement to account for a constellation of factors influencing occupancy rates which includes: (1) the impact of observation cases, (2) seasonality of patients, (3) private versus semi-private rooms, and (4) acute operational capacity (actual operational beds) in comparison to total licensed beds.

The applicant maintains that occupancy is fluid as opposed to static. Furthermore, the applicant estimates that 621 beds constitute actual operational capacity. With census utilization data from July 1, 2015 through June 30, 2016 the applicant estimates an actual annual occupancy rate of 56.9 percent of licensed acute care beds, 76.4 percent of licensed patient rooms, 61.0 percent occupancy of operational beds and 84.0 percent of actual patient rooms. The applicant estimates that seasonal volume (January through March 2016) increases utilization at Sarasota Memorial Hospital to 67.3 percent of licensed acute care beds, 90.4 percent of licensed patient rooms, 72.2 percent of operational beds, and 99.4 percent of actual patient rooms. Lastly, overflow capacity for weekday seasonal demand is projected to increase actual licensed acute care bed utilization to 69.3 percent, 93.1 percent of licensed patient rooms, 74.3 percent of operational beds, and 102.4 percent of actual patient rooms. (CON Application #10457, E.1a-Project Need, Page 5-63-5-67).³

Attributions for the applicant's capacity constraints at the existing Sarasota Memorial Hospital are presented as follows:

- SMH has over 50 percent of its total licensed acute care beds in semi-private rooms (340/666). Yet, private rooms have become the standard of care and SMH responds by utilizing operational semi-private rooms as private rooms whenever possible.
- Acute inpatient utilization continues to grow further stressing available bed capacity particularly during the seasonal months.
- Observation cases are today an integral component of acute care delivery and must be factored in the hospital's occupancy reporting to accurately assess capacity.
- On an annual basis, SMH is already at near-capacity of its operational beds (84 percent), a finding not reflected in AHCA's annual acute care occupancy of licensed beds (48.5 percent) due to the factors cited above.

³ Source: SMH Daily Census Unit data for 2015-07_2016-06: Gresham Smith & Partners, Sarasota Memorial Hospital 2013 Regulatory Bed Count Survey, January 22, 2016; SMH Existing Licensed Bed Distribution, Stacked Diagram, August 31, 2016; SMH Organizational Capacity/Patient Throughout Division, September 13, 2016.

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- During seasonal months, SMH is stressed and operating at full capacity and will be unable to accommodate future demands for inpatient and observation volumes.
- Under Florida regulations, SMH could simply notify AHCA that it was adding 100 or more acute care beds. Unfortunately, adding the required number of additional acute care beds is not an option:
 - The footprint of the main campus cannot be expanded
 - Floor-to-ceiling heights in the older wings severely limit renovation alternatives
 - Zoning and building height restrictions are an impediment
 - Expansion of ancillary and supportive services to accommodate an additional 100 or more acute care beds would be cost-prohibitive and present significant functional changes for ongoing operations during a lengthy phased construction/renovation process over several years

SMH presents the following reasons in support of the proposed project as a cost effective alternative:

- Eases capacity constraints at main campus by shifting south county cases
- Improves access and responds to growing demand from south county, particularly the elderly patient population with a less complex, less intimidating new campus
- Designed for ease of expansion without costly disruption of on-going operations
- Brings obstetrical services to south county
- Compliments SMHCS commitment to patient-centric population health and its focus on the continuum of care-critical components of the Triple Aim.

Elderly individuals with increased health utilization and driving impairments are a target population for the applicant's proposed project. The applicant provides data that projects the expansion of the elderly population within the service area (AHCA, Florida Estimates and Projections, February 2015) and acute care utilization rate comparisons among the elderly within the service area, district, and state (AHCA inpatient database, Nielsen/Claritas and Legacy Consulting Group analysis).

The applicant provides the following table in illustration of the pace of population growth among 65 and older and 64 and under populations from 2015-2030 within Sarasota County.

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Aging Dynamics in Sarasota County Implications for Elderly Driving

Sarasota County				Elderly Drivers	
January 1st	Total Population	Age 64 & under	Age 65 & over	Age 65-74	Age 75+
2015	392,930	265,643	126,847	64,476	62,371
2020	416,324	270,341	145,983	75,870	70,113
2025	438,674	279,565	159,109	78,525	80,584
2030	459,074	280,176	178,898	87,278	91,620
2015-2030					
Growth Rate	17.0%	5.5%	41.0%	35.4%	46.9%

Source: (AHCA, Florida Population Estimates and Projections, February 2015; CON Application #10457, E.1a – Project Need, Page 5-70).

Based on this data the applicant estimates that the population growth of individuals aged 65 and older is projected to increase at a rate that is greater than the rate of increase of the total population from 2015 to 2030. The population aged 65 and older in Sarasota County is estimated to increase by 41.0 percent from 2015 to 2030 while the total population in Sarasota County from 2015 to 2030 is expected to increase by 17.0 percent. Among individuals aged 65 and older who are also identified as drivers, the population of elderly aged 65 to 74 is expected to increase by 35.4 percent and the population of elderly aged 75 and older is expected to increase by 46.9 percent from 2015 to 2030.

Among elderly aged 75 and older, the applicant identifies unique barriers to care posed by commuting significant distances in congested traffic in south county Sarasota who will seek care at Sarasota Memorial Hospital.

The applicant identifies affiliate outpatient centers that it suggests have improved access to ambulatory care in the southern region of Sarasota County: Health Care Center south of Osprey on Tamiami Trail and Blackburn Point, Health Care Center at Venice including an urgent care component at U.S. 41 Bypass South, and Health Care at North Port including a freestanding emergency care center at Bobcat Village Center off south Toledo Blade Boulevard.

The applicant contextualizes the growth of the elderly population in Sarasota County and the demands of healthcare presented by elderly populations within the District, Subdistrict, and State with the following table as a measure of projected utilization and demand for health services that may be addressed with the proposed project.

2015 Inpatient Discharge Rates: Elderly Use Rate Dynamics

Age Group	Florida			Age 65+ Compared to Age 15-64
	Volume	Population	Acute Care Use Rate	
15-64	910,101	12,827,533	70.95	3.6X
65+	994,353	3,851,938	258.14	
Total	1,904,454	16,679,471	114.18	
Age Group	Sarasota County			3.2X
	Volume	Population	Rate	
15-64	11,425	213,472	53.52	3.2X
65+	23,599	137,827	171.22	
Total	35,024	351,299	99.70	
Age Group	Service Area			3.0X
	Volume	Population	Rate	
15-64	5,662	97,188	58.26	3.0X
65+	13,268	76,210	174.10	
Total	18,930	173,398	109.17	

Note: includes adult acute care Med/Surg discharges as defined in CON Appendix

Source: AHCA inpatient database; Nielsen Claritas and Legacy Consulting Group Analysis

(CON Application #10457, E.1a-Project Need, Page 5-72)

The applicant notes that acute care utilization among elderly aged 65 and older is 3.0 times higher within the service area, 3.2 times higher in Sarasota County, and 3.6 times higher within the State than individuals aged 15 to 64 in each respective geographic area. The applicant anticipates that an increase in the elderly population aged 65 and older coupled with impaired driving ability and high health care demand will pose challenges to elderly individuals seeking inpatient care from Sarasota Memorial Hospital’s main campus. The applicant expects that the location of Sarasota Memorial Hospital at Laurel Road will remedy some of the travel constraints posed by the current facility.

The applicant notes the following in relation to elderly drivers, which is summarized below:

- 22.3 percent of licensed drivers in Florida are aged 65 and older, this is higher than the national proportion of drivers aged 65 and older, or 18 percent.
- 86.3 percent of elderly in Florida maintain a driver’s license which is consistent with national averages of 85 to 90; 75.6 percent of elderly aged 75 and older maintain a driver’s license in Florida
- Based on state averages—In 2014, Sarasota County had 108,337 drivers age 65+ and 48,868 drivers age 75+
- In 2015, the Laurel Road Service area had 65,770 age 65+

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Based on this data, the applicant estimates that elderly drivers will constitute 25 percent of licensed drivers by 2020 and over 60 percent of elderly drivers. In light of this demographic, the applicant highlights the following issues affecting elderly drivers that can be exacerbated by health issues that characteristically affect the elderly:

- Visual impairment
- Hearing loss
- Reduced reaction time

With respect to the impairments that affect elderly individuals, the applicant further contends that adaptations that elderly individuals implement to account for senescent health issues that affect driving place elderly at risk of accessing needed care from the Sarasota Memorial Hospital main campus.

The applicant evaluates approximate driving times within 30 minutes at posted speed limits, access to SMH within 30 minutes during heavy traffic, and the effects of road conditions and traffic on elderly drivers. The applicant runs an analysis of commutes to the main Sarasota Memorial campus and identifies under ideal conditions, residents in the northwest regions of the targeted PSA/SSA can reach Sarasota Memorial campus within 30 minutes at posted speed limits. During periods of heavy traffic, the applicant concludes that travel to the SMH campus within 30 minutes is restricted to individuals living in the northwest regions of the targeted service area⁴.

The applicant provides a driving analysis for predicted volume for individuals driving to Sarasota Memorial's based on a variety of routes and highlights key routes that facilitate traffic to the facility (1) I-75 to Fruitville Road (SR 780) to U.S. 301 merging into U.S. 41 (Tamiami Trail) and turning right into the SMH campus on Waldemere Street, (2) Travel all the way up U.S. 41 (Tamiami Trail) and turn left into the SMH campus on Waldemere Street, and (3) Utilize SR 681 Venice Connector exit to I-75.

The applicant identifies the following main points regarding barriers to accessing care for elderly drivers:

- Personal preference based on historical referral relationships, past experience, actual or perceived quality of care concerns, stability and image perceptions, commitment to not-for-profit delivery system/philosophy
- Need for specialized care unavailable at other hospitals in the area
- High volume, fast-moving highways with road conditions that can only strike fear in aging drivers

⁴ Legacy Consulting Group using Maptitude 2016

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- Travel times well in excess of 30 minutes causing anxiety, fatigue, and stress for both the elderly driver and passenger(s).
- Necessity to make the dangerous left turn at either one of the two busiest intersections in Sarasota County
- And, as documented in the SMH main campus master site plan, entering massive medical center complex requiring technical ramp driving skills or willingness to valet park

The applicant also notes that while alternative means of transportation are available for impaired elderly drivers, there are limitations in transport, access, and cost for these types of services.

The applicant notes that as a condition of approval, the applicant intends to provide a minimum of \$100,000 per year to existing public south Sarasota county transportation networks to ensure that local residents have access to the proposed facility. The applicant anticipates that this support will address transportation issues for south county elderly and low income individuals in the targeted service area.

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458)

The applicant states to locate its proposed project on East Venice Avenue, approximately four miles east of U.S. Business 41, near the intersection of East Venice Avenue and Jacaranda Boulevard within the contiguous zip code area: 34292.

The applicant outlines the primary and secondary service areas of the proposed project with the table on the following page.

Venice Regional Bayfront Health: Service Area Definition

Zip Code Area	
34293 Venice	Primary Service Area
34285 Venice ¹	Primary Service Area
34292 Venice	Primary Service Area
34275 Nokomis ²	Primary Service Area
34223 Englewood ³	Primary Service Area
34287 North Port	Secondary Service Area
34224 Englewood	Secondary Service Area
33947 Rotonda West	Secondary Service Area
34286 North Port	Secondary Service Area
34229 Osprey	Secondary Service Area
33981 Port Charlotte	Secondary Service Area
34291 North Port	Secondary Service Area
33946 Placida	Secondary Service Area
34288 North Port	Secondary Service Area
34289 North Port	Secondary Service Area

¹ P.O. Box 34284 is included in zip code area 34285

² P.O. Box 34274 is included in zip code area 34275

³ P.O. Box 34295 is included in zip code area 34223

Source: (CON Application #10457, Page 15)

The applicant references that pursuant to rule requirement the array of discharges by zip code appear in descending order. Five zip codes constitute 75 percent of discharges or the Primary Service Area (PSA). The Secondary Service Area (SSA) is comprised of ten zip codes representing 17 percent of total discharges. The remaining eight percent of discharged is defined as “all other” in anticipation of temporary residents or persons from out of the area who are hospitalized. The applicant notes that the volume of patient discharges reported with P.O. boxes are incorporated into the residential zip codes where they are located.

The applicant states that Venice Regional Bayfront Health is the only hospital in Venice and identifies the only other hospital in southern Sarasota County, Englewood Community Hospital, in Englewood. The applicant intends to build the replacement hospital within Venice.

In explanation of need for the proposed project, the applicant states that infrastructural failures, hospital design, function, and sizing lag behind contemporary standards of care, technological advances, equipment, information technology, patient acuity, and pose a barrier to healthcare delivery. The applicant also maintains that the existing site prevents necessary expansion and improvement and that renovation investments would be both costly and futile in extending the useful life of Venice Regional.

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The applicant contends that the current location of the existing facility presents barriers to improvement and expansion and challenges operations. The applicant identifies vertical limitations to expansion and anticipates that displacement of parking spaces and the central utility plant would occur with expansion to the west which would result in the disruption of operations. The applicant states that employee parking lots are located away from the main campus which requires staff to travel to and from the main campus in areas that pose a security concern. The applicant notes size concerns in every department and patient floor of the existing site. The applicant states that the current site presents barriers to compliance for spacing standards enforced by The Joint Commission.

The applicant notes size concerns in every department and patient floor of the existing site. Issues are identified at unit and system levels. A narrative description of infrastructural issues is provided on: CON Application Number #10458, Pages 20-33.

The applicant further explains that a number of extensive infrastructural issues at the existing Venice Regional campus cannot be quantified or accomplished and that function, flow, adjacencies and sizing are among issues that cannot be remedied with the hospital's current design. The applicant provides a list of quantifiable remediation projects and their scheduled dates which are included on the following pages.

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Venice Regional Bayfront Health: Remediation Projects Schedule

System	Year	Capital Project Deficiency
MECH	2016	AHU-400, 4-2, 3-3, 2 Replacement
PLUM	2016	Supply water piping design
PLUM	2016	Correct additional sanitary breakage
MECH	2016	Heating hot water system repair
MECH	2016	Outside air control
MECH	2017	Replace aging chillers and cooling towers
MECH	2017	Outside air control
MECH	2017	Complete TAB
PLUM	2017	Replace vacuum pump
MECH	2017	Insulation repair in CEP
MECH	2017	AHU emergency shut-downs at nurses stations
MECH	2017	AHU-Interstitial
PLUM	2017	Domestic water piping repair
MECH	2017	Heat Exchanger HX-2 Replacement
MECH	2017	AHU-Special Procedure
MECH	2017	Replace patient room fan coil units
MECH	2017	Replace ductwork
MECH	2017	AHU-CCU-1&2
ASB	2018	Removal of duct and floor mastic containing asbestos
ELEC	2017	Replace 2-565 KW Standby Generator
ELEC	2017	Replace 9 ATS with two new generators
LV	2017	Low voltage repairs
ARCH	2017	Replacement of 1st floor
ROOF	2017	Roof replacement
WIND	2017	Window replacement

Source: (CON Application #10458, Page 34)

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Venice Regional Bayfront Health: Remediation Projects Schedule

System	Year	Capital Project Deficiency
MECH	2018	AHU-104
MECH	2018	Computer room AC
MECH	2018	Outside air control
PLUM	2018	Domestic water piping repair
PLUM	2018	Sanitary sewer repair for areas not currently underway
MECH	2018	AHU-1-1
MECH	2018	AHU-Interstitial
MECH	2018	Replace boiler and deaerator
MECH	2018	Replace primary and secondary pumps
MECH	2018	Replace ductwork
MECH	2018	Pneumatic tube repairs/replacement to lab
MECH	2018	HVAC and fire sprinkler in
ELEC	2018	Replace service switchboard
ELEC	2018	Replace obsolete low voltage systems
ELEC	2018	Electrical and lighting upgrades to OR
ELEC	2018	Lighting at lab building
LV	2018	Low voltage repairs
ARCH	2018	Replacement of 1st floor
ASB	2018	Removal of duct and floor mastic containing asbestos
ROOF	2018	Roof replacement
WIND	2018	Window replacement
MECH	2019	Outside air control
PLUM	2019	Domestic water piping repair
PLUM	2019	Replace medical air compressor
PLUM	2018	Sanitary sewer repair for areas not currently underway
MECH	2019	AHU-108 Sterile Processing
MECH	2019	Replace boiler Phase 2
MECH	2019	Replace steam to water heat exchangers throughout
MECH	2019	Replace ductwork
MECH	2019	Pneumatic tube repairs/replacement in hospital
ELEC	2019	Replace old and obsolete electrical equipment
ELEV	2019	Replace controllers on existing elevator assemblies
ELEC	2018	Electric and lighting upgrades to OR
ASB	2019	Removal of duct and floor mastic containing asbestos
LV	2019	Low voltage system repairs
WIND	2019	Window replacement
MECH	2020	ER & Radiology AHUs

Source: (CON Application #10458, Page 35)

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Venice Regional Bayfront Health: Remediation Projects Schedule

System	Year	Capital Project Deficiency
PLUM	2020	Domestic water piping repair
PLUM	2020	Replace reverse osmosis system
MECH	2020	Replace ductwork
ASB	2020	Removal of duct and floor mastic containing asbestos
ELEC	2020	Replace 3 ATS
ELEC	2020	Replace FP&L generators
ELEC	2020	Replace old and obsolete electrical equipment
ELEV	2020	Replace controllers on existing elevator assemblies
ELEC	2020	Replace obsolete low voltage systems
PLBG	2021	Replace medical gas alarms
MECH	2021	Heating and chilled water repairs
MECH	2021	Replace Ductwork
ASB	2018	Removal of duct and floor mastic containing asbestos
ELEC	2021	Replace old and obsolete electrical equipment
ELEV	2021	Replace existing elevator assemblies
ELEC	2021	Replace obsolete low voltage systems
MECH	2022	Heating and chilled water repairs
ELEC	2022	Fire alarm upgrades - Phase 1
ELEC	2022	Replace old and obsolete electrical equipment
ELEV	2022	Replace existing elevator assemblies
ELEC	2022	Replace obsolete low voltage systems
MECH	2023	Heating and chilled water repairs
ELEC	2023	Fire alarm upgrades - Phase 2
ELEC	2023	Replace old and obsolete electrical equipment
ELEC	2023	Replace obsolete low voltage systems
MECH	2024	Replace 600 ton York chiller and cooling tower
MECH	2024	Heating and chilled water repairs
ELEC	2024	Replace old and obsolete electrical equipment
ELEC	2024	Replace obsolete low voltage systems
MECH	2025	Replace 700 ton Trane chiller and cooling tower
MECH	2025	Heating and chilled water repairs
ELEC	2025	Replace old and obsolete electrical equipment
ELEC	2025	Replace obsolete low voltage systems

Source: (CON Application #10458, Page 36)

The applicant codified the remediation projects by 5 purposes: Health/Hazard/Life Safety (HH/LS), Code Compliance (CC), Energy Conservation (ED), Service Life (SL), or Functionality (FUNC). To date the applicant has quantified \$65,371,000 in total projected budget costs for remediation projects by 2025. On CON Application #10457 Pages 37- 41 the applicant provides an itemized list of capital deficiencies by category and year. In summary the applicant projects to spend \$8,609,799 on Health Hazard/Life Safety capital deficiencies, \$670,016 on Code

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Compliance capital deficiencies, \$55,608,330 on Service Life capital deficiencies, and \$482,613 on Functionality capital deficiencies. ⁵

The applicant reiterates that the itemized capital deficiency investments will not correct operational, architectural, privacy, and environment of care deficiencies at the existing site.

The applicant provides a three year trend for its market share within its targeted service area as demonstration of patient reliance upon the health services of Venice Regional Bayfront Health using data derived from the AHCA inpatient database.

**Venice Regional Bayfront Health Historical Market Share of Discharges:
Calendar Years 2013 through 2015**

Zip Code Area	CY 2013	CY 2014	CY 2015
34293 Venice	76.9%	76.0%	68.1%
34285 Venice ¹	83.0%	83.0%	75.2%
34292 Venice	77.2%	76.9%	71.3%
34275 Nokomis ²	61.8%	61.5%	56.3%
34223 Englewood ³	35.0%	36.3%	34.8%
PSA Subtotal	67.6%	67.3%	62.1%
34287 North Port	24.5%	23.7%	19.1%
34224 Englewood	20.7%	19.0%	15.5%
33947 Rotonda West	15.2%	16.7%	16.3%
34286 North Port	10.4%	10.1%	9.9%
34229 Osprey	20.1%	18.8%	17.8%
33981 Port Charlotte	9.4%	6.4%	7.7%
34291 North Port	18.0%	13.3%	12.5%
33946 Placida	25.1%	15.5%	17.9%
34288 North Port	6.0%	5.1%	3.6%
34289 North Port	8.8%	6.7%	8.0%
SSA Subtotal	17.4%	16.1%	14.1%

¹ P.O. Box 34284 is included in zip code area 34285

² P.O. Box 34274 is included in zip code area 34275

³ P.O. Box 34295 is included in zip code area 34223

Excluding obstetrics, mental health, and rehabilitation.

Ages 18 and Older; AHCA Inpatient Database and NHA Analysis

Source: (CON Application #10458, Page 43)

The applicant attributes the decline in historical market share discharges within the PSA from CY 2013 to CY 2015 to system failures at the existing site. The applicant cites community endorsement for a replacement facility that would result in an improvement in the

⁵ The reviewer notes that the Total Capital Spending value listed on Con Application #10458, page 41, \$65,370,758, has been rounded on CON Application #10458, Page 37 to \$65,371,000.

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environment of care and the maintenance of a high quality standard of care.

In addition to the factors evaluated above, the applicant states that need for its proposed project is evident based on the availability, accessibility, and extent of utilization of existing health care facilities and health services. The applicant maintains VRBH is the closest hospital to the PSA population and a portion of the SSA population and that preference of its services within the service area is evident but utilization of services at the applicant's existing site has been compromised by pipe breakages and other challenges. According to the applicant, a replacement hospital will allow the applicant to meet community needs and ensure access to services.

In evaluation of the subdistrict and district occupancy rates, the applicant concludes that the district has excess beds. In light of the utilization rates of the district and subdistrict, the applicant will delicense 102 of its currently licensed 312 beds. With the assumption that historical utilization persists, the applicant expects for utilization at VRBH to increase by 17 percent and for occupancy within the subdistrict to increase by greater than five percent. The applicant also maintains that a replacement hospital will prevent the existing hospital from ceasing operations to correct system failures.

The applicant also expects to enhance access with the proposed project through the maintaining some outpatient services, a freestanding emergency department, and supporting diagnostic services at the existing campus. For potential emergency patients residing in zip code 34285 particularly, the applicant notes that maintenance of the existing facility will provide both an accessible treatment center for immediate treatment and an additional entry point to the hospital.

According to the applicant, the geographic location of the proposed hospital will also enhance access for residents of the targeted primary and secondary service areas. The applicant includes a table of driving times from the proposed facility, existing site, and zip codes within the Primary Service Area and Secondary Service Areas which are reproduced on the following page.

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**Drive Times from Primary Service Area Zip Codes to:
Existing VRBH and VRBH Replacement Hospital**

Zip Code Area	Venice Regional Bayfront Health: 540 The Rialto and Proposed Freestanding Emergency Department	VRBH Replacement Hospital: Venice Avenue and Jacaranda Boulevard	Difference
34293 Venice	18	12	-6
34285 Venice	4	14	10
34292 Venice	15	5	-10
34275 Nokomis	10	11	1
34223 Englewood	17	17	0

(Source: Google Maps, September 26, 2016 and October 4, 2016 all times “with traffic” and NHA Analysis)
(CON Application # 10458, Page 46)

**Drive Times from Secondary Service Area Zip Codes to:
Existing VRBH and VRBH Replacement Hospital**

Zip Code Area	Venice Regional Bayfront Health: 540 The Rialto and Proposed Freestanding Emergency Department	VRBH Replacement Hospital: Venice Avenue and Jacaranda Boulevard	Difference
34287 North Port	24	17	-7
34224 Englewood	26	22	-4
33947 Rotonda West	41	35	-6
34286 North Port	29	20	-9
34229 Osprey	15	19	4
33981 Port Charlotte	33	26	-7
34291 North Port	26	16	-10
33946 Placida	39	34	-5
34288 North Port	34	24	-10
34289 North Port	28	19	-9

(Source: Google Maps, September 26, 2016 and October 4, 2016 all times “with traffic” and NHA Analysis)
(CON Application # 10458, Page 47)

Based on this analysis the applicant concludes that the proposed facility will enhance access to the new facility and anticipates that the new facility will not incur unforeseen system failures or unexpected program access barriers; the replacement hospital will be fully accessible. The applicant notes that the existing site is the closest to three of the five service area zip codes and at the new location VRBH will be closest to

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four of the five zip code areas. Within the Secondary Service Area, the applicant estimates that at its existing site it is closest to only one of the secondary zip code areas and at the location of the new facility VRBH will be closest to four of the secondary service area zip codes.

The applicant analyzes the effect of the current's sites location on access to services. Currently situated on a man-made island the applicant states that the current facility is located in a flood zone. During significant weather events drawbridges to the island are locked and impede access to health care on the island. The applicant collaborates with Sarasota Emergency Operations Center and Department of Health in response to emergency management efforts and accepts persons with special Needs. The applicant states that the new facility will enhance access to the service area during weather events and also serve as a designated shelter.

The applicant reiterates that investments into a replacement hospital will enhance access and increase utilization within the service area. VRBH also provides a narrative description of the proposed site and existing services which will include 210 beds and 410,000 square feet. The proposed configuration of the facility will include space for expansions if demand warrants.

Furthermore, the applicant states that the replacement hospital will not have a pediatrics program based on low utilization rates for non-adults under 18. The applicant also explains that adult utilization rates and service area demographic factors were selected for those 18 and older. The applicant notes that 49 percent of adults currently reside in the Primary Service Area and that the remaining portion of adults resides in the Secondary Service Area. Based on analysis of service area demographics, the applicant concludes that 54.4 percent of adults residing in the Primary Service Area are 65 and older, 37.8 percent of adults in the Secondary Service Area are aged 65 and older, while 46 percent of the adults residing in the targeted service area overall are 65 and older. The applicant notes that the proportion of elderly in the service area is nearly twice the proportion of elderly in the state (24.7 percent) and that elderly individuals utilize healthcare at a higher rate than nonelderly within the Service Area.

The applicant projects that both overall population expansion and the rate of population growth among elderly in the region will drive health care use in the service area, thereby justifying need for the proposed project within the six year planning horizon from 2016 to 2022. The applicant provides a chart depicting forecasted changes in population growth across the service area which is reproduced below.

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**Venice Regional Bayfront Health Replacement Hospital Service Area Population
Aged 65 and Older: Calendar Year 2016 Estimate and 2020-2022 Forecasted**

Zip Code Area	2016	2020 Year 1	2021 Year 2	2022 Year 3	Change, 2016 to 2022	Percent Change 2016 to 2022
34293 Venice	14,356	15,899	16,285	16,671	2,315	16.1%
34285 Venice	11,883	13,001	13,280	13,559	1,676	14.1%
34292 Venice	9,064	10,382	10,712	11,042	1,978	21.8%
34275 Nokomis	7,135	7,924	8,121	8,318	1,183	16.6%
34223 Englewood	8,723	9,528	9,729	9,930	1,207	13.8%
PSA Subtotal	51,161	56,734	58,127	59,520	8,359	16.3%
34287 North Port	10,262	11,160	11,384	11,608	1,346	13.1%
34224 Englewood	7,074	7,815	8,000	8,185	1,111	15.7%
33947 Rotonda West	4,526	5,244	5,424	5,604	1,078	23.8%
34286 North Port	3,016	3,636	3,791	3,946	930	30.8%
34229 Osprey	2,936	3,282	3,369	3,456	520	17.7%
33981 Port Charlotte	3,413	3,896	4,017	4,138	725	21.2%
34291 North Port	1,262	1,504	1,564	1,624	362	28.7%
33946 Placida	1,631	1,881	1,943	2,005	374	22.9%
34288 North Port	2,222	2,620	2,720	2,820	598	26.9%
34289 North Port	505	599	622	645	140	27.7%
SSA Subtotal	36,847	41,637	42,834	44,031	7,184	19.5%
Service Area Total	88,008	98,370	100,961	103,552	15,544	17.7%

Source: (Con Application #10458, Page 71)

*The reviewer shaded incorrect values grey

In addition to evaluating population demographics of the service area, the applicant involves the impact of historical utilization, bed capacity, and service mix of the four acute care hospitals within the subdistrict: Venice Regional Bayfront Health, Sarasota Memorial Hospital, Doctors Hospital of Sarasota, and Englewood Community Hospital. Based on the three year average utilization rate of acute care hospitals in subdistrict 8-6, (44.6 percent) the applicant concludes that quality, cost-effectiveness, and enhanced access are driving factors for the proposed replacement hospital as opposed to utilization. The applicant also provides a projected adjusted utilization for CY 2015 at VRBH with 102 less beds: 52.3 percent. The applicant also notes that the delicensure of acute care beds will meet the service area needs and restore market shares lost to physical plant catastrophes and population increases.

In evaluation of need for the proposed project, the applicant also highlights that adults aged 65 and older constituted 70.5 percent of adult discharges from the hospital (*n.b.* excluding obstetrics, psychiatry, substance abuse, and comprehensive medical rehabilitation diagnoses);

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adults aged 65 and older constituted 76.2 percent of the same discharges within the service area. The applicant also presents AHCA inpatient service area discharge data that indicates a 4.5 percent growth in discharges for adults aged 18 and older within the applicant's primary and secondary service areas from 2013 to 2015. For the 65 and older cohort within the applicant's targeted primary and secondary service areas, the volume of discharges increased by 5.2 percent. In an analysis of service area discharge use trends, the applicant similarly concludes that the use rate trends for the primary service area are the highest as a result of its elderly (65 and older) demographic).

The applicant includes another analysis which depicts discharge use rates applied to forecasted population sizes, this analysis indicates that projected use rates among nonelderly are lower than use rates among elderly (aged 65 and older) within the service area and that the projected discharge rate was higher for the overall population and 65 and older population in the primary service area when compared to the secondary service area. Based on forecasted projections analyzed separately within the primary and secondary service areas for those 18 and older and those 65 and older, the applicant concludes that population growth is a driver of a healthcare use and that the presence of the new facility will enhance quality and accessibility in the service area.

The applicant expects that the replacement facility will increase market shares, forecasted discharges, and utilization within the service area. Charts depicting these predicted changes have been reproduced on the following pages.

VRBH Replacement Hospital Market Share Assumption

Zip Code Area	Market Share CY 2013 through CY 2015	Market Share Assumptions for the Forecast Period
34293 Venice	68% to 77%	Return to 77% then increase slightly due to proximity
34285 Venice	75% to 83%	Return to original high (83%)
34292 Venice	71% to 77%	Return to 77% , then increase because new home zip code
34275 Nokomis	56% to 62%	Return to original high (62%) then increase due to proximity
34223 Englewood	35% to 36%	Increase slightly due to location
34287 North Port	19% to 25%	Return to 25% then increase slightly due to proximity
34224 Englewood	16% to 21%	Return to 21%
33947 Rotonda West	15% to 17%	Return to 17%
34286 North Port	10%	Increase slightly due to proximity
34229 Osprey	18% to 20%	Return to 20%
33981 Port Charlotte	6% to 9%	Return to 9% then increase slightly
34291 North Port	13% to 18%	Return to 18% then increase slightly
33946 Placida	16% to 25%	Return to 25%
34288 North Port	4% to 6%	Return to 6%
34289 North Port	7% to 9%	Return to 9% then increase slightly

Source: (CON Application #10458, Page 82)

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VRBH Replacement Hospital Forecasted Market Share Years 1 through 3

Zip Code Area	Year 1 CY 2020	Year 2 CY 2021	Year 3 CY 2022
34293 Venice	70.0%	75.0%	80.0%
34285 Venice	80.0%	83.0%	83.0%
34292 Venice	75.0%	80.0%	83.0%
34275 Nokomis	60.0%	65.0%	70.0%
34223 Englewood	35.0%	37.0%	39.0%
PSA Subtotal (weighted average, computed)	65.0%	69.1%	72.0%
34287 North Port	20.0%	25.0%	27.0%
34224 Englewood	16.0%	19.0%	21.0%
33947 Rotonda West	16.0%	17.0%	17.0%
34286 North Port	10.0%	11.0%	12.0%
34229 Osprey	18.0%	19.0%	20.0%
33981 Port Charlotte	8.0%	9.0%	10.0%
34291 North Port	14.0%	18.0%	22.0%
33946 Placida	18.0%	22.0%	25.0%
34288 North Port	4.0%	5.0%	6.0%
34289 North Port	8.0%	9.0%	10.0%
SSA Subtotal (weighted average, computed)	14.9%	16.8%	18.3%
Service Area Total (weighted average, computed)	41.0%	44.0%	46.2%

Source: (CON Application #10458, Page 83)

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VRBH Replacement Hospital Forecasted Discharges Years 1 Through 3

Zip Code Area	Year 1 CY 2020	Year 2 CY 2021	Year 3 CY 2022
34293 Venice	2,699	2,931	3,169
34285 Venice	2,046	2,148	2,173
34292 Venice	1,690	1,848	1,964
34275 Nokomis	1,066	1,171	1,279
34223 Englewood	833	889	947
PSA Subtotal	8,333	8,987	9,533
34287 North Port	715	824	902
34224 Englewood	306	368	412
33947 Rotonda West	188	205	210
34286 North Port	169	193	218
34229 Osprey	112	121	129
33981 Port Charlotte	96	110	125
34291 North Port	59	78	98
33946 Placida	42	54	67
34288 North Port	39	49	57
34289 North Port	16	19	21
SSA Subtotal	1,742	2,020	2,240
Service Area Total	10,075	11,008	11,772
Out of Area	876	957	1,024
Total	10,951	11,965	12,796

Source: (CON Application #10458, Page 84)

The reviewer has shaded incorrect values grey

**Summary of VRBH Replacement Hospital Forecasted Utilization:
Years 1 Through 3**

	Year 1 CY 2020	Year 2 CY 2021	Year 3 CY 2022
Service Area Discharges	10,075	11,008	11,772
Out of Area (8%) Discharges	876	957	1,024
Total Discharges	10,951	11,965	12,796
Average Length of Stay	4.2		
Patient Days	45,994	50,252	53,742
Average Daily Census	126	137.7	147.2
Occupancy Rate -250 Beds	60.0%	65.6%	70.1%

Source: (CON Application #10458, Page 85)

- b. **Will the proposed project foster competition to promote quality and cost-effectiveness? Please discuss the effect of the proposed project on any of the following:**
- **applicant facility;**
 - **current patient care costs and charges (if an existing facility);**
 - **reduction in charges to patients; and**
 - **extent to which proposed services will enhance access to health care for the residents of the service district.**
- ss. 408.035(1)(e) and (g), Florida Statutes.**

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10457):

Sarasota County Public Health District maintains that the proposed project will present a competitive alternative to Venice Regional Bayfront Health. The applicant states that its proposed project will also provide a high quality and cost-effective competitive alternative to the existing provider's current operations. SCPHD maintains that it provides higher quality and less expensive care when compared to Venice Regional.

The applicant contends that the proposed facility is expected to generate a positive operational bottom line to the health system and a positive impact that may be achieved if fixed costs to the expense structure can be spread over a larger volume base. SCPHD indicates that the impact on facility charges is expected to be minimal as the proposed project is expected to be financially viable.

SCPHD maintains that the proposed project is expected to have a positive impact on patient charges within the local market as managed care and commercial programs are expected to see market charges reduced in comparison to Venice Regional Bayfront Health. The applicant maintains that in addition to charge reductions, the proposed facility will introduce non-price competitive pressure within the local market. The applicant notes that Venice Regional Bayfront Health charges 48 percent more than Sarasota Memorial Hospital based on data obtained from the AHCA, Discharge Database-CY2015.

The reviewer notes that charges are not revenues and that FloridaHealthFinder.gov does not report what percentage of charges are being collected through negotiated rates nor does it show hospital operational costs associated with charges.

The applicant maintains that currently an alternate provider has a significant competitive advantage in treating the service area that require or desire hospital care within a close distance of their home. SCPHD indicates that the proposed facility will allow for a local choice in providers rather than a "default decision". The applicant states that the

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proposed facility will force Venice Regional to enhance its operations, patient satisfaction levels and quality of care provided. SCPHD reiterates that Venice Regional provides an unexpected low level of care to the service area's Medicaid and self-pay populations. The applicant asserts that the proposed facility will bring enhanced access to traditionally underserved patient groups directly within south Sarasota County.

The applicant notes charge comparisons between Sarasota Memorial Hospital and other hospitals within the Subdistrict. The applicant maintains that historically, Sarasota Memorial Hospital has maintained the lowest charge structure among hospitals in Sarasota County.

The applicant includes a summary of price comparisons as obtained via FloridaHealthFinder.gov, which is reproduced below:

Florida Health-Finder Comparison of Charges		
Category: All Hospitalizations & Conditions/Procedures Time Period: January 2015 through December 2015		
Facility	Charges Low	Charges High
Statewide	\$ 16,843	\$ 62,811
Sarasota Memorial Hospital	\$ 13,837	\$ 57,946
Venice Regional Bayfront Health	\$ 26,105	\$ 86,408
Englewood Community Hospital	\$ 31,494	\$ 84,044
Doctors Hospital of Sarasota	\$ 30,806	\$ 89,258
Source: The results shown are posted as reported and certified by health care facilities to the Agency for Health Care Administration (AHCA), Florida Center for Health Information and Transparency. This data is effective as of June 13, 2016		

Source: (CON Application #10457, E.1b-Competition, Page 6-3)

The applicant also includes comparisons of charge by payer class using data obtained from the AHCA Inpatient Discharge Database for Adult General Acute Medical/Surgical Cases for patients 15 and older among different subdistrict hospitals and Sarasota Memorial Hospital.

In comparison to Sarasota Memorial Hospital overall charges for general acute medical/surgical services were as follows:

- HCA Doctors Hospital of Sarasota- 35.1 percent higher
- HCA Englewood Community Hospital – 21.5 percent higher
- CHA Venice Regional Bayfront Health – 16.3 percent higher

The applicant maintains the following points in demonstration of how the proposed facility will enhance access to health care for the residents of the south county area:

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- SMHCS has a well-established ambulatory care network in south county that currently accounts for 19 percent of SMH's total patient volume and represents nearly one-fourth (1/4) of all inpatient activity from the proposed service area.
- These referral patterns are unlikely to change given the full scope of services and the continuum of care that SMHCS offers.
- Obstetrical services at the new facility on Laurel Road not only respond to increasingly vocal community demand but assures young mothers access to a full range of high-risk and neonatal services, if required within the same system.

Overall the applicant expects that its proposed facility will offer an alternative to residents of South County, improve access to medical/surgical and obstetrical services, and improve the delivery of services by providing a full continuum of care within the Sarasota Memorial Health Care System.

The applicant additionally elaborates upon quality as an aspect of consumer choice and provides recent Hospital Quality Star Ratings from the Centers for Medicare & Medicaid Services (CMS). The data obtained from CMS indicates that the applicant, Sarasota Memorial Hospital, was the only hospital within District 8 to receive a 5 out of total 5 stars for quality.

The applicant also notes Sarasota Memorial Hospital's performance on the Patient Satisfaction Survey from October 2015 through September 2016, noting that the facility received the highest average of quality star ratings from patients with regards to: pain management, communication about medicines, care transition, cleanliness of hospital environment, quietness of hospital environment, overall hospital rating, and recommend the hospital categories. ⁶

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458)

The applicant maintains that the cost-benefit ratio of investments into the replacement hospital far exceed the benefits and costs of investing into renovations at the existing VRBH site, thereby concluding that a replacement hospital is a cost-effective approach that would improve quality in ways which are summarized below and include:

- VRBH is a quality provider that will be able to provide patient care in a replacement facility without impediments to health care delivery.

⁶ Via FloridaHealthFinder from Centers for Medicare and Medicaid Services, last accessed August 1, 2016, CON Application #10457, E.1b – Competition, Page 6-13)

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- Appropriately sized patient rooms in a replacement facility would allow for staff to focus on patient and family needs and as a result enhance quality and patient and physician satisfaction.
- Spending over \$65 million is neither cost-effective nor a prudent use of scarce healthcare resources and will not allow for corrections associated with operational and design flaws.
- The provision of adult services to the Medicaid population is more cost effective at VRBH than other acute care hospitals in the subdistrict.

The applicant reiterates that a replacement hospital, its proposed project, is a cost-effective approach in light of existing infrastructural limitations of the existing site. Renovations are estimated at \$65 million and the applicant maintains that investments into renovations would not account for a substantial extension of the life of the existing hospital. The applicant estimates that total project costs for the replacement hospital will total approximately \$212 million which will account for infrastructure of the new hospital, land, building, equipment fees, carrying costs, and contingency-all of which is cited as a cost-effective use of capital and a benefit to the community.

The applicant also evaluates the historical provision of quality care at VRBH in tandem with system failures. The applicant provides VRBH's quality metrics from 2013, 2014, 2015, and 2016 to date for nosocomial infections measured by the Centers for Medicare and Medicaid Services (CMS) and performance measures for Hospital Acquired Conditions/Patient Safety Events on Pages 88 through 89 of CON Application #10458. The applicant notes that its existing performance measures will improve with a replacement facility as the ability to focus on hospital operations in a contemporary standard of care will be enhanced. The applicant anticipates that a new facility will serve to improve both the quality of care provided and competition.

- c. 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 Sarasota Memorial Hospital, Venice Regional Bayfront Health, and District 8 overall, in fiscal year (FY) 2015 data from the Florida Hospital Uniform Reporting System (FHURS).

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Medicaid, Medicaid HMO and Charity Data: Sarasota Memorial Hospital, and District 8 FY 2015				
Applicant/Area	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percent	Percentage of Charity Care	Percentage: Medicaid, Medicaid HMO and Charity Care
Sarasota Memorial Hospital	21,5	15.43%	2.39%	17.82%
Venice Regional Bayfront Health	1,295	3.26%	0.30%	3.56%
District 8 Total	133,620	12.71%	2.43%	15.14%

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

**Sarasota County Public Hospital District d/b/a
Sarasota Memorial Hospital (CON application #10457)**

There are 23 general acute care facilities in District 8. In comparison to other acute care facilities in District 8, Sarasota Memorial Hospital provided:

- The highest number of Medicaid/Medicaid HMO patients days (21,576)
- The second highest volume of Medicaid and Medicaid HMO patient days by percent (15.43)
- The eighth highest volume of charity care patient days by percent (2.39)

The applicant notes that a priority of Sarasota Memorial Hospital is to ensure that all local residents, regardless of their ability to pay have access to needed care and services. The applicant also notes that Sarasota Memorial Hospital is the only publicly owned and operated hospital in the subdistrict and in comparison to other hospitals within Sarasota County, SMH provides the majority of Medicaid and charity care to hospital patients in Sarasota County. The applicant also notes that within the subdistrict, SMH accounts for 62 percent (61.5) of total acute patient days and 87.7 percent of Medicaid/Charity volume within the subdistrict. By cost, the applicant presents data from Agency FHURS Compass Reports, which demonstrates that SMH also provided the highest proportion of charity care by cost within the subdistrict-- \$14,231,161, or, 89.9 percent. The applicant also provides the largest proportion of Medicaid and charity care within the subdistrict. (Tables are reproduced for reference of the applicant's provision of Medicaid and charity care).

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Comparison of the Provision of Charity Care at Cost		
Sarasota County Hospitals - 2015		
Analysis of Charity Care Costs	Total Charity Care Costs	Percent of Total Charity Care Costs
Sarasota Memorial Hospital	\$14,231,161	89.9%
HCA-Doctors Hospital	\$1,111,440	7.0%
CHS-Venice Regional Bayfront	\$264,296	1.7%
HCA-Englewood Community	\$220,087	1.4%
TOTAL	\$15,826,984	100.0%

(Source: AHCA, FHURS Compass Reports – FY 2015 Actuals Florida Legislature, Medicaid Hospital Funding Programs, Fiscal Year 2016-2017, Final Conference Report for HB 5001, March, 8, 2016)

(CON Application #10457, E.1c-Medicaid, Page 7-4)

Provision of Medicaid and Charity Care Sarasota County-Hospitals 2015						
Hospital	Medicaid and Medicaid HMO Days	Total Patient Days	Percent Medicaid & Medicaid HMO Care	Adjusted Charity Care Pt. Days	Total Adjusted Patient Days	Percent Adj. Charity Care Pt. Days
Sarasota Memorial Hospital	21,576	139,815	15.4%	5,894	256,306	2.3%
HCA-Doctors Hospital	1,243	35,413	3.5%	543	52,910	1.0%
CHS-Venice Regional Bayfront	1295	39,723	3.3%	128	71,689	0.2%
HCA-Englewood Community	529	12,202	4.3%	116	24,438	0.5%
Total	24,643	227,153	10.8%	6681	405,343	1.6%

(Source: AHCA, Florida Hospital Uniform Reporting System Compass Reports, Fiscal Year 2015 Actuals. AHCA, Bureau of Central Services, Division of Health Quality Assurance, Financial Analysis Unit), (CON Application #10457, E.1c- Medicaid, Page 7-5)

The table below illustrates Sarasota Memorial Hospital’s state fiscal year (SFY) 2015-2016 low-income pool (LIP) and disproportionate share hospital (DSH) program participation, as of September 20, 2016.

Sarasota Memorial Hospital LIP and DSH Program Participation SFY 2015-2016		
Program	Total Annual Allocation	Year-to-Date Total Allocation as of September 20, 2016
LIP	\$11,410,708	\$11,410,708
DSH	\$3,269,790	\$3,245,363

Source: Agency Division of Medicaid, Office of Program Finance

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The reviewer notes that the Sarasota County Public Hospital District is an independent hospital district, was created by the Florida Legislature in 1949 and owns and operates Sarasota Memorial Hospital. The Sarasota County Public Hospital District Board derives its authority to levy ad valorem property taxes from enabling legislation passed by the Florida Legislature and approved at a referendum by Sarasota County voters. According to the Sarasota tax collector website, the millage rate for Sarasota Memorial Hospital for calendar year 2015 was 1.0525 (\$1.05 per every \$1,000 in property value).

In addition to the Medicaid and charity care reported to the FHURS, the applicant also manages Community Medical Clinics and provides community benefit services to the local population. The applicant notes that its affiliate Community Medical Clinics provide a range of diagnostic, specialty, and surgical care to uninsured or underinsured patients residing in Sarasota County with incomes at or below 200 percent of the Federal Poverty Level. The applicant reports that in 2015, the Community Medical Clinic provided more than 4,600 care visits. The applicant intends to establish a Community Medical Clinic program in conjunction with its proposed facility at Laurel Road. The applicant conditions CON approval of its proposed project upon a minimum of \$100,000 provided annually to operate a Community Medical Clinic.

In FY 2016, the applicant reports providing \$96,958,528 in community benefit care.

Sarasota County Public Hospital District FY 2016 Community Benefit	
Bad Debts	\$25,283,951
Traditional Charity Care	\$13,462,406
Medicare Losses	\$23,292,873
Medicaid Losses	\$9,746,069
Trauma and ED care call pay and subsidies	\$6,857,290
Anesthesiologist, hospitalist and psychiatric coverage	\$5,957,478
Clinic and Other Community Programs	\$4,439,263
Indigent Care Fund Payments	\$7,619,198
Total	\$96,958,528

Source: (CON Application #10457, E.1c-Medicaid, Page 7-6)

The applicant reiterates that its CON approval is conditioned upon provision of care to all patients regardless of ability to pay and the provision of at least 13 percent of patient volume to Medicaid, Medicaid HMO, non-payment, and self-pay patients combined. The applicant notes that its condition for Medicaid, Medicaid HMO, non-payment, and self-pay patients is higher than the targeted patient mix within the service area (9.4 percent in 2015).

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The applicant reiterates that other conditions of CON approval will serve to strengthen access to care via transportation for low-income individuals utilizing public transportation and that implementation of the proposed facility will enhance access to obstetrical care and inpatient care for Medicaid beneficiaries and uninsured individuals living in the south of Sarasota County.

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458)

There are 23 acute care hospitals in District 8, in comparison to other acute care facilities in District 8, Venice Regional Bayfront Health provided:

- The eleventh highest number of Medicaid/Medicaid HMO patient days (1,295)
- The eighteenth highest volume of Medicaid and Medicaid HMO patient days by percent (3.26)
- The eighteenth highest volume of charity care patient days by percent (0.30).

The applicant does not participate in LIP or DSH programs.

The applicant includes a chart depicting the three year historical provision of care to multiple medically indigent groups documented by discharge by payor from 2013 to 2015 for Venice Regional Bayfront Health and Emergency Department Visits on Pages 92-93 of CON Application #10458.

The applicant maintains that Venice Regional expresses a commitment to providing care to Medicaid and medically indigent populations despite that these payors typically comprise a smaller percent of adult medical/surgical patients who are not obstetrics or mental health patients. The applicant contends that there are differences between actual rates of charity care and the charity care rates documented at discharge which are included in the AHCA Data Tapes and states that charity care and bed debt are more accurately reflected in the AHCA Prior Year Financial Report. The applicant states that in 2015, VRBH reported \$2,116,000 in charity care and \$12,923,000 in bad debt. The applicant also reported paying \$1.5 million in taxes, excluding Public Medical Assistance Trust Fund (PMATF) (CON Application #10458, Page 94).

Alternative forms of in-kind and community benefit care are also documented by the applicant. VRBH expresses a commitment to maintain its share of historical provision of Medicaid and medically indigent care.

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The applicant also conditions CON approval of its proposed project on the minimum provision of 8 percent of its inpatient days to Medicaid, Medicaid HMO, other state and local government, charity care, self-pay and underinsured patients on an annual basis.

- d. Does the applicant include a detailed description of the proposed general hospital project and a statement of its purpose and the need it will meet? The proposed project's location, as well as its primary and secondary service areas, must be identified by zip code. Primary service area is defined as the zip codes from which the applicant projects that it will draw 75 percent of its discharges, with the remaining 25 percent of zip codes being secondary. Projected admissions by zip code are to be provided by each zip code from largest to smallest volumes. Existing hospitals in these zip codes should be clearly identified. ss. 408.037(2), Florida Statutes.**

Sarasota County Public Hospital District d/b/a

Sarasota Memorial Hospital (CON application #10457):

The applicant states that the proposed project will be located at the intersection of Laurel Road and Interstate 75 in the Venice/Nokomis community in South Sarasota County, zip code - 34275. The Primary Service Area (PSA) is comprised of zip codes: 34287, 34293, 34275, 34286, 34285, 34292, and 34288. The Secondary Service Area is comprised of zip codes: 34223, 34229, 34224, 34291, and 34289. The applicant outlines the zip codes that will comprise the primary and secondary service areas, which is reproduced on the following page.

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Primary and Secondary Service Areas for SMH/LR

Zip Code	Projected Discharge Volume 2021			Percent Total
	Med/Surg	OB	Total	
<i>Primary Service Area</i>				
34287 North Port	768	123	891	16%
34293 Venice	708	141	849	15%
34275 Nokomis	660	56	717	13%
34286 North Port	372	117	489	9%
34285 Venice	470	42	511	9%
34292 Venice	414	44	458	8%
34288 North Port	234	74	308	5%
Total	3,626	598	4,224	75%
<i>Secondary Service Area</i>				
34223 Englewood	221	41	262	5%
34229 Osprey	230	13	244	4%
34224 Englewood	178	35	214	4%
34291 North Port	96	65	161	3%
34289 North Port	43	15	58	1%
Total	769	170	939	17%
<i>In-migration</i>	488	-	488	9%
Total	4,883	768	5,651	100%

(Source: AHCA Inpatient Database, CON Application #10457, E.1d-Description, Page 8-14)

The reviewer has shaded incorrect values in grey.

The applicant maintains that facility and site-design will prioritize:

- Patient-centeredness
- Safety
- Effectiveness
- Efficiency

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Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458)

The applicant proposes to locate the replacement hospital east of the intersection of Jacaranda Boulevard and East Venice Avenue on the south side of East Venice Avenue. The proposed hospital will include all private 210 acute care beds consisting of 180 medical surgical beds and 30 intensive care beds which will be comprised of:

- 30-bed intensive care unit on the second floor
- 36-bed medical surgical unit on the third floor
- Two 36-bed medical surgical units on the fourth floor
- Two 36-bed medical surgical units on the fifth floor

The Primary Service Area (PSA) is comprised of zip codes: 34293, 34285, 34292, 34275, and 34223. The Secondary Service Area is comprised of zip codes: 34287, 34224, 34947, 34286, 34229, 33981, 34291, 33946, 34288, and 34289. The applicant outlines the zip codes that will comprise the primary and secondary service areas, which is reproduced on the following page.

VRBH Replacement Hospital Forecasted Discharges Years 1 Through 3

Zip Code Area	Year 1 CY 2020	Year 2 CY 2021	Year 3 CY 2022
34293 Venice	2,699	2,931	3,169
34285 Venice	2,046	2,148	2,173
34292 Venice	1,690	1,848	1,964
34275 Nokomis	1,066	1,171	1,279
34223 Englewood	833	889	947
PSA Subtotal	8,333	8,987	9,533
34287 North Port	715	824	902
34224 Englewood	306	368	412
33947 Rotonda West	188	205	210
34286 North Port	169	193	218
34229 Osprey	112	121	129
33981 Port Charlotte	96	110	125
34291 North Port	59	78	98
33946 Placida	42	54	67
34288 North Port	39	49	57
34289 North Port	16	19	21
SSA Subtotal	1,742	2,020	2,240
Service Area Total	10,075	11,008	11,772
Out of Area	876	957	1,024
Total	10,951	11,965	12,796

Source: (CON Application #10458, Page 100)

The reviewer has shaded incorrect values grey

F. Written Statement(s) of Opposition

Except for competing applicants, in order to be eligible to challenge the Agency decision on a general hospital application under review pursuant to paragraph (5)(c), existing hospitals must submit a detailed written statement of opposition to the Agency and to the applicant. The detailed written statement must be received by the Agency and the applicant within 21 days after the general hospital application is deemed complete and made available to the public. ss. 408.039(3)(c), Florida Statutes.

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10457)

The agency received three written statements of opposition to CON Application #10457. Statements were from representatives of Bayfront Health Port Charlotte, Englewood Community Hospital, Inc./Fawcett Memorial Hospital, and Venice Regional Bayfront Health.

Bayfront Health Port Charlotte (BHPC) submitted a detailed letter of opposition to the proposed project. The opposition includes many form letters opposing CON Application #10457. Bayfront Health Port Charlotte is located in acute care Subdistrict 8-1, Charlotte County while the proposed facility will be located in Subdistrict 8-6, Sarasota County.

Sarasota and Northern Charlotte County Hospitals Acute Care Occupancy Rate Trend: Calendar Years 2013 through 2015

Hospital	Hospital System Affiliation	Acute Beds	Occupancy Rate		
			CY 2013	CY 2014	CY 2015
Venice Regional Bayfront Health	CHS	312	40.0%	40.4%	36.2%
Sarasota Memorial Hospital	Public	666	40.0%	42.6%	46.8%
Englewood Community Hospital	HCA	100	30.2%	34.6%	33.4%
Doctors Hospital of Sarasota	HCA	139	55.1%	53.5%	60.2%
Sarasota County Totals/Averages		1,217	41.0%	42.6%	44.6%
BH Port Charlotte	CHS	247	55.1%	57.1%	54.6%
Fawcett Memorial Hospital	HCA	217	63.1%	68.8%	75.0%
Northern Charlotte Total/Averages		464	58.8%	62.6%	64.2%
District 8 Total/Average		4,120	52.8%	54.0%	55.9%

Source: (Bayfront Regional Port Charlotte, Written Statement of Opposition, Page 21)

The reviewer notes that the Florida Hospital Bed Need Projections & Service Utilization by District publication, published in July 2015 and 2016, lists 4,122 acute care beds in District 8 for the 12-month periods ending on December 31, 2014 and December 31, 2015 respectively. In the same publication, published July 2014 there were 4,131 acute care

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beds in District 8 for the 3-month period from January through March 2013 and 4,130 acute care beds from April to December 2013. Occupancy rates listed in AHCA Florida Hospital Bed Need Projections & Service Utilization by District published July 2014, July 2015, and July 2016 have also been rounded.

As an existing provider in the applicant's proposed service area, BHPC maintains that it has the capacity, service-mix, and geographic accessibility and coverage that the proposed project would offer.

BHPC also insists that SMH has sufficient bed vacancy to meet the needs of residents in South Sarasota County. The opposition notes that counter to the applicant's claim that observation patients have affected actual utilization at the hospital, observation patients have decreased by 18 percent at the applicant's existing campus and that the existing campus has observation units not included in the acute care complement that should prevent barriers to the accessibility and availability of acute care beds. The opposition also concludes that decompression is also unnecessary based on existing trends in the volume of obstetric, pediatric, and surgical patients at the applicant's existing campus. The opposition also states that the applicant has also made recent upgrades to its existing campus that would ease capacity constraints. In general the opposition concludes that in actual conditions of the existing site and capacity do not merit approval of a new hospital.

The opposition also charges that the applicant has not demonstrated need for underserved care in the proposed service area, barriers to care for maternity and obstetrical cases, or constraints to access as an actual proportion of elderly drivers. Given the provision of care of existing providers, like BHPC, the opposition contests that care provided by existing providers in the service area counters the applicant's assertions that there are financial, geographic, or program issues affecting care in the region. The opposition provides acute care hospital discharge comparisons in tables for the calendar year 2015 among providers of the applicant's proposed service area with respect to particular DRGS and MDCs which is reproduced on the following page. The opposition notes the tables clarify Table 5-1 in CON Application #10457, with a distinction that the applicant included normal newborns and other cases that were not applicable for such analyses.

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Acute Care Hospital Discharges, CY 2015: Proposed Service Area Providers

	Venice Regional Bayfront Health	Sarasota Memorial Health Care System	Fawcett Memorial Hospital	Englewood Community Hospital	Bayfront Health Port Charlotte	Doctors Hospital of Sarasota	All Other	Total
Total Discharge Volume	8,617	5,853	2,383	2,036	1,855	1,081	2,056	23,881
Newborns	0	-561	0	0	-256	0	-31	-848
Rest of Neonates (MDC 15)	0	-202	0	0	-42	0	-30	-274
Rest of Pediatric Pts. 0 to 14	0	-192	0	0	-20	0	-220	-432
Rehab (CMR) Cases	0	-80	-75	0	0	0	-13	-168
MDC 19 and 20 Cases	-80	-454	-24	-30	-6	-115	-241	-950
Obstetrics	0	-779	0	0	-299	0	-64	-1,142
Excluded DRGs	-445	-319	-105	-7	-66	-41	-167	-1,150
Net Amount	8,092	3,266	2,179	1,999	1,166	925	1,290	18,917
Delta, Count	-525	-2,587	-204	-37	-689	-156	-766	-4,964

Source: (Bayfront Health Port Charlotte, Written Statement of Opposition, Page 40)

Acute Care Hospital Discharges CY 2015: Proposed Service Area Providers

	Venice Regional Bayfront Health	Sarasota Memorial Health Care System	Fawcett Memorial Hospital	Englewood Community Hospital	Bayfront Health Port Charlotte	Doctors Hospital of Sarasota	All Other	Total
Delta, Percent	-6.1%	-44.2%	-8.6%	-1.8%	-37.1%	-14.4%	-37.3%	-20.8%
Market Share, Adult Med Surg.	42.8%	17.3%	11.5%	10.6%	6.2%	4.9%	6.8%	100.0%

Source: (Bayfront Health Port Charlotte, Written Statement of Opposition, Page 41)

The opposition also evaluates how the service mix of the proposed project and the applicant’s historical service mix would impact the costs of Medicaid Care and health care overall. The opposition notes that obstetrics, pediatrics, neonatal, psychiatric, and substance abuse, account for a large number of Medicaid patients. Additionally, the BHPC notes that trauma patients account for a large number of self-pay/non-pay patients and that the targeted service area has a lower proportion of low-income individuals with barriers to care. The opposition provides data which demonstrates the ad valorem tax rate and gross tax receipts received by the Sarasota Memorial Hospital District from 2000 to 2017 and notes that the millage rate has outpaced population increases. The opposition also notes that ad valorem tax rates are designed to support Sarasota Memorial Health Care System and to compensate for indigent care and notes the applicant’s historical charity care charges and gross tax receipts from 2013 to 2015 are reproduced on the following page.

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**Sarasota Memorial Health Care District: Three Year Trend (2013-2015)
Ad Valorem Tax Rate and Gross Receipts**

Fiscal Year	Charity Care	Gross Tax Receipts (Dollars)
2013	\$ 16,767,030	\$ 40,611,149
2014	\$ 14,031,972	\$ 42,176,680
2015	\$ 13,462,406	\$ 44,983,493
Three Year Total	\$ 44,261,408	\$ 127,771,322
Change 2013 to 2015	\$ (3,304,624)	\$ 4,372,344
Percent Change 2013 to 2015	(19.7%)	10.8%

Source: Gross Tax Receipts, Nelson Lane, Controller, Sarasota Memorial Health Care System, April 26, 2016; Charity Care for 2014 and 2015 from Appendix 6 of CON Application #10457, Charity Care for 2013 from Sarasota County Health Care District audited financial statements dated January 20, 2014.

(Bayfront Health Port Charlotte, Written Statement of Opposition, Page 44)

The opposition notes that other hospitals within the subdistrict do not have the same reimbursement scheme for the provision of charity care and that the targeted service area has a lower proportion of Medicaid and charity care. The opposition also states that the provision of Medicaid and indigent care is not a significant financial burden to the district or the applicant and provides a narrative account of the applicant's profits with respect to revenues and expenses, Disproportionate Share Hospital status, and add-on payments for Medicaid from the State of Florida. The opposition determines that the applicant's total Medicaid Reimbursement per case is higher than other providers of the proposed service area, based on State of Florida DRG Payment Parameters by Provider for State Fiscal Year 2016-2017. The estimated total Medicaid reimbursement cost at Laurel Road is estimated to be \$4,602.91 in comparison to \$3,444.71 Medicaid reimbursement per case from other providers of the proposed service area.

The opposition also provides comparative Medicaid Reimbursement rates at Sarasota Memorial Hospital, Venice Regional Bayfront Health, and Bayfront Health Port Charlotte. Based on data obtained from the Florida Medicaid DRG Pricing Calculator for the 2016 to 2017 fiscal year, the applicant estimates that reimbursement rates for select patient diagnoses 7202, 3012, 4632, 1382, 1942, and 2292 are paid 44.9 percent higher at Sarasota Memorial Hospital than at other facilities.

The opposition states that the majority of the applicant's Medicaid discharges come from MDC-14 obstetrics, MDC-15 newborns, and MDC-19 and MDC-20, which account for 43 percent of discharges, while adult medical/surgical discharges account for 6 percent of the applicant's discharges. The opposition also notes that in 2015 the applicant's proportion of Medicare payors increased while Medicaid and self-pay

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payors declined in the same period. In 2014, the opposition notes that the applicant experienced a decrease in Medicaid and managed care payors and an increase in commercial payors. The opposition states that the applicant’s proposed service area accounts for 40 percent of Sarasota’s total population and 34 percent of the county’s Medicaid eligible population. Based on data obtained from the Bureau of Medicaid Data Analytics, BHPC finds that the percentage of Medicaid eligible individuals in the 12 zip code service area is 8.7 percent, while the Medicaid eligible population in Sarasota County outside of the proposed service area is 11.0 percent. The Medicaid eligible population that includes the applicant’s proposed service area and Sarasota County is estimated at 10.0 percent, based on the same data. The opposition lastly notes that the home zip code of the proposed service area, 34275, has a Medicaid eligible population (5.9 percent) which is lower than the Medicaid eligible population in the State of Florida (15.9 percent). A table depicting comparisons of the proportion of Medicaid Eligible Residents across the proposed service area, Sarasota County, and State of Florida is reproduced below.

Sarasota Memorial Laurel Road Hospital Service Area and Sarasota Count of Medicaid Eligible Residents by Zip Code Area As of September 1, 2015

Area	Medicaid Eligible	Percent Medicaid	Median Household Income
34275 (Home Zip Code)	992	5.9%	\$50,226
Service Area			
Venice	3,647	5.4%	\$48,808
Osprey/Nokomis	1,250	5.2%	\$54,800
Englewood	2,338	7.2%	\$45,262
North Port	9,602	13.7%	\$47,434
Service Area Total	16,837	8.7%	\$48,202
Sarasota County	48,968	10.0%	\$48,178
State of Florida	3,167,670	15.9%	\$46,183

Source: Bureau of Medicaid Data Analytics 9/1/2015, Claritas, Inc. and NHA Analysis; Median Household income represents same 2015 period for comparison purposes.

(Bayfront Health Port Charlotte, Written Statement of Opposition, Page 51)

The opposition also includes an analysis of the proposed SMH Laurel Road service area non-tertiary Medicaid, Charity and self-pay discharges from its zip code area for individuals ages 15 and older. Using data obtained from AHCA Inpatient Data Tapes and non-tertiary definition derived from CON Application#10457, BHPC estimates that Medicaid/Medicaid HMO/Kid Care account for 4.7 percent of the service

area total for non-tertiary discharges by payor and that self-pay/underinsured/charity care accounts for 4.0 percent of non-tertiary discharges in the service area.

The opposition notes the adverse impact on BHPC as 21 percent of patients originating from the applicant's proposed service area were served by BHPC. The opposition also indicates that the North Port zip codes defined in the applicant's proposed service area constitute 75 percent of the origin of BHPC's Medicaid and indigent patients. BHPC notes that it does not receive reimbursement for the provision of charity care and self-pay care. As a provider of the medically underserved and low-income in the area, the opposition does not identify a deficit to care of the medically underserved and indigent in the service area and does not expect that the proposed project will improve access for underserved residents of the service area. The opposition states that the applicant has also failed to identify geographic barriers to care for senior populations or barriers to care for senior population of the proposed service. The opposition does not anticipate that the proposed facility will increase accessibility of care for seniors relative to other providers. Based on demographic patterns and the current distribution of health providers, the opposition notes that multiple zip codes have dense senior populations with access to care that is served by existing providers.

The opposition notes that the applicant's positive operational margin will come at the expense of existing providers and thus an adverse impact is expected on other providers. The opposition expects BHPC and Venice Regional Bayfront Health to be adversely impacted by implementation of the proposed project. The opposition also anticipates costs to increase as Sarasota Memorial receives higher Medicaid reimbursement rates than other hospitals and a significant cost to tax payers to support SMH. Using hospital expenses derived from AHCA Financial Cost Reports, the opposition also concludes that Sarasota Memorial Hospital has the highest overall cost per adjusted patient day and that SMH cannot create downward pressure on costs.

The opposition contends that there are lower cost providers than Sarasota Memorial Hospital, the applicant does not foster competition that promotes cost effectiveness with regard to the Medicaid program, and that the provision of Medicare is costlier through the applicant as a result of add-on payments. The opposition provides an analysis of outlier Medicare payments which includes a comparison of outlier payments to Sarasota Memorial Hospital, Bayfront Health Port Charlotte, and Venice Regional Bayfront Health. Based on the opposition's analysis, the applicant received a larger amount of outlier payments than Bayfront Health Port Charlotte and Venice Regional Bayfront Health. The opposition concludes that SMH's lower charges are meaningless in

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light of the large volume of Medicaid and Medicare patients served by Sarasota Memorial Hospital.

The opposition anticipates a substantial adverse impact on Bayfront Health Port Charlotte's inpatient volume including: obstetrics, emergency department, and outpatient volume. In evaluation of the potential adverse impact on Bayfront Health Port Charlotte, the opposition evaluates population and market discharges within the applicant's proposed service area, non-tertiary (adult/medical) surgical volume within the proposed service area, obstetric cases, and discharge use rates.

Based on Nielson Companies and NHA Analysis, the opposition estimates that over 36 percent of adults (aged 15 and older) reside within Venice, one-third of adults reside in North Port, 17 percent reside in Englewood, and 13 percent reside in Osprey and Nokomis within the applicant's primary service area. Within the applicant's primary service area, the opposition estimates that 45 percent of the population is aged 65 and older with the majority of senior populations concentrated within the three Venice zip code areas. In analysis of the applicant's secondary service area, VRBH estimates that 44.5 percent of the population is aged 65 and older. Based on the opposition analysis, Englewood zip codes comprise the largest share of 65 and older within the secondary service area. VRBH estimates that the 65 and older population will constitute the demographic with the largest population increase and that population growth within the 65 and older demographic will be concentrated in Venice and Englewood.

Overall the opposition finds that approximately 86 percent of cases which matched the non-tertiary definition employed by the applicant (1,164 total patients) were residents of North Port. BHPC's market share in North Port was found to range between 14.7 percent and 22.2 percent. The opposition also finds that more than 36 percent of North Port residents use the facility for obstetric services and 41.1 percent of residents of Englewood use the facility for obstetric services thus BHPC would be adversely impacted by the obstetric services offered through the proposed project. The opposition also anticipates a potential adverse impact on outpatient surgical volume.

Using AHCA Inpatient Data tapes, Emergency Department Data Tapes, and Ambulatory Surgery Data Tapes, the applicant states that BHPC relies upon 16 percent of inpatient volume, 11 percent of emergency department outpatient volume, and 19 percent of outpatient surgeries from the proposed service area.

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The opposition contends that potential understatements of the applicant’s proposed market share can result in higher numbers of cases admitted at the proposed facility and higher impacts on existing providers. The opposition charges that market shares the applicant forecasts for Venice and North Port may be understated, with the potential for material impacts to existing providers. The opposition anticipates that the applicant may attain between 30 and 40 percent of market shares in Venice and North Port. The opposition also anticipates losses to inpatient revenue and contribution margins based on the applicant’s forecasted market shares which is included below.

**Bayfront Health Port Charlotte
Inpatient Contribution Margin and Impact 2026 Cases in 2015 Dollars**

	CON Application #10457 Market Shares		Market Shares Adjusted for Venice And North Port	
	Non-Tertiary	Obstetrics	Non-Tertiary	Obstetrics
Service Area Non-Tertiary Inpatients Cases to be Lost	326	196	391	196
In-Migration Cases to be Lost (10%)	36	0	43	0
Total Cases to be Lost	362	196	434	196
Contribution Margin per Admission	\$5,290	\$1,482	\$5,290	\$1,482
Total Non-Tertiary Inpatient Impact from Service Area Cases	\$2,205,410		\$2,586,300	

Source: (Bayfront Health Port Charlotte, Written Opposition Statement, Page 86)

Lastly, the opposition anticipates that Sarasota County hospitals and providers will suffer from the “cannibalization” of the healthcare workforce by Sarasota Memorial Hospital’s proposed project that will potentially manifest as: impacts on staffing, turnover, recruitment, upward pressures and wages and benefits, and additional financial and operational implications on existing providers. The opposition expects that an additional hospital in the area would dilute the health workforce.

The opposition also provides a list of prior CON decisions as precedent for denial of the proposed project:

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- Lee Memorial Health System vs. AHCA & Naples Community Hospital (NCH) 13-2508, 13-2558 CON
- Memorial Healthcare Jacksonville vs. AHCA and Shands Jacksonville 12-0429 CON
- Columbia Hospital (Palm Beaches) d/b/a West Palm Hospital and Jupiter Medical Center vs. AHCA and Florida Regional Medical DOAH case no: 12-0428 and 12-0496

Englewood Community Hospital, Inc. (ECH) and Fawcett Memorial Hospital Inc. (ECH/FMH) submitted a detailed letter of opposition to the proposed project. Fawcett Memorial Hospital is located in acute care District 8-1, Charlotte County. Englewood Community Hospital is located in District 8-6, Sarasota County. The proposed facility will be located in acute care District 8-6, Sarasota County.

(ECH/FMH) contends that the targeted service area of the proposed project currently enjoys robust competition, with six existing acute care hospitals that provide care to area residents. The opposition to the proposed project also explains that hospitals proximal to the proposed service area have adequate unoccupied beds to meet the anticipated increase in patient days through 2021, as projected in CON application #10457. (ECH/FMH) maintains that the proposed facility will not significantly improve the accessibility, availability, or quality of acute care services to residents of south Sarasota County and that an additional hospital is not needed to meet inpatient acute care needs of the residents in the area.

In evaluation of the applicant's demonstration of need, the opposition states that the applicant's proposal does not identify any community, regional or population group-specific need that is not already being met by existing hospitals. The opposition asserts that applicant's proposal has not demonstrated a response to need in light of the availability, accessibility, and extent of utilization of existing health care facilities, and health services in the service area pursuant to statutory criteria. ECH/FMH maintains that there is no need for additional beds in the service area and subdistrict. ECH/FMH reiterates that existing hospitals within or adjacent to the service area are equipped with the capacity to meet the needs of the anticipated service area population needs throughout the projection period noted in CON Application #10457. The opposition contends that SCPHD's need analysis suffices to depict the applicant's ability to attract sufficient utilization for its proposed project and not a demonstration of inadequate capacity, access, or availability of existing facilities to meet the present and future needs of area residents.

ECH/FMH contends that two of the three rationales the applicant presents in support of need for the proposed facility or applicant specific

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issues: (1) elderly drivers face difficulties driving to the SMH main campus, (2) SMH is experiencing capacity issues at its main campus location, and (3) area population growth. Opposition concludes that there is no evidence that present capacity in the area is inadequate to meet forecasted need.

In analysis of population factors presented in CON Application #10457, opposition notes that while forecasted population and utilization demands are likely accurate that population expansion and demand for services can again be met by unoccupied and underutilized acute care beds identified through 2026. ECH/FMH also states that resource capacity is true if capacity restrictions are limited to the two existing hospitals located within the identified service area for the proposed SMH Laurel Road facility.

ECH/FMH states that the rationales the applicant presents in order to contend the efficacy of licensed bed occupancy as a reliable indicator of lack of need are facility-specific and spurious.

Furthermore, opposition cites that the applicant explains that licensed bed inventory at the existing SCPHD campus is greater than actual availability at the site. Opposition asserts that the subset of beds not available at the applicant's existing campus should not be a part of the applicant's licensed bed inventory. ECH/FMH maintains that the absence of at least 45 beds from the applicant's licensed bed inventory would result in a more accurate reflection of the area's need. ECH/FMH also predicts that if the temporality of the unavailability of beds is short-term, that the applicant should have these beds available in the future. Opposition contends that having excess beds is favorable to the applicant's overall utilization rate, especially in the event that the applicant delicensures excess beds upon approval of the project.

ECH/FMH also contends that the placement of outpatient observation patients in licensed beds is convenience issue for the applicant and not an issue of regulatory requirement. The opposition suggests that the applicant asserts that approval of its proposed project will potentially alleviate outpatient observation status confusion experienced by Medicare beneficiaries. ECH/FMH also challenges the applicant's assertion that seasonality, existing private and semi-private room configuration, and unit designations increases occupancy to 102.4 percent. ECH/FMH asserts that private:semi-private configuration conversions and occupancy are issues that all facilities must grapple with. ECH/FMH additionally indicates that the applicant has sufficient private rooms to address conditions the applicant outlines are essential for private room health delivery. ECH/FMH concludes that the

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convenience is different from need and that convenience is insufficient justification for the proposal of a new hospital.

ECH/FMH also determines that the analysis of elderly driver's access to Sarasota Memorial Hospital's existing campus within 30 minutes is specific to Sarasota Memorial Hospital and not service area analysis in consideration of other providers than the applicant. The opposition determines that preferred enhanced access to Sarasota Memorial Hospital is inadequate justification for a new hospital at Laurel Road. ECH/FMH additionally examines that arguments the applicant presents as justification for need of a proposed hospital are applicant-specific to convenience for a subset of its existing patient base. ECH/FMH also challenges the notion that the proposed facility is the only alternative to resolve applicant-specific issues to convenience for its targeted patient base needs.

Opposition also notes that improvements to existing infrastructural constraints at the applicant's campus require planning and that patient, physician, and facility preferences for private rooms have been accelerated by regulatory issues and design recommendation changes. ECH/FMH also questions whether or not expansions to the north or other areas were considered by the applicant. Instead, opposition insists that the applicant's project proposal will intrude upon the services of acute care facilities within the existing service area, which will result in an adverse impact on proximate facilities to the service area.

ECH/FMH contends that the applicant's analysis for projected service area demand for the proposed project do not reflect need for the project, but the level of utilization predicted to be captured by the applicant upon implementation of the proposed project. The opposition indicates that a comparison of the total patient days expected from the defined service area population in comparison to the existing acute care bed capacity within and adjacent to the service area would demonstrate that beds exist within and around the identified service area to meet the total additional patient days predicted by the applicant. ECH/FMH also predicts that the applicant substantially understates the adverse impact of the proposed project on existing facilities.

The opposition includes its own analysis of forecasted utilization, inpatient demand arising from residents of the service area, and impact which it asserts portrays a more realistic view of anticipated impact of a new inpatient acute care hospital at the proposed site. The opposition asserts that SCPHD excludes a broad range of DRGs from further analysis associated with various services not expected to be provided at the new facility. The opposition notes that the average length of stay (ALOS) the applicant applies to each case by zip code to forecast

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utilization at the proposed new facility may differ in the future as a result of changes in the projected proportion of DRGS which shift with changes in the relative age cohorts. The opposition uses total patient days by DRG by age cohort and applies these rates against future population estimates to forecast patient days, which it insists is a better measure of overall inpatient facility utilization, market share, and impact. The attachments depicting this data are reproduced below.

Service Area Population Data: April 1, 2015

Zip Code	City							Total Pop.
		15-44	45-54	55-64	65-74	75-84	85+	15+
34223	Englewood	2,737	1,632	3,097	4,489	2,965	1,269	16,189
34224	Englewood	2,944	1,688	2,700	3,777	2,356	941	14,406
34229	Osprey	1,409	966	1,494	1,703	917	316	6,805
34275	Nokomis	3,313	2,073	3,368	4,014	2,214	907	15,889
34285	Venice	1,951	1,205	2,654	5,442	4,111	2,330	17,693
34286	North Port	8,138	3,227	2,630	2,015	802	199	17,011
34287	North Port	6,608	2,622	3,208	5,280	3,448	1,534	22,700
34288	North Port	4,927	1,785	1,500	1,525	584	113	10,434
34289	North Port	1,128	405	345	346	134	25	2,383
34291	North Port	2,876	1,156	1,028	789	339	134	6,322
34292	Venice	2,394	1,157	2,431	4,810	2,843	1,411	15,046
34293	Venice	7,276	3,739	5,774	7,461	4,936	1,959	31,145
Grand Total		45,701	21,655	30,229	41,651	25,649	11,138	176,023

Source: (ECH/FMH Written Statement of Opposition, Attachment 1, Page 26)

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Service Area Population Data: April 1, 2021

								Total Pop.
Zip Code	City	15-44	45-54	55-64	65-74	75-84	85+	15+
34223	Englewood	2,940	1,292	3,009	5,413	3,200	1,451	17,305
34224	Englewood	3,206	1,372	2,807	4,631	2,671	1,088	15,776*
34229	Osprey	1,608	693	1,625	2,088	994	364	7,374*
34275	Nokomis	3,631	1,626	3,581	4,933	2,413	1,040	17,224
34285	Venice	2,095	889	2,332	6,484	4,451	2,623	18,875*
34286	North Port	8,920	3,474	3,269	2,410	1,178	274	19,525
34287	North Port	7,364	2,628	3,289	6,174	3,775	1,761	24,991
34288	North Port	5,431	1,991	1,742	1,717	802	176	11,859
34289	North Port	1,285	471	412	406	192	43	2,809
34291	North Port	3,161	1,172	1,228	975	458	155	7,150*
34292	Venice	2,753	1,105	2,228	5,838	3,135	1,644	16,703
34293	Venice	7,781	3,256	5,802	9,264	5,470	2,276	33,848*
Grand Total		50,177*	19,970*	31,323*	50,333	28,739	12,894*	193,437*

Source: (ECH/FMH Written Statement of Opposition, Attachment 1, Page 26)

*The reviewer has noted incorrect sums with an asterisk

The opposition also challenges the applicant’s assumption that all of its historic patient volume arising from the identified service area will be redirected to the new facility. SCPHD’s experience in founding new inpatient facilities is also critiqued by the opposition. The opposition expresses doubt that physicians who have expressed support for the new facility will actually practice at the proposed facility and further posits that is likely that referral patterns to the new facility will change over time. If the applicant’s proposed site receives its anticipated utilization, the opposition anticipates a substantial adverse impact on existing providers than SCPHD projects. In further analysis of the applicant’s anticipated market share, the opposition questions the market share assumptions the applicant uses to inform expected patient draw. The opposition’s main critique is that no regulatory barriers exist in the event that the applicant seeks to expand the facility and underscores that the applicant admits that its proposed facility design will allow for expansion beyond its proposed 90-bed complement. The opposition estimates that market shares within proposed zip codes range from 10 to 40 percent, with an average 22 percent as indicated by the applicant. The opposition expects that the applicant’s proposed site will share in Venice Regional’s “favorable” location relative to the populations served.

Again the opposition contends that the adverse impact of the proposed project on existing facilities will be significant and substantial, especially towards facilities with smaller market shares than Venice Regional.

The opposition conducts an analysis on impact with various market conditions using DRGS proposed by SPCHD on CON Application #10457

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(5-31) and uses patient days instead of discharges. The opposition produces a table of expected impact in terms of lost patient days under three different scenarios: (Table 1) the number of patient days being delivered in the absence of the proposed hospital, (Table 2) the greater effects of 19,258 patient days being delivered at Laurel Road as presented in CON Application #10457, and (Table 3) the anticipated loss of patient days at each facility servicing the area as a result of the addition of the Laurel Road facility. The data reflecting these predicted changes has been reproduced on the following pages.

**Projected Patient Days at Area Hospitals: SMH Laurel Road
Proposed Service Area, CY 2021 (Table 1)**

Hospitals	Patient Days Without SMH Laurel	Patient Days With SMH Laurel	Difference
Bayfront Port Charlotte	7,246	6,959	-287
Doctors of Sarasota	3,854	3,702	-152
Englewood Community	8,093	7,773	-320
Fawcett Memorial	11,453	11,000	-453
Sarasota Memorial	16,351	-	-16,351
SMH Laurel	-	19,258	19,258
Venice Regional	35,834	34,417	-1,417
Other	7,015	6,738	-277
All Hospitals	89,845	89,845	0

(ECH/FMH, Written Statement of Opposition, Page 11)

*Adult Non-Tertiary/Specialty DRGs Per Laurel Rd. Application

**Projected Patient Days at Area Hospitals: SMH Laurel Road
Proposed Service Area, CY 2021 (Table 2)**

Hospitals	Patient Days Without SMH Laurel	Patient Days With SMH Laurel	Difference
Bayfront Port Charlotte	7,246	6,894	-352
Doctors of Sarasota	3,854	3,667	-187
Englewood Community	8,093	7,700	-393
Fawcett Memorial	11,453	10,897	-556
Sarasota Memorial	16,351	0	-16,351
SMH Laurel	0	19,918	19,918
Venice Regional	35,834	34,095	-1,739
Other	7,015	6,675	-340
All Hospitals	89,845	89,845	0

Source: (ECH/FMH, Written Statement of Opposition, Page 11)

*Adult Non-Tertiary/Specialty DRGs Per Laurel Rd. Applicatio

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**Projected Patient Days at Area Hospitals: SMH Laurel Road
Proposed Service Area, CY 2021 (Table 3)**

Hospitals	Patient Days Without SMH Laurel	Patient Days With SMH Laurel	Difference
Bayfront Port Charlotte	7,246	6,846	-400
Doctors of Sarasota	3,854	3,642	-213
Englewood Community	8,093	7,646	-446
Fawcett Memorial	11,453	10,821	-632
Sarasota Memorial	16,351	0	-16,351
SMH Laurel	0	20,405	20,405
Venice Regional	35,834	33,857	-1,976
Other	7,015	6,628	-387
All Hospitals	89,845	89,845	0

Source: (ECH/FMH, Written Statement of Opposition, Page 12)

*Adult Non-Tertiary/Specialty DRGs Per Laurel Rd. Application

**The reviewer has shaded incorrect values in grey

Based on this analysis the opposition projects that there will be greater impact on existing facilities in the event that the SCPHD system does not experience any less volume from any zip code in comparison to its volume in 2015.

The reviewer notes that opposition also includes analyses and critiques in differences in forecasted patient days on pages 12-13 of its written opposition statement submitted in CON #10431 which cannot be considered by the reviewer.

Furthermore, with respect to the extent of utilization of services within the subdistrict the opposition maintains that there is a surplus of beds currently available in or adjacent to the service area that can meet the anticipated needs of the service area. Additionally, the opposition notes that six area hospitals: Venice Regional Bayfront Health, Englewood Community, Doctors Hospital of Sarasota Memorial Hospital, Fawcett Memorial, and Bayfront Health Port Charlotte currently serve the proposed service area of the applicant’s proposal.

The opposition presents an analysis of unoccupied beds served by the applicant’s proposed service area which is derived from utilization from the facilities previously enumerated; the analysis is reproduced on the following page.

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Acute Care Hospital Bed Utilization: Sarasota County and Adjacent Charlotte County (excluding Bayfront Health Punta Gorda)

Hospital	Acute Beds	Bed Days	Patient Days	Percent Occupancy	Empty Beds
Doctors Hospital of Sarasota	139	50,735	30,526	60.17%	55
Englewood Community Hospital	100	36,500	12,202	33.43%	67
Sarasota Memorial Hospital	666	243,090	113,844	46.83%	354
Venice Regional Bayfront Health	312	113,880	40,056	35.17%	202
Fawcett Memorial Hospital	217	79,205	59,450	75.06%	54
Bayfront Health Port Charlotte	247	90,155	49,209	54.58%	112
Area Hospital Utilization	1,681	613,565	305,287	49.76%	845

Source: AHCA, Florida Hospital Bed Need Projections & Service Utilization by District, July 15, 2016 (ECH/FMH Written Statement of Opposition, Page 15)

Based on this analysis the opposition concludes that there are sufficient excess beds at the facilities located in the proposed service area in anticipation of projected population growth and acute care patient demand. The opposition affirms that this prediction of bed utilization in the area is correct, even in the event that only bed utilization at Englewood Community Hospital and Venice Regional Bayfront Health is considered. Furthermore the opposition applies the applicant's predicted bed utilization rate in estimation of the bed utilization in the service area. From this analysis, the opposition predicts an additional acute care inpatient average daily census (ADC) of 634, derived from the applicant's average estimated bed utilization rates of 73 to 78 percent by years 2021 and 2026. The opposition also predicts that if utilization is limited to Venice Regional Bayfront Health and Englewood Community Hospital, adequate available beds exist to serve an additional ADC of 202.⁷

The opposition also counters the applicant's expectation that residents of the identified service area will experience improved geographic access as a result of the proposed project. In analysis of this assertion the opposition invokes the repealed acute care bed need standard which delineated an access standard of 30 minutes or less for 90 percent of service area (subdistrict) residents.

The opposition conducts an analysis of driving times and distance analysis from the geographic centroid of all 12 zip codes within the proposed service area to the hospitals serving the area. Keyhole Markup Language, Zipped and Google Earth were used to calculate the shortest timed routes. From this analysis the opposition concludes that driving times and distance will only be improved for four of the twelve zip codes included in the identified service area of the proposed project. For these four zip codes the opposition computes an average improvement in drive time of 1 to 4 miles or 1 to 8 minutes, which the opposition does not

⁷ The reviewer notes that the estimated utilization rates provided on CON Application #10457, Pages 5-31-5-32, reflect utilization rates of .731 and .78 by years 2021 and 2026 respectively. The average of these two utilization rates is .7555 which would produce an ADC of 638.3975 when considering all of the facilities in the opposition's analysis and 203.2295 when restricting the analysis to Venice Regional Bayfront Health and Englewood Community Hospital.

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consider a significant improvement in access. The opposition further elaborates that adult population growth (15 and older) in three of the four zip codes for which access is predicted to appreciably improve (34275, 34291, and 34292) does not account for neither the largest nor fastest growth within the service area (21.2 percent).

The opposition provides a table in summary of its computed drive time and distance analysis on pages 17 – 18 of the written statement of opposition.

The opposition three following fundamental assumptions against the assertions that the applicant’s proposed project will improve geographic accessibility:

- The proposed hospital will result in no improvement in geographic accessibility for more than 75 percent of the total population it expects to serve;
- Any improvement provided will be so minimal as to be insignificant from an access or quality of care perspective;
- And the potential improvement in geographic accessibility will affect only a small fraction of the planned total service area population.

Source: (ECH/FMH, Written Statement of Opposition, Page 19)

In addition to countering the applicant’s assertion that geographic access to residents of the service area will be improved by the proposed project, the opposition does not anticipate that the applicant’s proposed project will foster competition and presents data based on six existing hospitals that are purported to serve the “South County Area” (ECH/FMH Written Statement of Opposition Page 19). The opposition notes that the analysis was restricted to DRGS identified by SCPHD as intended to be offered at the Laurel Road campus in the first years of operation.

South Sarasota County Patient Utilization by Provider

Hospital	Patient Days	Percent of Total
Bayfront Port Charlotte	6,450	8.1%
Doctors of Sarasota	3,431	4.3%
Englewood Community	7,204	9.0%
Fawcett Memorial	10,195	12.7%
Sarasota Memorial	14,556	18.2%
Venice Regional	31,899	39.9%
Other	6,245	7.8%
All Hospitals	79,980	100%

Source: (ECH/FMH, Written Statement of Opposition Page 19).

The opposition concludes that southern Sarasota County has sufficient competing hospitals and hospital systems and states that two hospitals

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Bayfront Health Port Charlotte and Fawcett Memorial Hospital (located in District 8-1), provide more than 20 percent of the inpatient acute care of the type under consideration by the applicant to the residents of the proposed service area. The opposition also does not expect the proposed hospital to provide a lower charge alternative to patients within the local market, based on the variance in service mix and the assumption that a “vast majority” of patients using charge structures outside of the hospital including Medicare, Medicaid, other government payors, and “many” managed care organizations (ECH/FMH Written Statement of Opposition, Page 20). The opposition also states that commercial pay patients account for a greater percentage of acute care discharges of the identified service area for the applicant than other providers in the service area. The opposition ultimately predicts that the ability of the proposed project to affect reimbursement will be marginal and provides a table in illustration of the utilization of inpatient services by South County adults by primary payment source which is reproduced below.

In addition to analyzing the capacity of the proposed project to foster competition and allow for lower charge alternatives, the opposition contends that the applicant fails to present evidence that any patients of any payer category have barriers in accessing care.

The opposition notes three sources of funding that the applicant uses to compensate costs for providing safety-net care:

- County-wide ad valorem tax assessments through the Sarasota County Public Health District
- State funding through the Low Income Pool (LIP) distributions
- State and federal funding through Disproportionate Share Hospital distributions

Source: (ECH/FMH, Written Statement of Opposition, Page 22)

The opposition advances that there is an absence of recognition in how these sources are used to fund provision of care to Medicaid and medically indigent patients and an indirect account of actual costs of providing care to such patients. From this, the opposition concludes that a fair assessment of financial hardship is lacking for both SMH and its patients. The opposition concludes that costs itemized in the provision of community benefit in CON Application #10457 are costs incurred by all hospitals, the applicant’s ad valorem tax income (\$45 million) exceeded its traditional charity care costs (\$13,462,406), the applicant will receive a more favorable payor mix from implementation of this project, and increased convenience of care will be afforded to Medicaid and medically indigent patients of the Sarasota Memorial Health System.

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The opposition summarizes fundamental critiques and qualms against the applicant's proposal on Pages 23-25 of the written opposition statement regarding CON Application#10457.

Venice Regional Bayfront Health (VRBH) submitted a detailed letter of opposition to the proposed project including a significant amount of form letters which noted the availability of health care services in south Sarasota County. The opposition is also a co-batched applicant for a proposed facility in subdistrict 8-6. Venice Regional Bayfront Health opposes the applicant's proposed project as it anticipates a substantial adverse impact on Venice Regional Bayfront Health as it has "the single greatest market share of any hospital in the southern half of Sarasota County" (VRBH, Written Statement of Opposition, Page 1). The opposition challenges the applicant's inclusion of obstetrical services in its proposed project as obstetrical volume has decreased in Sarasota County.

Additionally VRBH notes that Sarasota Memorial Health Care System is owned by a special independent taxing Sarasota County Public Hospital District. An ad valorem tax rate is levied by a special board and added to the annual property tax bill of property owners in Sarasota County. The opposition states that the ad valorem tax rate has outpaced population growth, has disproportionately increased for property owners, and that the proposed project would result in further increases to local property owners. The opposition also notes that the applicant receives compensation to provide charity care and that additional funds from millage assessments will serve indigent care and the proposed project. The opposition does not consider use of millage funds for the proposed project appropriate.

The opposition contends that obstetric services, neonatal intensive care, and inpatient pediatric services are available across the Charlotte County line and are not limited to Sarasota Memorial. The opposition identifies Venice Regional Bayfront Health, Englewood Community Hospital, and Doctor's Hospital of Sarasota as other existing providers of the southern Sarasota County region. The opposition expects that the proposed project will adversely affect other providers without providing meaningful benefit to the residents of the area as services would be duplicated.

The opposition states that the proposed project does not add a unique service mix to the service area and that the location of the proposed site is within Venice Regional Bayfront's Health Primary Service Area.

VRBH indicates that SCPHD claimed that the proposed facility was needed for the following reasons:

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- Capacity constraints at SMH prevent additional expansion resulting in a lack of availability and accessibility for inpatient services to residents of the proposed PSA/SSA
- Growing need for health care services in Subdistrict 8-6, in particular the medically underserved, elderly and maternity population in south Sarasota County
- The proposed project will foster competition and promote quality and cost effectiveness for residents, not just the PSA/SSA but all residents of Sarasota County
- The need to continue to provide care pursuant to the District's mandated mission

The opposition states that the applicant has not demonstrated that there are issues of access, availability, and quality that would require the addition of a new hospital in South Sarasota County and that existing area providers are sufficiently equipped, staffed, and operated to provide the necessary services to the entirety of the subdistrict in which the applicant's proposed service area. The opposition also contends that the applicant's existing site does not need to be decompressed and that infrastructural expansions are currently underway to accommodate capacity at Sarasota Memorial Hospital. The opposition also concludes that decompression is also unnecessary based on existing trends in the volume of obstetric, pediatric, and surgical patients at the applicant's existing campus.

In critique of the applicant's need analysis the opposition states the underlying rationale for the proposed project is the applicant's desire to place a hospital in an affluent area which would consequently infringe upon Venice Regional Bayfront Health's long-standing market share. Based on the historical acute care utilization for facilities serving the applicant's proposed service area, the opposition determines that bed capacity exists to ensure access to care in the applicant's proposed service area. The opposition states that historical utilization and bed capacity for providers of the service area is evidence of an absence of capacity constraints within the acute care subdistrict.

In evaluation of the applicant's bed capacity and inventory, VRBH notes that medical surgical occupancy rates have declined at Sarasota Memorial Hospital. The opposition notes that counter to the applicant's claim that observation patients have affected actual utilization at the hospital, observation patients have decreased by 18 percent at the applicant's existing campus and that the existing campus has observation units not included in the acute care complement that should prevent barriers to the accessibility and availability of acute care beds. The opposition also concludes that the applicant's seasonality of

obstetrical and pediatric beds similarly does not reflect the need to decompress.

The opposition also states that the applicant has not demonstrated need for underserved care in the proposed service area, barriers to care for maternity and obstetrical cases, or constraints to access as an actual proportion of elderly drivers. Given the provision of care of existing providers, like VRBH, the opposition contests that care provided by existing providers in the service area counters the applicant's assertions that there are financial, geographic, or program issues affecting care in the region.

VRBH also opposes the applicant's proposed project due to the overlap between the aggregate service areas. VRBH states that all of the applicant's proposed service area resides within the Venice Regional's defined service area.

The opposition provides acute care hospital discharge comparisons in tables for the calendar year 2015 among providers of the applicant's proposed service area with respect to particular DRGS and MDCs which is reproduced below. The opposition notes the tables clarify Table 5-1 in CON Application #10457, with a distinction that the applicant included normal newborns and other cases that were not applicable for such analyses.

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Acute Care Hospital Discharges, CY 2015: Proposed Service Area Providers

	Venice Regional Bayfront Health	Sarasota Memorial Health Care System	Fawcett Memorial Hospital	Englewood Community Hospital	Bayfront Health Port Charlotte	Doctors Hospital of Sarasota	All Other	Total
Total Discharge Volume	8,617	5,853	2,383	2,036	1,855	1,081	2,056	23,881
Newborns	0	-561	0	0	-256	0	-31	-848
Rest of Neonates (MDC 15)	0	-202	0	0	-42	0	-30	-274
Rest of Pediatric Pts. 0 to 14	0	-192	0	0	-20	0	-220	-432
Rehab (CMR) Cases	0	-80	-75	0	0	0	-13	-168
MDC 19 and 20 Cases	-80	-454	-24	-30	-6	-115	-241	-950
Obstetrics	0	-779	0	0	-299	0	-64	-1,142
Excluded DRGs	-445	-319	-105	-7	-66	-41	-167	-1,150
Net Amount	8,092	3,266	2,179	1,999	1,166	925	1,290	18,917
Delta, Count	-525	-2,587	-204	-37	-689	-156	-766	-4,964
Delta, Percent	-6.1%	-44.2%	-8.6%	-1.8%	-37.1%	-14.4%	-37.3%	-20.8%

Source: (Venice Regional Bayfront Health, Written Opposition Statement, Page 34)

Acute Care Hospital Discharges CY 2015: Proposed Service Area Providers

	Venice Regional Bayfront Health	Sarasota Memorial Health Care System	Fawcett Memorial Hospital	Englewood Community Hospital	Bayfront Health Port Charlotte	Doctors Hospital of Sarasota	All Other	Total
Market Share, Adult Med Surg.	42.8%	17.3%	11.5%	10.6%	6.2%	4.9%	6.8%	100.0%

Source: (Venice Regional Bayfront Health, Written Opposition Statement, Page 35)

The opposition also evaluates how the service mix of the proposed project and the applicant’s historical service mix would impact the costs of Medicaid care and health care overall. The opposition notes that obstetrics, pediatrics, neonatal, psychiatric, and substance abuse, account for a large number of Medicaid patients. Additionally, the opposition notes that trauma patients account for a large number of self-pay/non-pay patients and that the targeted service area has a lower proportion of low-income individuals with barriers to care. The opposition provides data which demonstrates the ad valorem tax rate and gross tax receipts received by the Sarasota Memorial Hospital District from 2000 to 2017 and notes that the millage rate has outpaced population increases. The opposition also notes that ad valorem tax rates are designed to support Sarasota Memorial Health Care System and to compensate for indigent care and notes the applicant’s historical charity care charges and gross tax receipts from 2013 to 2015.

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**Sarasota Memorial Health Care District: Three Year Trend (2013-2015)
Ad Valorem Tax Rate and Gross Receipts**

Fiscal Year	Charity Care	Gross Tax Receipts (Dollars)
2013	\$ 16,767,030	\$ 40,611,149
2014	\$ 14,031,972	\$ 42,176,680
2015	\$ 13,462,406	\$ 44,983,493
Three Year Total	\$ 44,261,408	\$ 127,771,322
Change 2013 to 2015	\$ (3,304,624)	\$ 4,372,344
Percent Change 2013 to 2015	(19.7%)	10.8%

Source: Gross Tax Receipts, Nelson Lane, Controller, Sarasota Memorial Health Care System, April 26, 2016; Charity Care for 2014 and 2015 from Appendix 6 of CON Application #10457, Charity Care for 2013 from Sarasota County Health Care District audited financial statements dated January 20, 2014.

(Venice Bayfront Regional Health, Written Opposition Statement, Page 40)

The opposition notes that other hospitals within the subdistrict do not have the same reimbursement scheme for the provision of charity care and that the targeted service area has a lower proportion of Medicaid and charity care. The opposition also states that the provision of Medicaid and indigent care is not a significant financial burden to the district or the applicant and provides a narrative account of the applicant's profits with respect to revenues and expenses, Disproportionate Share Hospital status, and add-on payments for Medicaid from the State of Florida. The opposition determines that the applicant's total Medicaid Reimbursement per case is higher than other providers of the proposed service area, based on State of Florida DRG Payment Parameters by Provider for State Fiscal Year 2016-2017. The estimated total Medicaid reimbursement cost of at Laurel Road is estimated to be \$4,602.91 in comparison to \$3,444.71 Medicaid reimbursement per case from other providers of the proposed service area.

The opposition also provides comparative Medicaid Reimbursement rates at Sarasota Memorial Hospital, Venice Regional Bayfront Health, and Bayfront Health Port Charlotte. Based on data obtained from the Florida Medicaid DRG Pricing Calculator for the 2016 to 2017 fiscal year, the applicant estimates that reimbursement rates for select patient diagnoses 7202, 3012, 4632, 1382, 1942, and 2292 are paid 44.9 percent higher at Sarasota Memorial Hospital than at other facilities.

The opposition states that the majority of the applicant's Medicaid discharges come from MDC-14 obstetrics, MDC-15 newborns, and MDC-19 and MDC-20, which account for 43 percent of discharges, while adult medical/surgical discharges account for 6 percent of the applicant's discharges. The opposition also notes that in 2015 the applicant's proportion of Medicare payors increased while Medicaid and self-pay

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payors declined in the same period. In 2014, the opposition notes that the applicant experienced a decrease in Medicaid and managed care payors and an increase in commercial payors. The opposition states that the applicant's proposed service area accounts for 39.8 percent of Sarasota's total population and 34.4 percent of the county's Medicaid eligible population.

Based on data obtained from the Bureau of Medicaid Data Analytics, the opposition finds that the percentage of Medicaid eligible individuals in the 12 zip code service area is 8.7 percent, while the Medicaid eligible population in Sarasota County outside of the proposed service area is 11.0 percent. The Medicaid eligible population that includes the applicant's proposed service area and Sarasota County is estimated at 10.0 percent, based on the same data. The opposition lastly notes that the home zip code of the proposed service area, 34275, has a Medicaid eligible population (5.9 percent) which is lower than the Medicaid eligible population in the State of Florida (15.9 percent). A table depicting comparisons of the proportion of Medicaid Eligible Residents across the proposed service area, Sarasota County, and State of Florida is reproduced on the following page.

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Sarasota Memorial Laurel Road Hospital Service Area and Sarasota Count of Medicaid Eligible Residents by Zip Code Area As of September 1, 2015

Area	Medicaid Eligible	Percent Medicaid	Median Household Income
34275 (Home Zip Code)	992	5.9%	\$50,226
Service Area			
Venice	3,647	5.4%	\$48,808
Osprey/Nokomis	1,250	5.2%	\$54,800
Englewood	2,338	7.2%	\$45,262
North Port	9,602	13.7%	\$47,434
Service Area Total	16,837	8.7%	\$48,202
Sarasota County			
	48,968	10.0%	\$48,178
State of Florida			
	3,167,670	15.9%	\$46,183

Source: Bureau of Medicaid Data Analytics 9/1/2015, Claritas, Inc. and NHA Analysis; Median Household income represents same 2015 period for comparison purposes.

(Venice Regional Bayfront Health, Written Opposition Statement, Page 47)

The opposition also includes an analysis of the proposed SMH Laurel Road service area non-tertiary Medicaid, Charity and self-pay discharges from its zip code area for individuals ages 15 and older. Using data obtained from AHCA Inpatient Data Tapes and non-tertiary definition derived from CON Application#10457, the applicant estimates that Medicaid/Medicaid HMO/Kid Care accounts for 4.7 percent of the service area total for non-tertiary discharges by payor and that self-pay/underinsured/charity care accounts for 4.0 percent of non-tertiary discharges in the service area.

The opposition notes that 6 percent of patients that originated from the applicant’s service area sought care at Venice Regional Bayfront Health were Medicaid recipients or medically indigent. Approximately 11.5 percent of patients that originated from the applicant’s home zip code 34275 who sought care at Venice Regional were Medicaid or medically indigent. Venice Regional Bayfront Health notes that it does not receive reimbursement for the provision of charity care and self-pay care. As a provider of the medically underserved and low-income in the area, the opposition does not identify a deficit to care of the medically underserved and indigent in the service area and does not expect that the proposed project will improve access for underserved residents of the service area. The opposition states that the applicant has also failed to identify geographic barriers to care for senior populations or barriers to care for senior population of the proposed service. The opposition does not anticipate that the proposed facility will increase accessibility of care for seniors relative to other providers. Based on demographic patterns and

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the current distribution of health providers, the opposition notes that multiple zip codes have dense senior populations with access to care that is served by existing providers.

The opposition notes that the applicant's positive operational margin will come at the expense of existing providers and thus an adverse impact is expected on other providers. The opposition expects BHPC and Venice Regional Bayfront Health to be adversely impacted by implementation of the proposed project. The opposition also anticipates costs to increase as Sarasota Memorial receives higher Medicaid reimbursement rates than other hospitals and a significant cost to tax payers to support SMH. Using Hospital expenses per AHCA Financial Cost Reports, the opposition also concludes that Sarasota Memorial Hospital has the highest overall cost per adjusted patient day and that SMH cannot create downward pressure on costs.

The opposition contends that there are lower cost providers than Sarasota Memorial Hospital, the applicant does not foster competition that promotes cost effectiveness with regard to the Medicaid program, and that the provision of Medicare is costlier through the applicant as a result of add-on payments. The opposition provides an analysis of outlier Medicare payments which includes a comparison of outlier payments to Sarasota Memorial Hospital, Bayfront Health Port Charlotte, and Venice Regional Bayfront Health. Based on the opposition's analysis, the applicant received a larger amount of outlier payments than Bayfront Health Port Charlotte and Venice Regional Bayfront Health. The opposition concludes that SMH's lower charges are meaningless in light of the large volume of Medicaid and Medicare patients served by Sarasota Memorial Hospital.

The opposition anticipates a substantial adverse impact on Venice Regional Bayfront Health's inpatient, emergency department, and outpatient volume. In evaluation of the potential adverse impact on Venice Regional Bayfront Health, the opposition evaluates population and market discharges, med/surg discharges that met the criteria utilized in CON Application#10457, within the applicant's proposed service area and discharge use rates.

Based on Nielson Companies and NHA Analysis, the opposition estimates that over 36 percent of adults (aged 15 and older) reside within Venice, one-third of adults reside in North Port, 17 percent reside in Englewood, and 13 percent reside in Osprey and Nokomis within the applicant's primary service area. Within the applicant's primary service area, the opposition estimates that 45 percent of the population is aged 65 and older with the majority of senior populations concentrated within the three Venice zip code areas. In analysis of the applicant's secondary

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service area, VRBH estimates that 44.5 percent of the population is aged 65 and older. Based on the opposition analysis, Englewood zip codes comprise the largest share of 65 and older within the secondary service area. VRBH estimates that the 65 and older population will constitute the demographic with the largest population increase and that population growth within the 65 and older demographic will be concentrated in Venice and Englewood.

VRBH concludes that there were 18,800 hospital discharges (excluding obstetrics) during calendar year 2015 based on medical/surgical criteria utilized by the applicant in CON Application #10457. The opposition determines that Venice has the largest volume of discharges, followed by North Port, Englewood, Osprey and Nokomis. Venice comprises 54 percent of the total primary service area discharges and 40 percent of the total service area discharges, Englewood comprises 20 percent of service area discharges, and Nokomis comprises 8 percent of service area discharges. The opposition determines that Venice and Englewood constitute the largest share of service area discharges and anticipates that area residents will drive past the existing and proposed Venice Regional site, for this reason the opposition determines that the proposed project will not enhance access for the adult medical/surgical population.

In analysis of discharge use rates per 1,000 the opposition concludes that use rates positively correlate with age. In addition, the opposition determines that the overall adult discharge use rate is 108.7 cases per 1,000. The opposition also estimates that the home zip code and contiguous zip code of the proposed site have the lowest use rates in the county, 98.9 discharges per 1,000 (34275) and 80.3 per 1,000 (34229). The opposition determines that Englewood and Venice have the highest use rates ranging between 110 and 133 discharges per 1,000. Based on overall utilization rates and population growth rates in Osprey/Nokomis and other areas of South County the opposition determines that a second hospital would duplicate services.

Overall, VRBH finds that approximately 60 percent of cases (9,000 total cases) that were discharged from Venice Regional Bayfront Health which matched the non-tertiary definition employed by the applicant for its new hospital originated from Venice, 8 percent from North Port, 11 percent from Osprey, and 11 percent from Nokomis. The opposition states that VRBH maintains a significant reliance on an area in which SMH Laurel Road does not prove any access barriers. VRBH provides a three year trend market analysis of its proposed service area.

**Venice Regional Market Share Total Discharges:
Calendar Years 2013 through 2015**

Zip Code Area	Market Share CY 2013 thru CY 2015
34293 Venice	68% to 77%
34285 Venice	75% to 83%
34292 Venice	71% to 77%
34275 Nokomis	56% to 62%
34223 Englewood	35% to 36%
34287 North Port	19% to 25%
34224 Englewood	16% to 21%
33947 Rotonda West	15% to 17%
34286 North Port	10%
34229 Osprey	18% to 20%
33981 Port Charlotte	6% to 9%
34291 North Port	13% to 18%
33946 Placida	16% to 25%
34288 North Port	4% to 6%
34289 North Port	7% to 9%

Source: (Venice Regional Bayfront Health, Written Statement of Opposition, Page 69)

VRBH indicates that these market shares are evidence that any additional hospitals in the area would be unneeded and at an expense to other area providers, particularly Venice Regional Bayfront Health.

Furthermore VRBH determines that the applicant's proposed service area accounts for 89.4 percent of its existing inpatient discharges, 77.4 percent of its emergency department visits, and 87.4 percent of its ambulatory surgery visits based on AHCA Inpatient Data Tapes, Emergency Data Tapes, and Ambulatory Surgery Data Tapes.

The opposition contends that potential understatements of the applicant's proposed market share can result in higher numbers of cases admitted at the proposed facility and higher impacts to existing providers. Venice Regional Bayfront Health anticipates 1,960 to 2,338 cases lost from the applicant's proposed service area or approximately 25 to 30 percent of a loss to its non-tertiary cases. VRBH anticipates 58 to 61 percent of these losses to occur in Venice. The opposition also anticipates losses to inpatient revenue and contribution margins based on the applicant's forecasted market shares.

The opposition charges that market shares the applicant forecasts for Venice and North Port may be understated, with the potential for material impacts to existing providers. The opposition anticipates that

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the applicant may attain between 30 and 40 percent of market shares in Venice and North Port. The opposition also anticipates losses to inpatient revenue and contribution margins based on the applicant’s forecasted market which is summarized in the table below.

**Venice Regional Bayfront Health:
Inpatient Contribution Margin and Impact 2026 Cases in 2015 Dollars**

	CON Application #10457 Market Shares		Market Shares Adjusted for Venice And North Port	
	Based on 2015 Market Shares	Based on VRBH Replacement Hospital Market Shares	Based on 2015 Market Shares	Based on VRBH Replacement Hospital Market Shares
Service Area Non-Tertiary Inpatients Cases to be Lost	1,960	2,338	2,905	3,427
In-Migration Cases to be Lost (10%)	218	260	323	381
Total Cases to be Lost	2,178	2,598	3,228	3,808
Contribution Margin per Admission	\$3,827			
Total Non-Tertiary Inpatient Impact from Service Area Cases	\$8,335,206	\$9,942,546	\$12,353,556	\$14,573,216

Source: (Venice Regional Bayfront Health, Written Statement of Opposition, Page 78)

The applicant also includes a summary of its outpatient losses on page 79 of the written opposition statement. Lastly, the opposition anticipates that Sarasota County hospitals and providers will suffer from the “cannibalization” of the healthcare workforce by Sarasota Memorial Hospital’s proposed project that will potentially manifest as: impacts on staffing, turnover, recruitment, upward pressures and wages and benefits, and additional financial and operational implications on existing providers. The opposition expects that an additional hospital in the area would dilute the health workforce.

The opposition also provides a list of prior CON decisions as precedent for denial of the proposed project:

- Lee Memorial Health System vs. AHCA & Naples Community Hospital (NCH) 13-2508, 13-2558 CON
- Memorial Healthcare Jacksonville vs. AHCA and Shands Jacksonville 12-0429 CON
- Columbia Hospital (Palm Beaches) d/b/a West Palm Hospital and Jupiter Medical Center vs. AHCA and Florida Regional Medical DOAH case no: 12-0428 and 12-0496

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458)

The Agency received two written statements of opposition to CON application #10458. Statements were from representatives of Englewood Community Hospital, Inc./Fawcett Memorial Hospital. Fawcett Memorial Hospital is located in acute care District 8-1, Charlotte County and Sarasota Memorial Hospital which is located in acute care District 8-6. Englewood Community Hospital is located in District 8-6, Sarasota County. The proposed facility will be located in acute care District 8-6, Sarasota County.

Englewood Community Hospital, Inc. (ECH) and Fawcett Memorial Hospital Inc. (FMH) (ECH/FMH) submitted a detailed letter of opposition to the proposed project. Fawcett Memorial Hospital is located in acute care District 8-1, Charlotte County. Englewood Community Hospital is located in District 8-6, Sarasota County. The proposed facility will be located in acute care District 8-6, Sarasota County.

In opposition to Venice Regional Bayfront Health's proposed project, ECH contends that VRBH bases need on the infrastructural shortcomings of its existing campus that were alleged to not be feasible at a reasonable cost. ECH/FMH maintains that Venice Regional Bayfront Health posits that its existing campus is no longer favorable for serving the community. In evaluation of infrastructural limitations highlighted by Venice Regional Bayfront Health, ECH/FMH explains that VRBH has failed to perform adequate assessments of the building, infrastructure, and operating systems prior to purchase due to failures in managing the transition of ownership. ECH/FMH additionally explains that current systems are the result of the failure to manage foreseeable maintenance and repair issues that could have been prevented. ECH questions if the applicant, VRBH, can acquire adequate executive, developmental, and managerial expertise to see the project into fruition as presented.

ECH/FMH states that the applicant, VRBH, is not entitled to any subset of patients in the area and that the applicant's proposed project would encroach upon the service of existing area providers in an adverse and unacceptable extent. ECH/FMH contends that the targeted service area of the proposed project currently enjoys robust competition, with six existing acute care hospitals provide care to area residents. The opposition to the proposed project also explains that hospitals proximal to the proposed service area have adequate unoccupied beds to meet the anticipated increase in patient days through 2022, as projected in CON application #10458. In review of the applicant's proposed service area, ECH/FMH states that the 15 zip codes which comprise the applicant's proposed service area consist of Southern Sarasota and Western Charlotte, not Venice, as the applicant states. ECH produces a City of

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Venice zoning map in demonstration of city boundaries and notes that the intersection of East Venice and Jacaranda Boulevard, where the site will be located is located and beyond the City of Venice boundaries. ECH/FMH further states that ECH and FMH provide nearly one-quarter of the inpatient care to area residents and that both facilities will experience substantial losses in utilization if the proposed project is implemented at its intended site.

In evaluation of the applicant's justification of need for the proposed project, ECH/FMH determines that the applicant's needs are institution-specific to the desire to replace the existing facility which is purportedly outdated and substandard. ECH/FMH maintains that in the event that need for a new facility is justified in light of these infrastructural shortcomings, VRBH has still failed to demonstrate how the location of the new site would be appropriate or reasonable and how the proposed site's location would affect existing service area providers that provide similar services. ECH/FMH states that there is no need for additional beds in the service area and subdistrict. ECH/FMH reiterates that existing hospitals within or adjacent to the service area are equipped with the capacity to meet the needs of the anticipated service area population needs throughout the projection period noted in CON Application #10458. ECH/FMH provides a table to illustrate acute care hospital bed utilization of existing providers in the applicant's targeted service area which is reproduced below.

**Acute Care Hospital Bed Utilization:
Sarasota County and Charlotte County (excludes Bayfront Health Punta Gorda)**

Hospital	Acute Beds	Bed Days	Patient Days	Percent Occupancy	Empty Beds
Doctors Hospital of Sarasota	139	50,735	30,526	60.17%	55
Englewood Community Hospital	100	36,500	12,202	33.43%	67
Sarasota Memorial Hospital	666	243,090	113,844	46.83%	354
Venice Regional Bayfront Health	312	113,880	40,056	35.17%	202
Fawcett Memorial Hospital	217	79,205	59,450	75.06%	54
Bayfront Health Port Charlotte	247	90,155	49,209	54.58%	112
Area Hospital Utilization	1,681	613,565	305,287	49.76%	845

Source: (ECH/FMH, Written Statement of Opposition, Page 6)

ECH also completed a driving time analysis to assess the accessibility of all hospitals providing care to area residents using a drive time standard of 30 minutes or less for most area residents using Keyhole Markup Language Zipped and Google Earth to calculate the shortest timed route from the geographic centroid of each zip code identified in the applicant's proposed service area. Based on the analysis, ECH/FMH finds that none of the areas in the secondary zip codes are more than a 26 minute drive from an acute care hospital and that only four of the fifteen zip codes are

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located at a distance that is greater than 20 minutes from a hospital. Within the secondary service area, four of the ten secondary service area zip codes were identified as being greater than 30 minutes from the existing VRBH campus with a maximum distance of 42 minutes. ECH notes that a decline in patient draw within the applicant’s primary service area could be linked to the inclusion of more distant areas. ECH also determines that the location of the proposed project will result in reductions in drive times for zip code areas served by Fawcett and Englewood which are 30 minutes or less from existing acute care hospitals. ECH/FMH does not anticipate that improvements in driving times will offer significant improvements in the quality of care. A table summarizing driving time analysis is included on Pages 8-10 of the written statement of opposition.

In analysis of the applicant’s proposed market share, ECH/FMH questions the basis upon which market share is determined. Mainly by challenging the adjustments to current and historic market shares in order to compensate for issues and improvements surrounding the facility. ECH/FMH suspects that the forecasted market share is understated in light of the absence of restrictions to facility expansions and bed additions. Potential expansions to the proposed project are determined to pose an adverse impact on existing service area providers, ECH and Fawcett Memorial Hospital.

ECH/FMH provides an analysis of expected impact of the proposed VRBH facility, defined as loss of patient days. Projections were ran using various market conditions and the range of DRGs proposed by VRBH and patient days as opposed to discharges. The table summarizing this analysis is reproduced below.

Venice Replacement Proposed Service Area Impact, CY 2022

Hospitals	Patient Days Without Venice Replacement	Patient Days With Venice Replacement	Difference
Bayfront Port Charlotte	9,453	8,453	-1,000
Doctors of Sarasota	4,263	3,812	-451
Englewood Community	11,405	10,199	-1,206
Fawcett Memorial	15,587	13,939	-1,648
Sarasota Memorial	20,212	18,075	-2,137
Venice Regional	41,868	49,438	7,570
Other	10,684	9,555	-1,129
All Hospitals	113,471	113,471	0

Source: (ECH/FMH, Written Statement of Opposition, Page 11)

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ECH/FMH concludes that the adverse impact to other existing inpatient acute care providers is unacceptable and high without a meaningful improvement in access for area residents. ECH/FMH additionally contends that VRBH makes no assessment of the potential impact of the proposed projects on existing providers and only assumes an entitlement to recapture lost market shares and more. ECH/FMH also advances whether alternatives to the proposed site or replacement on site were considered by the applicant and notes that the applicant lacks a condition that limits the development of the proposed facility to the indicated site which does not prevent development of the project to the east, which is determined to present an adverse impact on Englewood Community Hospital and Fawcett Memorial Hospital.

ECH/FMH further contends that there is no evidence of need for facility in the proposed service area due to geographic barriers and notes that each of the 15 zip codes within the applicant's proposed service area is currently within 26 minutes of an existing hospital and all but four are within 20 minutes. ECH/FMH states that VRBHJ asserts that the project is necessary to ensure that Venice Regional remains open in light of physical plant or infrastructure system failures in the future but does not identify any current problems that exist regarding accessibility outside of these issues.

ECH/FMH also notes that the benefits VRBH delineates in defense of the quality and cost-effectiveness are institution-specific and consequently do not outline how area residents will benefit from increased competition. ECH contends that access to VRBH will worsen for residents of the City of Venice and that existing providers ECH and FMH will be adversely impacted. ECH/FMH advances that VRBH has only outlined competitive benefits in comparison to its co-batched applicant, Sarasota Memorial Hospital. ECH/FMH concludes that Southern Sarasota County and Northern Charlotte County do not lack competition and choice among various hospitals. ECH/FMH maintains that there are six existing hospitals that are available and accessible to residents of the proposed service area which include: Venice Regional Bayfront Health, Sarasota Memorial Hospital, Fawcett Memorial Hospital, Englewood Community Hospital, Bayfront Health Port Charlotte, Doctors Hospital of Sarasota, and Other Hospitals. ECH/FMH includes patient days for persons 15 years or older and market shares for each zip code within the applicant's proposed service area by area provider on Page 13 of the Written Statement of Opposition noting that Venice Regional is the dominant market provider in 6 of the 15 zip codes of the proposed service area while Englewood and Fawcett have the largest market share in 7 other zip codes of the proposed service area.

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With respect to the proposed project's capacity to affect the provision of care to Medicaid patients and the medically indigent, ECH comments that VRBH does not identify any problems of availability or accessibility regarding Medicaid patients or the medically indigent and does not identify how the project is necessary to address any issues of access to these groups. ECH/FMH also states that VRBH fails to identify how the project will affect the capacity to provide care to underserved groups, if at all. ECH/FMH states that VRBH only cites its intended condition to provide a minimum of 8 percent of its inpatient days to Medicaid, Medicaid HMO, other state and local government, charity care, self-pay and underinsured patients on an annual basis.

ECH/FMH provides a summary of its points of opposition to the proposed project on Pages 15-16 of the written statement of opposition.

Sarasota County Public Hospital District (SCPHD), Sarasota Memorial Hospital (SMH) submitted a detailed letter of opposition to the proposed project. The opposition is also a co-batched applicant for a proposed facility in subdistrict 8-6. Sarasota Memorial Hospital states that as a co-batched applicant SMH provides a stronger case and a better track record than the application submitted by VRBH in terms of proposed health care services, improved access to care for seniors, mothers, and other traditionally underserved populations, the enhancement of Medicaid availability, and increased competition to promote quality of care. SMH notes that the applicant does not condition its application on delicensing 102 beds, only that the applicant will relinquish 102 of its existing beds. Therefore, SMH determines that the number of licensed beds in District 8-6 may or may not decrease upon CON approval of the proposed project. SMH also questions the location of the proposed site, stating specifically that "VRBH states in its application that the facility will be located 'just to the east of the intersection of East Venice Avenue and Jacaranda Boulevard on the south side of East Venice Avenue.' However, the proposed VRBH replacement hospital is conditioned only to be located somewhere in Zip Code 34292" (SMH, Written Statement of Opposition, Page 1). The opposition also contends that it is unclear whether VRBH owns the land it proposes to build its replacement hospital or if the site is zoned appropriately for hospital construction. SMH contends that the hospital appears to be zoned in a single family residential area which would pose significant obstacles to hospital development.

SMH notes that VRBH advances its proposed site on the basis of facility issues at its current site which include: leaky roofs, crowded rooms, and outdated equipment. The opposition states that VRBH considers investing \$65 million into a replacement hospital as a better alternative to renovating its current facility. The opposition also states that the

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applicant's CON application appears to be a strategic attempt to prevent approval of a co-batched application filed by SMH.

In review of the applicant's capital expenditures, the opposition notes that the applicant's capital expenditures total to \$65.4 million. The opposition notes that 64 percent of detailed deficiencies are scheduled for implementation between 2016 and 2019, prior to VRBH's projected opening in 2020. Total costs for improvements to these deficiencies scheduled between 2016 and 2019 total to \$47.5 million or 73 percent of total capital expenditures between 2016 and 2025. SMH states that delays to these repairs would be detrimental to patient safety and health care quality. The opposition also states that financial resources that will be invested into the replacement hospital may total in excess of the \$212 million forecasted by VRBH.

The opposition states that VRBH may not have a choice but to continue to expend capital funds. Based on historical capital expenditures over the past 33 months the opposition expects VRBH to invest \$47.5 million between 2016 and 2019. From this SMH expects that all major planned capital projects will be accomplished for \$17.9 million versus the \$212 million costs estimated for the replacement hospital. SMH notes that VRBH's capital outlay of \$133 million for construction (\$212 million total project costs) does not include other associated costs like demolition, renovation, and other capital costs associated with charges to its existing site on Venice Island. SMH also questions whether or not the site on Venice Island will remain open or vacant, if significant spending will be required to convert the site for outpatient use or prepare it for sale. The opposition also identifies other unknown costs that could justify spending \$65 million costs. The opposition also anticipates that residents may incur costs and that there is no evidence that authorization or commitment to the costs of the proposed project are demonstrated from the senior executive officers.

In evaluation of the applicant's PSA/SSA the opposition notes that the applicant states that the proposed service area will mirror the applicant's current service area and concludes that the same residents will be served by the proposed project as at the existing site. SMH anticipates that the relative distance of the proposed site will change for some of the residents of the applicant's current/proposed service area. From this, the opposition determines that meaningful access will not be improved to residents of the District and that the proposed site will duplicate services.

SMH also notes that VRBH's market share and utilization have been declining prior to facility issues. The opposition also contends that VRBH does not condition CON approval on maintaining a freestanding

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emergency department presence at the existing location or anywhere else in zip code 34285. SMH further explains that the applicant has not provided a timeline or capital expenditure summary for the maintenance of a freestanding emergency department or outpatient services on Venice Island. Overall, the opposition states that improvements to overall access will be minimal at best.

SMH provides a summary of primary service area overlap between the proposed service area of VRBH and the proposed service area of SMH at Laurel Road which is reproduced below.

Primary Service Area Overlap: VRBH and SMH/LR

ZIP	VRBH	SMH/LR
34223	✓	
34275	✓	✓
34285	✓	✓
34286		✓
34287		✓
34288		✓
34292	✓	✓
34293	✓	✓

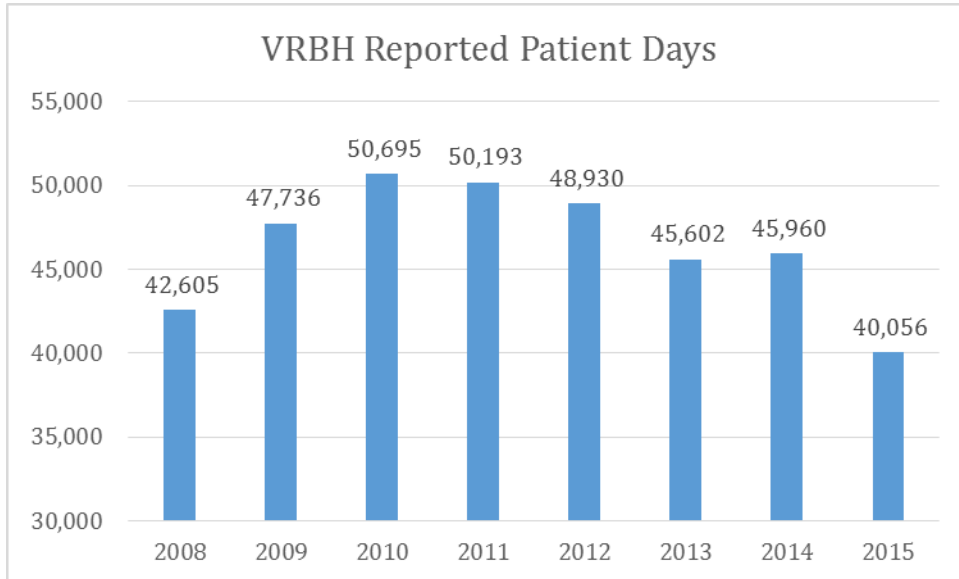
Source: (Sarasota County Public Hospital District, Written Statement of Opposition, Page 9)

SCPHD contends that its proposed service area will provide greater access to district residents, especially seniors, indigents, and other historically underserved populations. SMH states that it has a discharge volume that is 33 percent greater than VRBH for short-term acute care hospitals in 2015, 29 percent greater adult discharges, 17 percent higher senior discharges (aged 65 and older), and obstetric discharges that are twice as high within the service area proposed by SMH/LR than at VRBH. In comparison of age distributions, SMH states that the population of its PSA is 42 percent larger than the PSA of VRBH with a larger senior population and population of women of child-bearing age. Based on analysis of demographic factors the applicant states to offer greater access to nonwhite groups, especially for obstetrical care which VRBH will not offer. SMH states that its proposed service area will also include a larger number of individuals and families with children below the Federal Poverty Level. Tables are included on Pages 11 through 13 of SCPHD’s Written Statement of Opposition.

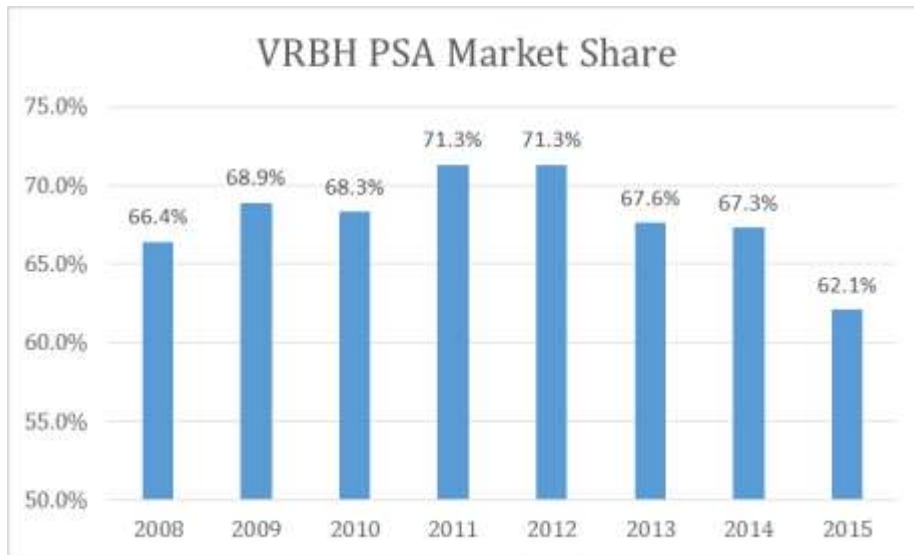
Based on utilization reported in Florida Hospital Bed Need Projections & Service Utilization by District from July 2008 to July 2015 SCPHD determines that utilization at VRBH has been steadily declining since 2012, while the utilization at SMH has increased since 2012. SMH also

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identifies that VRBH Market Share has declined within its proposed service area, noted in the following graphs.



Source: (SCPHD, Written Statement of Opposition, Page 14)



Note: Adults 18+ excluding MDC 14, 15, 19, 20 and DRGs 945 and 946 per CON #10458 definition.

Source: 2008-2012 from AHCA inpatient database. 2013-2015 from VRBH CON #10458, page 43.

Source: (SCPHD, Written Statement of Opposition, Page 15)

SMH states that the volume lost at VRBH has been absorbed by SMH. Moreover, SMH states that loss of utilization and market share are attributable to reasons beyond facility failures and cites a shift in consumer allegiance to providers. The opposition does not anticipate that VRBH will meet forecasted market shares and suggests that VRBH has overstated forecasted discharge and patient days for the proposed

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project. Lastly, SMH states that the proposed service area at SMH/LR has nearly twice the population of child-bearing women and larger subset of potential mothers who are low-income and Medicaid recipients. As a result of the proposed VRBH project not offering obstetrical services, SMH states that it offers greater access to this needed service in south Sarasota County. SMH also contends that VRBH has understated obstetrical demand and misrepresents existing obstetrical referral patterns and practices and does not take into account demand in its secondary service area. SMH also states that there is little to no Bayfront Health Network affinity among facilities north of the current VRBH service area and provides a table of referral patterns as demonstration of a lack of a unified integrated system of providers which is reproduced below.

Referral Patterns for Residents of VRBH Service Area* - 2015

Hospital	Discharge Volume	VRBH PSA* Market Share
CHS - VENICE REGIONAL BAYFRONT HEALTH	8,700	38.0%
CHS - BAYFRONT HEALTH PORT CHARLOTTE	1,469	6.4%
CHS - BAYFRONT HEALTH PUNTA GORDA	288	1.3%
CHS - BAYFRONT HEALTH- ST. PETERSBURG	44	0.2%
CHS - BAYFRONT HEALTH BROOKSVILLE	2	0.0%
CHS - BAYFRONT HEALTH DADE CITY	1	0.0%
CHS - BAYFRONT HEALTH SPRING HEALTH	0	0.0%
CHS - BAYFRONT HEALTH NETWORK	10,504	45.9%
HCA - ENGLEWOOD COMMUNITY HOSPITAL	2,445	10.7%
HCA - FAWCETT MEMORIAL HOSPITAL	2,038	8.9%
HCA - DOCTORS HOSPITAL OF SARASOTA	1,082	4.7%
HCA - BLAKE MEDICAL CENTER	115	0.5%
HCA - BRANDON REGIONAL HOSPITAL	17	0.1%
HCA - NORTHSIDE HOSPITAL	16	0.1%
HCA - LARGO MEDICAL CENTER	12	0.1%
HCA - SOUTH BAY HOSPITAL	10	0.0%
HCA - PALMS OF PASADENA HOSPITAL	7	0.0%
HCA - WEST FLORIDA NETWORK	5,742	25.1%
SARASOTA MEMORIAL HOSPITAL	5,320	23.2%
TAMPA GENERAL HOSPITAL	231	1.0%
H. LEE MOFFITT CANCER CENTER & RESEARCH INSTITUTE HOSPITAL	207	0.9%
UHS - LAKEWOOD RANCH MEDICAL CENTER	165	0.7%
UHS - MANATEE MEMORIAL HOSPITAL	35	0.2%
UHS - WEST FLORIDA	200	0.9%
JOHN HOPKINS ALL CHILDREN'S HOSPITAL	159	0.7%
ALL OTHER FLORIDA HOSPITALS	558	2.4%
TOTAL TOP 10 VRBH ZIP CODES	22,921	100.0%

Note = * Top 10 Zip Codes representing 90.8 percent of Venice Regional Bayfront Health's 2015 Discharges

Source: AHCA Discharge Database, Legacy Consulting Group

Source: (SCPHD, Written Statement of Opposition, Page 20)

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Based on existing referral patterns depicted in the table, SMH anticipates that the proposed project at Laurel Road will foster competition that promotes quality and cost-effectiveness. In analysis of quality SMH states that it is not reasonable for VRBH to attribute process measures to isolated physical plant infrastructure disruptions. SMH also takes into account the state inspection and operational status of VRBH in order to conclude that the physical plant issues do not impede quality as attributed by VRBH. SMH further explains that SMH performs better among CMS quality standards and Hospital Compare metrics which include are summarized in tables on pages 23 through 25 of the written opposition statement.

SMH also provides a comparison of community benefit contributions between VRBH and SMH which is reproduced below.

**Venice Regional Bayfront Health and Sarasota Memorial Hospital
Community Benefit, 2015**

	Venice Regional Bayfront Health	Sarasota Memorial Hospital
Financial Benefits:		
Payroll (1)	\$49,146,459	\$209,614,450
Capital Investments (2)	\$16,754,343	\$5,313,829
Estimated Tax Paid (3)	\$1,683,030	<i>Tax Exempt</i>
Caring for Our Community		
Charity & Uncompensated Care (4)		
Reported Charity Care	\$2,116,215	\$59,849,592
Bad Debts	<u>\$12,922,808</u>	<u>\$111,094,858</u>
Subtotal	\$15,039,023	\$170,944,450
Donations to the Community (5)	\$27,666	\$4,739,263
Dollars Spent Locally (6)	\$8,873,644	\$40,500,000
Total Community Investment	\$91,524,165	\$477,111,992
Comm. Investment/Licensed Bed (7)	\$293,347	\$582,554

1. Payroll-Total Salaries & Wages from Worksheet C-6
2. VRBH CON # 10458 (pg. 5/6 indicates 2014/2015 capital); KPMG, Sarasota County Public Hospital District, Financial Statements, September 30, 2015 (pg. 36)
3. VRBH CON # 10458, (pg. 5); SCHPD is organized as a political subdivision of the State of Florida and is not subject to federal or state income taxes; SMHCS is a tax-exempt not-for-profit organization under IRS Code 501(c) (3)
4. Charity & Uncompensated Care from Worksheet C-3a
5. VRBH CON # 10458 (pg. 5); SMHCS 2016 Community Report (pg. 6)
6. VRBH CON # 10458 (pg. 5); SMHCS, Finance Office-based on preliminary estimates of FY 2015 supply services expense spending in local area
7. Total licensed beds; VRBH = 312, SMH =819 (AHCA, Fl. Hosp. Bed Need, 7/15/2016, pg. 132)

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Source: VRBH CON #10458; AHCA FY2015 Compass Financial Report Worksheets; SMHCS 2016 Community Report; KPMG, Sarasota County Public Hospital District, FY2015 Audited Financial Statements, SMHCS FY2015 Preliminary Financial Estimates. (SCPHD, Written Statement of Opposition, Page 26).

Based on this data SMH states that in comparison to VRBH, SMH:

- Provides over 28 times more actual charity care than does VRBH
- Has 8.6 times as much bad debt as VRBH
- Dwarfs VRBH in donations to the community
- Outspends VRBH locally nearly 5:1

When adjusted for variation in size of the organization defined as community investment per licensed bed, SMH exceeds VRBH 2:1.

Based on VRBH's condition to provide 8 percent Medicaid, SMH concludes that VRBH's current condition will not meet demands for uncompensated care in the service area, will not mirror the historical provision of Medicaid care in the area, and will result in a disproportionate share of Medicaid and medically indigent care being assumed by SMH as a safety net provider. The opposition includes a table summarizing comparisons of medically indigent payor groups between VRBH and SMH on Page 29 of its written opposition statement.

In an analysis of the current utilization at VRBH, SMH determines that with the current utilization and bed configuration of 113-private and 86 private rooms at VRBH that VRBH can potentially configure 199 all private rooms. If current occupancy at VRBH remains at 55.1 percent, SMH determines that VRBH would have an easily manageable occupancy if semi-private rooms were utilized as single private rooms. SMH determines that 199 private rooms can easily sustain projected patient demand through 2022 and with the capacity for renovations to other areas of the hospital without disruptions to patient care.

SMH provides a narrative description of architectural and operational deficiencies presented by VRBH on pages 31 through 37 of the written opposition statement. SMH maintains that current system failures at VRBH are a result of the applicant's failure to meet routine maintenance procedures in a timely manner. SMH lastly contends that these issues do not address the most logical utilization option of decompressing the campus in light of utilization at the existing site which SMH expects can transition to all private rooms given proper design and phased renovation planning. The opposition does not find expect that renovations can be delayed until the full functionality of the proposed site.

Sarasota Memorial Hospital opposes CON Application#10458 in summary of statutory review criteria:

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- The need for the health care facilities and health services being proposed
- The availability, accessibility, and extent of utilization of existing health care facilities and health services in the service district of the applicant
- The extent to which the proposed services will enhance access to health care for residents of the service district
- The extent to which the proposal will foster competition that promotes quality and cost-effectiveness
- The applicant's past and proposed provision of health care services to Medicaid patients and medically indigent.

G. Applicant Response to Written Statement(s) of Opposition

In those cases where a written statement of opposition has been timely filed regarding a certificate of need application for a general hospital, the applicant for the general hospital may submit a written response to the Agency. Such response must be received by the Agency within 10 days of the written statement due date. ss. 408.039(3)(d), Florida Statutes.

Sarasota County Public Hospital District d/b/a

Sarasota Memorial Hospital (CON application #10457) responded on November 14, 2016 to written statements opposition submitted by Venice Regional Bayfront Health (VRBH), Bayfront Health Port Charlotte (BHPC), Englewood Community Hospital (ECH) and Fawcett Memorial Hospital (FMH). SMH indicates that ECH and FMH are both Hospital Corporation of America®, (HCA®) facilities and the reviewer confirms this affiliation via: <http://hcahealthcare.com/about/facilities.dot>.

SMH also acknowledges that written statements of opposition by Community Health Systems (CHS) were submitted on behalf of Venice Regional Bayfront Health and Bayfront Health Port Charlotte.

SMH contests HCA's assertion that CON Application #10457 is submitted with regards to institution-specific needs and states that the population group it intends to serve and which has need for its proposed project consists of residents of south Sarasota County in the defined Primary and Secondary Service Areas who seek healthcare services at SMHCS facilities, in adaptation of HCA's position that need refers to "members of a community, region or population group served by new or additional health facilities and services". SMH cites that in 2015 nearly 25 percent of service area residents received in patient care at SMH and that 68 percent of mother sought obstetrical care at SMH.

SMH further elaborates and states that these residents are already aligned with SMHCS and require inpatient services but are confronted

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with geographic and physical plant constraints at SMH which will be remedied by the proposed project at Laurel Road. SMH states that seniors served by SMH who reside in the service area are most in need of the proposed project, since they must travel to downtown Sarasota for care.

In response to the written statement of opposition submitted by HCA, SMH states that there are many factors influencing occupancy aside from utilization. SMH states that quality, reputation, scope of services, and availability of specialty backup are all factors that affect occupancy targets.

In response to HCA's assertion that SMH has misrepresented the role of observation patients in acute care patient occupancy, SMH states that from 2006 to 20012 changes in Medicare policies have occurred in tandem with increases in observation case volumes. According to SMH, the response to rising bed demand from observation case volumes has resulted in the existing cite reaching capacity, which needs to be decompressed. SMH states that the population served by SMH needs decompression of the existing facility in order for growing acute inpatient service demand to be met for south county residents. SMH states that use of single-bed private rooms is a contemporary standard of care that would result in 86.8 percent occupancy for acute inpatients and 102.4 percent occupancy when observation status beds are taken into account at the existing site. SMH states in light of capacity constraints at the existing site that expansions to include dedicated observation units are not possible. In consideration of observation demand, SMH notes the inclusion of a 20-bed clinical observation unit which will is stated to allow for decompression of nursing units for renovation at the existing SMH campus for renovation into more efficient and effective private rooms.

SMH anticipates that the proposed site will improve access to SMHCS patients in south Sarasota County and address current capacity constraints at SMH.

SMH also notes that utilization projections submitted by HCA used incorrect data for April 1, 2015 (actually January 1, 2016) and April 1, 2021 (undetermined date), though the use rate model is matches the demand projection model used by SMH. SMH states that any data regarding utilization and adverse impact should not be considered as a result of errors in data used by HCA.

In response to HCA's review of the proposed project's capacity to enhance access to health care for residents of the service district, SMH notes that Sarasota Memorial Hospital is the only service area provider out of six

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existing providers to show continuous market share growth, while Venice Regional Bayfront Health shows a decline in market share for the proposed service area. SMH states that quality, reputation, diminished quality and poor public perception are barriers to access that are comparable to geographic access barriers. Similarly, exceptional quality and good reputation are factors that SMH possesses to enhance access to care.

SMH notes the following geographic barriers to access in counter to HCA's assertion that there are no geographic accessibility issues: high traffic volume across the Intracoastal Waterway, having no way to navigate around Myakka River. SMH states that its driving analysis was specific to illustrating the need to enhance access to elderly and non-elderly SMHCS patients residing in south Sarasota County.

SMH notes that CHS controls 48 percent, HCA controls 26 percent, and SMH controls 18.2 percent of the service area market. SMH states that as the lowest-cost provider and the only nationally-ranked Five Star Quality Hospital in Florida, it is difficult to contest that the proposed project will foster competition that promotes quality and cost-effectiveness.

SMH indicates that SMH provides 87.7 percent of combined Medicaid and charity care in Sarasota County. In light of SMH's historical provision of care to Medicaid patients and medically indigent, SMH states that the potential loss of insurance coverage for 28,400 Sarasota County Marketplace enrollees is important to SMH as a safety-net provider. SMH states that its historical provision of care to Medicaid and medically indigent patients demonstrates that SMH will enhance access for Medicaid recipients and medically indigent patients of the service area and notes that a condition of its application is to provide a minimum of 13 percent of patient volume to Medicaid and charity-care patients.

In response to written statements of opposition submitted by CHS, Venice Regional Bayfront Health and Bayfront Health Port Charlotte SMH states that CHS has given no credence to the need to decompress acute and observation case volumes at the existing SMH campus and notes that its co-batched applicant uses the same rationale in defense of CON Application #10458.

SMH notes that CHS incorrectly infers that 60 beds could be put into service to resolve capacity constraints at SMH. SMH states that declines in occupancy rates are due to a 111 increase in operational beds from 449 in FY'2011 to 559 in FY'2015 not a decline in acute inpatient days. SMH notes that medical/surgical patient days have increased by 16.3

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percent in the same period from 92,990 in FY'2011 to 108,140 in FY'2015.

SMH cites single-bed private room transitions and the shift to short-stay inpatient admissions as medical treatment trends in response to need analysis for SMH at Laurel Road. SMH also cites that VRBH uses single-bed private rooms as a rationale in CON Application #10458. In response to CHS' critique of the consideration of observation case volume in overall acute care occupancy, SMH cites that overall changes in Medicare policies for short-stay inpatient admissions have resulted in an increase in observation cases of greater than 50 percent nationally from 2006 to 2012. From 2006 to 2012 SMH has experienced an increase of observation of cases that has exceeded 26 percent. SMH states that the term "observation" is misinterpreted and states that beds located in its Extended Outpatient Recovery Unit on the 5th floor NW Tower are neither licensed not included in the Overflow Capacity analysis and states that most patients in this unit are not "observation status" patients. SMH also includes a pending admit unit at the Meckler Admission Center, 9 East Tower which does not include any licensed beds and holds patients before they are admitted to an appropriate observation or inpatient unit.

SMH reiterates that Overflow Capacity Analysis includes actual census counts of patients being treated in licensed medical/surgical beds as CMS mandates specific clinical protocols for monitoring observation status patients. SMH cites that over 70 percent of hospitals place observation cases in medical/surgical units as SMH does. Observation patients that were located temporarily in non-licensed beds are not included in the analysis.

SMH states that data reported by HPCSWF that opposition represent observation cases and total observation billed hours per Medicare protocol regarding "interrupted care hours" and does not tie to the actual census count. SMH states that the Overflow Analysis is an accurate and realistic basis to support the need to decompress the SMH main campus.

SMH states that the 11 med/surg, patients that CHS claims does not reflect decompression are actually new SMHCS patients resulting from the SMH/LR campus, and does not distinguish patients shifted from the main campus. SMH additionally cites that SMH/LR expects an average daily census of 52.8 patients from the service area in 2021, while the SMH system expects an increase in average daily census of 11.2 in 2021 from the SMH/LR site that is expected to be admitted at the SMH/LR site. The applicant states that 41.6 ADC represents patients residing in the service area who would find the south county location more accessible and specifically volumes shifted from the SMH main campus

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which would account for 50 to 60 beds that could be taken out of service at SMH to allow for decompression.

SMH anticipates that the potential adverse impact on other providers, Venice Regional and Bayfront Health, will be minimal and more operationally manageable than the larger downward trend of adult, non-tertiary services at Venice Regional. A summary of the adult non-tertiary service area volume impact is included below.

SMH/LR Adult, Non-Tertiary Service Area Volume Impact, 2021

Hospital	Market Share			Volume	ADC
	2015	2021	Change	Change ¹	Change ²
Venice Regional	42.8%	40.4%	-2.4%	-492	-5.8
Sarasota Memorial	17.3%	22.0%	4.7%	951	11.2
Fawcett Memorial	11.5%	10.8%	-0.7%	-132	-1.6
Englewood Community	10.6%	10.0%	-0.6%	-122	-1.4
Bayfront Port Charlotte	6.2%	5.8%	-0.4%	-71	-0.8
Doctors Hospital	4.9%	4.6%	-0.3%	-56	-0.7
All Others	6.7%	6.3%	-0.4%	-77	-0.9
Total	100%	100.0%	0%	0	0.0

Source: (SMH, Response to CHS WSO, Page 12)

¹Based on total service area demand volume of 20,233

²Based on average length of stay of 4.3 days

Source: AHCA Inpatient Database and Legacy Consulting Group Analysis

Note: Sarasota Memorial above represents SMH in 2015 and the combined SMHCS (SMH + SMH/LR) in 2021

SMH notes that CHS identifies 34287, North Port, as being part of Venice Regional’s primary service area in its written statement of opposition when it is indicated as part of the secondary service area in CON Application #10458. Zip code 34223 Englewood is noted as being a part of VRBH’s secondary service area when it is listed as being part of VRBH’s primary service area. SMH states that inferences obtained from these errors in the written statement of opposition should be discounted.

SMH also states that its obstetric volume projections are reasonable even while CHS contends that growth rates for women 15-44 do not mirror AHCA projections. SMH states that its annual growth rates for females matches the 1.4 growth rate per year from 2016 to 2026 per Agency population projections for Sarasota County and provides a summary of projected population increase comparisons for the total population of Sarasota, Adults, and Women aged 15-44 on Page 13 of its Response to Written Statements of Opposition which is reproduced on the following page.

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Sarasota County Population 2010-2016

Time	Total Population		Population 15+		Females 15-44	
	Number	AAGR	Number	AAGR	Number	AAGR
July 1, 2010	379,928	na	331,651	na	51,188	na
July 1, 2016	400,014	1.0%	351,721	1.2%	53,046	0.7%
July 1, 2021	423,110	1.1%	373,703	1.2%	56,423	1.2%
July 1, 2026	445,090	1.0%	393,450	1.0%	60,829	1.5%

Source: (SCPHD, Response to Written Statements of Opposition, Page 13)

SMH states that Sarasota Memorial Hospital and Bayfront Health Port Charlotte are the only facilities to provide obstetric services in Sarasota and Charlotte County. SMH provides live birth rate comparisons in Sarasota County and Charlotte County and at SMH and BHPC for comparison which is provided below.

Comparison of Live Births and Women of Childbearing Age: 2010-2016

Year	Live Births		Females 15-44	
	SMH	BHPC	Sarasota	Charlotte
2010	3,050	1,134	51,188	18,592
2011	3,086	1,216	51,317	18,699
2012	3,061	1,152	51,544	18,937
2013	3,033	1,226	51,664	18,915
2014	3,184	1,307	52,105	19,018
2015	3,415	1,154	52,587	19,125
2016	3,544	971	53,046	19,201
AAGR*	2.5%	-2.6%	0.6%	0.5%

*Average Annual Growth Rate, 2010-2016

(1) Live Births for BHPC for 2010 are discharges from OB unit

(2) SMH live births for 2011 annualized based on 11 months

(3) SMH live births for 2016 annualized based on 8 months

(4) BHPC live births for 2016 annualized based on 9 months

Source: Health Planning Council of Southwest Florida, Florida Population Estimates and Projections by AHCA District 2010-2030

February 2015, and Legacy Consulting Group Analysis

Source: (SMH, Response to Written Statements of Opposition, Page 14)

SMH states that it is possible that declines in live births at BHPC may be influenced more by management/ownership changes than market trends. SMH states that if approved that the BHPC can expect to lose 62 cases or less annually as opposed to 196 cases, which is a manageable impact in light of the increased availability of maternity services, especially for Medicaid and medically underserved patients.

SMH also counters the assumption the assertion that SCPHD Board has committed to build a nine-story patient tower with 220 beds.

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SMH reiterates that the existing site faces capacity constraints which are attributed to the current mix of semi-private rooms, the growing demand for acute inpatient and medical observation services, and limited expansion options for adding beds. The applicant anticipates that the proposed project will decompress demand for inpatient beds and allow for nursing units to be renovated for more effective and efficient response to future patient demand.

In response to CHS' critique of SMH's drive time analysis, SMH states that there are SMHCS patients residing in the south county service area who face access issues both in distance and travel time in addition to confronting other capacity issues at SMH. SMH suspects that these issues are especially critical for elderly individuals. SMH states that in comparison to analysis conducted by CHS that its own analysis is overly aggressive, in comparison CHS analysis identifies that median driving time to SMH from service area zip codes is 42 minutes and range from 23 to 52 minutes. SMH notes that CHS does not consider traffic congestion in the area for drivers commuting from South County to the existing site and how traffic would affect elderly individuals.

SMH identifies the following geographic barriers to travel between Charlotte and Sarasota: Intracoastal Waterway, Myakka and Peace Rivers, and a limited access freeway. SMH states that elderly drivers may also be intimidated by traffic and speed of highways. SMH also identifies how BHPC analysis supports the development of obstetrical services with the following time analysis table.

Service Area Travel Times to Obstetric Services

Travel Time to OB Hospital for a Woman in Labor	Service Area Zip Code Median Travel Time
SMH at Laurel Road	18:00
Bayfront Health Port Charlotte	31:18
Sarasota Memorial Hospital	41:40

Source: (SMH, Response to Written Statements of Opposition, Page 17)

SMH states that service area residents who are also patients of SMHCS affiliate health locations would have to either travel to Sarasota or find a new physician at a CHS or HCA facility in south Sarasota County and that the proposed site would enhance continuity of access for residents of the service area.

SMH states that the proposed project would foster competition through the introduction of a SMHCS inpatient provider in South County that would serve as an alternative to the two-high charge proprietary systems. SMH states that charges are relevant and also relevant for outlier payments counter to claims by CHS that charges are meaningless.

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In response to critiques of its reimbursement and payment structure for Medicaid, SMH states that add-on payments are provided based on the volume of disproportionate share of care provided and that opposition erroneously assumes that SMH/LR will automatically qualify for these add-on payments. SMH notes that the reimbursement levels are adjusted to facilities and that Medicaid funding is subject to change annually. SMH states that latest approved would not result in SMH/LR receiving add-on payments and that current reimbursement rates for all providers are subject to change.

SMH states that CHS makes incorrect assumptions when projecting the loss of inpatient cases to SMH/LR and fails to provide a description or supporting documents in attestation of the contribution margin per admission. Overall SMH does not support the methodology and assumptions used by CHS to estimate adverse impact analysis.

SMH states that as the lowest charge provider and only nationally ranked Five Star Quality Hospital are factors which contribute to the capacity for its proposed project to foster competition that promotes quality and cost-effectiveness, factors that are purportedly difficult to dispute.

SMH cites its historical provision of 87.7 percent of combined Medicaid and charity care in Sarasota County. In light of SMH's historical provision of care to Medicaid patients and medically indigent, SMH states that the potential loss of insurance coverage for 28,400 Sarasota County Marketplace enrollees is important to SMH as a safety-net provider. SMH states that its historical provision of care to Medicaid and medically indigent patients demonstrates that SMH will enhance access for Medicaid recipients and medically indigent patients of the service area and notes that a condition of its application is to provide a minimum of 13 percent of patient volume to Medicaid and charity-care patients.

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458)

responded on November 14, 2016 to written statements of opposition submitted by representatives of Englewood Community Hospital (ECH) and Fawcett Memorial Hospital (FMH) (ECH/FMH) and Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (SMH). Englewood Community and Hospital and Fawcett Memorial are collectively referred to as, HCA Hospitals, recognizing affiliation with Hospital Corporation of America®, which is viewable via: <http://hcahealthcare.com/about/facilities.dot>.

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In response to the written statements of opposition submitted by HCA Hospitals, Englewood Community Hospital and Fawcett Memorial Hospital, VRBH states that its proposed service area will reflect its current service area in light of its request to establish a replacement hospital. VRBH states that its defined service area is expected to generate 92 percent of inpatient discharges at the replacement hospital: 75 percent from the Primary Service Area (PSA) and 17 percent from the Secondary Service Area (SSA), and 8 percent from other areas. VRBH also states that its proposed service area reflects historical utilization, the proximity of the replacement hospital, migration patterns of area residents, the fact there is only one hospital in Venice being replaced in Venice, travel and roadway patterns of other hospitals, and enhanced access to the replacement hospital location.

VRBH disputes HCA Hospitals' use of patient days in forecasted utilization methodologies. In reference to Florida Statutes 408.037 (2), VRBH notes that the proposed project's primary and secondary service area must be identified by zip code and discharge. VRBH determines that HCA's use of patient days in forecasted utilization methodology is inconsistent with health planning metrics and should be discounted.

Moreover, VRBH states that HCA Hospitals wrongly suggests that VRBH's current licensee and parent failed to complete due diligence in acquisition of VRBH and other hospitals from its previous owner. VRBH contends that facility issues are not the result of misfortune or neglect and states that facility issues can stem from historical maintenance and capitalization that need to be addressed through a replacement a facility, in this case. VRBH maintains that, Community Health Systems (CHS), has been making investment upgrades to the existing campus, but, that a variety of facility events that occurred prior to CHS acquisition resulted in a reevaluation of facility priorities including the long-term need for its proposed project, a replacement hospital. VRBH counters the assumption that existing infrastructural issues are reflections of deficits in its parent company's expertise and capacity to develop and secure funding for a hospital. VRBH states that CHS is fully invested in implementing the replacement hospital to best meet the needs of service area residents.

VRBH also notes that having local zoning in place is not a statutory obligation for CON approval of its proposed project and states that it commits to implementing the replacement hospital with the zip code 34292 and that feasibility determination is required after final CON approval.

In response to HCA Hospitals' assertion that its proposed facility is not located in Venice, VRBH specifies that the location of its proposed site is

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½ a mile of Venice city limits and notes that CON approval is required for replacement hospitals that will be located more than one mile from the existing hospital. Despite the relocation of the facility, VRBH states that its facility will remain the closest for Venice residents, becomes more accessible for Venice and other service area residents, and does not alter the existing service area.

VRBH indicates that access will be improved for all residents of southern Sarasota County and that potential negative impacts that occur from inclement weather will be removed. In anticipation of severe weather events, VRBH states that the relocation of hospitals in need of replacement off-island is a directed alternative. VRBH also contends that HCA Hospitals will retain a market share that exceeds 20 percent and that the forecasted utilization from the replacement facility is derived from a shift of Venice Regional patients from the existing site to the replacement facility. VRBH anticipates that the utilization increase in the service area will more than offset any slight shifts in market share.

VRBH states that case 15-00130CON to replace Plantation General Hospital is precedent that counters HCA Hospitals' determination that institution specific need factors do not weigh in favor of application approval.

VRBH also states that it has pursued due diligence in securing a site sufficient in size to accommodate a replacement hospital and ancillary infrastructure and ensuring that the proposed site is consistent with the existing Venice Regional Service Area. In evaluation of the accessibility of its proposed site, VRBH references that it conditions CON approval of its application on the maintenance of outpatient services within zip code area 34285 thereby ensuring access for Venice Island residents. In response to driving time analysis completed by HCA Hospitals, VRBH expresses that its replacement facility will be centrally located and eliminates potential concerns that arise with major storms.

In response to impact analysis completed by HCA Hospitals, VRBH states that discharges at the zip code level are not accounted. VRBH contends that overall impact to utilization to ECH and FMH will be fully offset by the annual growth in the service area.

VRBH states that the replacement hospital will also enhance access to the residents by nature of its location, replaces the hospital access point, and maintains a free standing emergency room and supports outpatient services at the existing hospital (an additional access point). VRBH explains that the elimination of system failures will ensure that access to care is uninterrupted and will stand as an improvement from the current risk of system failures. VRBH states that ensuring that access to care

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remains uninterrupted by system failures is a distinct feature of access, availability, and utilization.

A table is provided in illustration of the enhanced access projected from the replacement hospital on Page 7 of the Response to HCA Hospitals Written Statement of Opposition.

The applicant states that approval of the proposed project will require competing hospitals to ensure quality and cost effectiveness as opposed to taking advantage of physical plant issues at the existing VRBH campus.

While VRBH states to lack a payor condition it states to provide its fair share of care to Medicaid patients and medically indigent persons. VRBH cites the following conditions of approval for CON Application#10458 as evidence of the intent to target the underserved:

- Provide a minimum of 8 percent of its inpatient days to Medicaid, Medicaid HMO, other state and local government, charity care, self-pay and underinsured patients on an annual basis.
- Continue to provide financial and personnel support, including physicians, for the area free clinic, Good Samaritan Pharmacy and Health Services.
- Continue to provide scholarships for healthcare related education programs.

The applicant concludes by stating that VRBH is the preferred and primary provider within the Venice area and the replacement hospital is necessary for the continued provision of high quality healthcare services for residents of the service area. VRBH anticipates that despite capital investments into improvements to its existing campus that infrastructural issues will continue. VRBH maintains that investments to correct infrastructural issues at the existing campus will not extend the useful life of the hospital and will interrupt operations and patient care. VRBH anticipates that the replacement hospital is necessary, will enhance access, create an additional access point, increase the extent of utilization in the Service Area, and appropriately address the situation and foster quality competition.

In response to the written statement of opposition submitted by Sarasota Memorial Hospital VRBH states that CHS is fully invested in implementing the replacement hospital to best meet the needs of service area residents. VRBH states that the existing campus resides on a landlocked area which restricts expansion and renovations. VRBH cites that opposition fails to note that the initial building was a hotel (circa 1926) which was retrofitted into the initial hospital of the existing campus.

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VRBH states that its decision to omit obstetrics from its proposed replacement facility is conditioned by the following abbreviated points:

- Obstetrics volume at Sarasota Memorial does not demonstrate a need for decompression; there is also no seasonality reflected in the program
- There are already two acute care providers, including Bayfront Health Port Charlotte, serving the local obstetrics patients with very significant high quality maternity programs. And both of these available hospitals have capacity for any increase (although decreasing)
- Calendar year 2015 demand for obstetrics services demonstrates a further decrease in obstetrics cases within the service area.
- Total forecasted obstetrics cases in the Service Area with current use rates are declining in use rates both do not support a third provider

VRBH also states that its replacement will maintain the current distribution of hospitals: 4 hospitals in the subdistrict and 6 hospitals serving the service area. VRBH also indicates that the overall number of beds within the subdistrict will decrease as it will delicense 102 beds with its proposed project.

VRBH also states that it has full control of the land and associated land closing schedule in identification of the zip code in which the replacement hospital will be located. VRBH anticipates that the proposed site of the replacement facility will enhance access for all residents with the exception of residents of the current home zip code which is located on the island. VRBH also cites support from community residents off and on island who support the proposed location. VRBH cites that it will maintain an outpatient presence on Venice Island, including a freestanding emergency department, supporting ancillary/diagnostic services and other outpatient services. VRBH qualifies that the cost of running outpatient services is inconsequential to the CON process.

VRBH states that the replacement hospital will also enhance access to the residents by nature of its location, replaces the hospital access point, and maintains a free standing emergency room and supports outpatient services at the existing hospital (an additional access point). VRBH explains that the elimination of system failures will ensure that access to care is uninterrupted and will stand as an improvement from the current risk of system failures. VRBH states that ensuring that access to care remains uninterrupted by system failures is a distinct feature of access, availability, and utilization.

VRBH also counters claims that a share of project costs will be assumed by south Sarasota County. VRBH states that as a tax-paying entity it will continue to pay taxes at the existing campus and new hospital site.

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In response to criticisms of the quality of care provided at VRBH, the applicant states that more than 50 percent of Florida Hospitals are 2 stars or less and less than 50 percent are 3 stars or more. VRBH also evaluates metrics of quality ratings which result in downward pressure on overall ratings. VRBH states that it has never had a readmission rate which resulted in repayment to Medicare which demonstrates a strong indication of quality and services aside from patient experience and the impact the patient environment has on the patient's view of the hospital. VRBH provides additional narrative descriptions of its readmission and mortality ratings and states that a replacement hospital will only stand to improve Venice Regional's ranking.

In evaluation of service area comparisons, VRBH that the Venice Regional Service Area has three more zip codes to its south within the defined and demonstrated Service Area and that the population, utilization, and discharges are greater in the Venice Regional Service Area than service area of the co-batched applicant, Sarasota Memorial Hospital. VRBH contends that comparisons of the population of the total service area with the Primary Service Area and Secondary Service Area combined should be considered. VRBH maintains that its total service area has a larger population, seniors, discharges, and better access to the VRBH replacement hospitals. VRBH maintains that the replacement hospital is not competitive as SMH seeks to establish a new hospital in a new service area for the purpose of gaining market share in the subdistrict, while VRBH seeks to improve access, availability, and utilization of its existing patients and staff.

VRBH maintains that the replacement facility will enhance access and improve functionality and cites case 15-000130CON to replace Plantation General Hospital as precedent for approval of its proposed replacement hospital.

VRBH also notes that having local zoning in place is not a statutory obligation for CON approval of its proposed project and states that it commits to implementing the replacement hospital within the zip code 34292.

VRBH states that CHS is fully invested in implementing the replacement hospital. VRBH indicates that access will be improved for all residents of southern Sarasota County and that potential negative impacts that occur from inclement weather will be removed. In anticipation of severe weather events, VRBH states that the relocation of hospitals in need of replacement off-island is a directed alternative.

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VRBH also states that the schedule of work included within the CON application between 2016 and 2020 is the beginning scope of work to be accomplished if the replacement hospital is not pursued. VRBH states the intent to readjust the timing and implementation of planned projects at the existing campus in tandem with preparation for the replacement hospital and disputes any estimates projected for renovation costs at the existing campus prior to the opening of the replacement hospital.

VRBH maintains that Venice Regional Hospital will not impact SMH because it is not a significant provider in the proposed service area. VRBH also states that as a tax-paying entity (e.g. sales and property) it supports the local economy in contrast to SMH which receives ad valorem taxes.

While VRBH states to lack a payor condition it states to provide its fair share of care to Medicaid patients and medically indigent persons. VRBH cites the following conditions of approval for CON Application#10458 as evidence of the intent to target the underserved:

- Provide a minimum of 8 percent of its inpatient days to Medicaid, Medicaid HMO, other state and local government, charity care, self-pay and underinsured patients on an annual basis.
- Continue to provide financial and personnel support, including physicians, for the area free clinic, Good Samaritan Pharmacy and Health Services.
- Continue to provide scholarships for healthcare related education programs.

The applicant concludes by stating that VRBH is the preferred and primary provider within the Venice area and the replacement hospital is necessary for the continued provision of high quality healthcare services for residents of the service area. VRBH anticipates that despite capital investments into improvements to its existing campus that infrastructural issues will continue. VRBH maintains that investments to correct infrastructural issues at the existing campus will not extend the useful life of the hospital and will interrupt operations and patient care. VRBH anticipates that the replacement hospital is necessary, will enhance access, create an additional access point, increase the extent of utilization in the Service Area, appropriately address facility needs, and foster quality competition.

H. SUMMARY

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10457), an independent hospital district and owner/operator of Sarasota Memorial Hospital, proposes to establish a new 90-bed acute care hospital consisting of: 80 adult medical/surgical beds and 10 obstetric (LDRP) beds. The proposed facility will also include a 20-bed observation unit and 25 emergency care treatment rooms. The proposed facility will be located in the Nokomis/Venice area of south Sarasota County, Florida, within ZIP Code 34275.

The applicant indicates that the proposed facility addresses the following points:

- There is a growing need for health care services in Subdistrict 8-6, in particular the medically underserved, elderly, and maternity population in south Sarasota County.
- Capacity constraints at SMH prevent additional expansion resulting in lack of availability and accessibility for inpatient services to residents of the Proposed PSA/SSA.
- The proposed project (SMH at Laurel Road) will foster competition and promote quality and cost effectiveness for residents, not just of the PSA/SSA, but all residents of Sarasota County (Subdistrict 8-6).
- The need to continue to provide care pursuant to the District's mandated mission.

The applicant offers 12 ZIP Codes to account for the total proposed service area. Seven ZIP Codes account for the primary service area (PSA) Five ZIP Codes comprise the secondary service area (SSA).

Primary Service Area Zip Codes

- 34287 North Port
- 34293 Venice
- 34275 Nokomis
- 34286 North Port
- 34285 Venice
- 34292 Venice
- 34288 North Port

Secondary Service Area Zip Codes

- 34223 Englewood
- 34229 Osprey
- 34224 Englewood
- 34291 North Port
- 34289 North Port

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The applicant proposes the following conditions in its Schedule C:

- The proposed new hospital will be located at the southwest corner of the intersection of Laurel Road and Interstate 75.
- The proposed new hospital will provide needed medical care to all patients in need, regardless of ability to pay.
- The proposed new hospital will provide at least 13 percent of its patient volume to Medicaid, Medicaid Managed Care, non-payment, self-pay, and charity patients.
- A new Community Medical Clinic operation will be established at the proposed new hospital, with a minimum of \$100,000 per year committed to support this important community health initiative.
- A minimum of \$100,000 per year will be provided by Sarasota Memorial Hospital to enhance the ability of the existing local transportation networks to access the new hospital and to enhance access to health care facilities and services in South Sarasota County.
- A total of 90 acute care beds will be delicensed from the Sarasota Memorial Hospital main campus and transferred to the new facility upon licensure of the new hospital.

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458) also referenced as Venice HMA, VRBH, Venice Regional, or the applicant proposes to establish a replacement for the existing 312-bed Venice Regional Bayfront Health Hospital which will consist of 210 acute care beds: 30 intensive care and 180 medical/surgical beds. The applicant will maintain outpatient services at the existing campus via a freestanding emergency department and supporting diagnostic services.

The applicant indicates that the proposed facility is needed in light of limited space at the existing hospital for on-campus development, the impact of potential renovations on operations and availability of beds, and parking challenges. The applicant notes that infrastructural challenges in the form of pipe breakages and system failures have adversely impacted VRBH operations.

The applicant's primary service area (PSA) is comprised of five zip codes and 10 zip codes comprise the applicant's secondary service area.

Primary Service Area Zip Codes:

34293 Venice

34285 Venice ¹

34292 Venice

34275 Nokomis ²

34223 Englewood ³

¹ P.O. Box 34284 is included in zip code area 34285

² P.O. Box 34274 is included in zip code area 34275

³ P.O. Box 34295 is included in zip code area 34223

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Secondary Service Area Zip Codes:

34287 North Port
34224 Englewood
33947 Rotonda West
34286 North Port
34229 Osprey
33981 Port Charlotte
34291 North Port
33946 Placida
34288 North Port
34289 North Port

The applicant, VRBH, provides the following set of conditions of approval for CON Application #10458 in its Schedule C:

- Location: Zip code area 34292.
 - Percent of particular population group to be served:
The replacement hospital will provide a minimum of 8 percent of its inpatient days to Medicaid, Medicaid HMO, other state and local government, charity care, self-pay and underinsured patients on an annual basis.
- Special Programs**
- Maintain an outpatient presence in the Venice zip code area 34285.
 - Work with the city of Venice to evaluate other healthcare services to be placed on the island.
 - Maintain physician and outpatient presence in North Port.
 - Work with the North Port officials including seeking to serve on its Task Force to define needed healthcare services in the North Port community.
 - Continue to provide financial and personnel support, including physicians, for the area free clinic, Good Samaritan Pharmacy and Health Services.
 - Continue to provide scholarships for healthcare related education programs.
 - Continue to provide first response tents and personnel for Venice area events.
 - Continue to provide sponsorships for Venice area events.
 - Continue to oversee American Heart Association instructors in the Venice area.
 - Host education and wellness seminars for the community a minimum of once per quarter

Need

For the 12-month period ending on December 31, 2015 District 8, Subdistrict 8-6 had 1,217 licensed acute care beds and a utilization rate of 44.63 percent. The subdistrict (8-6) utilization rate was lower than the total utilization rate for District 8, or, 55.87 percent and the statewide utilization rate, 57.58 percent. Doctors Hospital of Sarasota was the only hospital within subdistrict 8-6 with a utilization rate that exceeded the utilization rates of District 8 and the state.

District 8, Subdistrict 8-6, does not currently have a CON approved general hospital project in pending licensure.

**Sarasota County Public Hospital District d/b/a
Sarasota Memorial Hospital (CON application #10457)**

The applicant attributes other areas of need for its proposed project in light of the following factors:

- Population growth, especially among those 65 and older, in this area is placing additional demands on health care services in the area.
- Seniors who live in the area experience heavy traffic volumes and resultant driving difficulties when driving to the SMH main campus.
- Sarasota Memorial Hospital is experiencing severe capacity issues at the main campus. A south county location would help to mitigate these issues by giving south county residents a more convenient option to the main campus.

**Venice HMA Hospital, LLC d/b/a
Venice Regional Bayfront Health (CON application#10458)**

In explanation of need for the proposed project, the applicant states that infrastructural failures, hospital design, function, and sizing lag behind contemporary standards of care, technological advances, equipment, information technology, patient acuity, and poses a barrier to healthcare delivery. The applicant also maintains that the existing site prevents necessary expansion and improvement and that renovation investments would be both costly and futile in extending the useful life of Venice Regional.

The applicant contends that the current location of the existing facility presents barriers to improvement and expansion and challenges operations.

Written Statement(s) of Opposition

**Sarasota County Public Hospital District d/b/a
Sarasota Memorial Hospital (CON application #10457)**

The Agency received three written statements of opposition, one each from representatives of Bayfront Health Port Charlotte (BHPC), Englewood Community Hospital/Fawcett Memorial Hospital (ECH/FMH) and Venice Regional Bayfront Health.

Opposition stated that the proposed project should be denied based on the following reasons:

Bayfront Health Port Charlotte (BHPC)

- BHPC maintains that it has the capacity, service-mix, and geographic accessibility and coverage that the proposed project would offer.
- BHPC also insists that SMH has sufficient bed vacancy to meet the needs of residents in South Sarasota County.
- BHPC concludes that decompression is unnecessary based on existing trends in the volume of obstetric, pediatric, and surgical patients at the applicant's existing campus.
- Given the provision of care of existing providers, like BHPC, BHPC states that care provided by existing providers in the service area counters the applicant's assertions that there are financial, geographic, or program issues affecting care in the region.
- BHPC states that there are lower cost providers than Sarasota Memorial Hospital, the applicant does not foster competition that promotes cost effectiveness with regard to the Medicaid program, and that the provision of Medicare is costlier through the applicant as a result of add-on payments.

Englewood Community Hospital, Inc. (ECH) and Fawcett Memorial Hospital Inc. (FMH) (ECH/FMH)

- ECH states that the targeted service area of the proposed project currently enjoys robust competition, with six existing acute care hospitals that provide care to area residents.
- ECH maintains that the proposed facility will not significantly improve the accessibility, availability, or quality of acute care services to residents of south Sarasota County and that an additional hospital is not needed to meet inpatient acute care needs of the residents in the area.
- ECH states that the applicant's proposal does not identify any community, regional or population group-specific need that is not already being met by existing hospitals.
- ECH indicates that the applicant has sufficient private rooms to address conditions the applicant outlines are essential for private

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room health delivery and that the convenience is different from need and that convenience is insufficient justification for the proposal of a new hospital.

Venice Regional Bayfront Health (VRBH)

- VRBH states that the applicant has not demonstrated that there are issues of access, availability, and quality that would require the addition of a new hospital in South Sarasota County and that existing area providers are sufficiently equipped, staffed, and operated to provide the necessary services to the entirety of the subdistrict in which the applicant's proposed service area.
- VRBH contends that the applicant's existing site does not need to be decompressed and that infrastructural expansions are currently underway to accommodate capacity at Sarasota Memorial Hospital.
- VRBH states that decompression is unnecessary based on existing trends in the volume of obstetric, pediatric, and surgical patients at the applicant's existing campus.
- VRBH states that the applicant has not demonstrated need for underserved care in the proposed service area, barriers to care for maternity and obstetrical cases, or constraints to access as an actual proportion of elderly drivers.
- Given the provision of care of existing providers, like VRBH, the VRBH states that care provided by existing providers in the service area counters the applicant's assertions that there are financial, geographic, or program issues affecting care in the region.
- VRBH anticipates that Sarasota County hospitals and providers will suffer from the "cannibalization" of the healthcare workforce by Sarasota Memorial Hospital's proposed project that will potentially manifest as: impacts on staffing, turnover, recruitment, upward pressures and wages and benefits, and additional financial and operational implications on existing providers.

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458)

The Agency received two written statements of opposition, one each from representatives of Englewood Community Hospital/Fawcett Memorial Hospital (ECH/FMH) and Sarasota Memorial Hospital.

Opposition stated that the proposed project should be denied based on the following reasons:

Englewood Community Hospital, Inc. (ECH) and Fawcett Memorial Hospital (FMH) (ECH/FMH)

- ECH explains that VRBH has failed to perform adequate assessments of the building, infrastructure, and operating systems prior to purchase due to failures in managing the transition of ownership.
- ECH questions if the applicant, VRBH, can acquire adequate executive, developmental, and managerial expertise to see the project into fruition as presented.
- ECH explains that hospitals proximal to the proposed service area have adequate unoccupied beds to meet the anticipated increase in patient days through 2022, as projected in CON application #10458.
- ECH contends that in the event that need for a new facility is justified in light of infrastructural shortcomings, VRBH has failed to demonstrate how the location of the new site would be appropriate or reasonable and how the proposed site's location would affect existing service area providers that provide similar services.

Sarasota County Public Hospital District (SCPHD), Sarasota Memorial Hospital (SMH)

- Sarasota Memorial Hospital states that as a co-batched applicant SMH provides a stronger case and a better track record than the application submitted by VRBH in terms of proposed health care services, improved access to care for seniors, mothers, and other traditionally underserved populations, the enhancement of Medicaid availability, and increased competition to promote quality of care.
- SMH states that residents may incur costs and that there is no evidence that authorization or commitment to the costs of the proposed project are demonstrated from the senior executive officers.
- SMH states that the volume lost at VRBH has been absorbed by SMH and that the loss of utilization and market share at VRBH are attributable to reasons beyond facility failures and cites a shift in consumer allegiance to providers other than VRBH.
- SMH states that infrastructural issues do not address the most logical utilization option of decompressing the campus in light of utilization at the existing site which SMH expects can transition to all private rooms given proper design and phased renovation planning.
- SMH also does not find expect that renovations can be delayed until after the proposed site becomes fully functional.

The Agency has determined in weighing and balancing the statutory criteria of 408.035 (2), F.S., that each applicant has satisfied the statutory criteria. In addition, the Agency finds that based upon the information provided by the applicants—approval of the applications collectively will enhance access to healthcare for residents of the service

district and will foster competition that promotes quality and cost-effectiveness. Further, the Agency finds that approval of the applicants collectively will increase accessibility and availability of healthcare services to residents of the subdistrict.

Competition

Sarasota County Public Hospital District d/b/a

Sarasota Memorial Hospital (CON application #10457), maintains that the proposed facility will present a competitive alternative to Venice Regional Bayfront Health. The applicant states that its proposed project will also provide a high quality and cost-effective competitive alternative to the existing provider's current operations. SCPHD maintains that it provides higher quality and less expensive care when compared to Venice Regional.

The applicant contends that the proposed facility is expected to generate a positive operational bottom line to the health system and a positive impact that may be achieved if fixed costs to the expense structure can be spread over a larger volume base. SCPHD indicates that the impact on facility charges is expected to be minimal as the proposed project is expected to be financially viable.

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458)

The applicant anticipates that a replacement facility would be a cost-effective approach that would foster competition through enhancing the capacity to provide patient care in an unobstructed manner. The applicant notes that its existing performance measures will improve with a replacement facility as the ability to focus on hospital operations in a contemporary standard of care will be enhanced. The applicant anticipates that a new facility will serve to improve both the quality of care provided and competition.

Medicaid/charity care:

Sarasota County Public Hospital District d/b/a

Sarasota Memorial Hospital (CON application #10457)

The applicant conditions that, at a minimum, the proposed hospital will provide at least 13 percent of its patient volume to Medicaid, Medicaid Manage Care, non-payment, self-pay and charity patients combined.

Florida Hospital Uniform Reporting System data indicates that during FYE June 30, 2015, Medicaid, Medicaid HMO and charity care accounted for 17.82 percent Sarasota Memorial Hospital's patient days. Overall,

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District 8 acute care facilities averaged 15.14 percent Medicaid, Medicaid HMO and charity care patient days, during this same time frame.

Sarasota Memorial Hospital participates in the LIP and the DSH programs. The applicant's SFY 2015-2016 total LIP allocation was \$11,410,708 and the total DSH allocation was \$3,269,790. The applicant's LIP allocation received was \$11,410,708 and the applicant's DSH allocation received was \$3,245,363 as of September 20, 2016.

Venice HMA Hospital, LLC d/b/a

Venice Regional Bayfront Health (CON application #10458)

The applicant conditions CON approval on the provision of a minimum of 8 percent of its inpatient days to Medicaid, Medicaid HMO, other state and local government, charity care, self-pay and underinsured patients on an annual basis.

Florida Hospital Uniform Reporting System data indicates that during FYE June 30, 2015, Medicaid, Medicaid HMO and charity care accounted for 3.56 percent of Venice Regional Bayfront Health's patient days. Overall, District 8 acute care facilities averaged 15.14 percent Medicaid, Medicaid HMO and charity care patient days, during this same time frame

The applicant does not participate in LIP or DSH programs.

I. RECOMMENDATION:

Approve CON #10457 to establish a 90-bed acute care hospital in Sarasota County, District 8, Subdistrict 8-6.

CONDITIONS:

The proposed new hospital will be located at the southwest corner of the intersection of Laurel Road and Interstate 75.

- The proposed new hospital will provide needed medical care to all patients in need, regardless of ability to pay.
- The proposed new hospital will provide at least 13 percent of its patient volume to Medicaid, Medicaid Managed Care, non-payment, self-pay, and charity patients.
- A new Community Medical Clinic operation will be established at the proposed new hospital, with a minimum of \$100,000 per year committed to support this important community health initiative.
- A minimum of \$100,000 per year will be provided by Sarasota Memorial Hospital to enhance the ability of the existing local transportation networks to access the new hospital and to enhance access to health care facilities and services in South Sarasota County.

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- A total of 90 acute care beds will be delicensed from the Sarasota Memorial Hospital main campus and transferred to the new facility upon licensure of the new hospital.

Approve CON #10458 to establish a 210-bed replacement acute care hospital in Sarasota County, District 8, Subdistrict 8-6.

CONDITIONS:

- Location: Zip code area 34292.
- Percent of particular population group to be served:
The replacement hospital will provide a minimum of 8 percent of its inpatient days to Medicaid, Medicaid HMO, other state and local government, charity care, self-pay and underinsured patients on an annual basis.

Special Programs

- Maintain an outpatient presence in the Venice zip code area 34285.
- Work with the city of Venice to evaluate other healthcare services to be placed on the island.
- Maintain physician and outpatient presence in North Port.
- Work with the North Port officials including seeking to serve on its Task Force to define needed healthcare services in the North Port community.
- Continue to provide financial and personnel support, including physicians, for the area free clinic, Good Samaritan Pharmacy and Health Services.
- Continue to provide scholarships for healthcare related education programs.
- Continue to provide first response tents and personnel for Venice area events.
- Continue to provide sponsorships for Venice area events.
- Continue to oversee American Heart Association instructors in the Venice area.
- Host education and wellness seminars for the community a minimum of once per quarter

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Marisol Fitch
Health Administration Services Manager
Certificate of Need