

**STATE AGENCY ACTION REPORT**  
**ON APPLICATION FOR CERTIFICATE OF NEED**

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Leesburg Regional Medical Center/CON #10425**

600 East Dixie Avenue  
Leesburg, Florida 34748

Authorized Representative: Donald G. Henderson  
Chief Executive Officer  
(352) 323-5001

2. Service District/Subdistrict

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

**B. PUBLIC HEARING**

A public hearing was not held or requested on the proposed project to establish a new 21-bed Class 3 adult inpatient psychiatric hospital through the conversion of a current Class 3 rehabilitation hospital in District 3.

**Letters of Support**

**Leesburg Regional Medical Center, Inc. (CON #10425)**, submitted many letters of support, located in the application's Exhibit B. The majority of the support letters submitted by the applicant were form letters, written by various medical professionals at Leesburg Regional Medical Center, The Villages Regional Hospital as well as several elected local and state officials. The letters received from local and state officials, as well as other advocates included the following:

- D. Alan Hays, State Senator, District 11
- Jay Hurley, Mayor, Leesburg
- Al Minner, City Manager, Leesburg
- H. Marlene O'Toole, State Representative, District 33

The main points expressed in the support letters are:

- Leesburg Regional Medical Center has not been able to transfer elderly patient to local psychiatric hospitals because of medical comorbidities—delaying needed psychiatric treatment. Often, the facility must keep the elderly patients in its acute care setting when an inpatient psychiatric setting would be more appropriate.
- Leesburg Regional Medical Center's proposed psychiatric hospital will address the mental health needs of patients and be able to address and attend to existing medical comorbidities/diagnosis.
- A significant portion of the population 65+ experience specific mental disorders that are not part of "normal" aging, if approved the project would allow hospitals within Central Florida Health Alliance to offer this age cohort a full range of complementary medical services.
- The proposed project would be of great benefit to the community and ensure access to high quality, specialized care.
- Many individuals have an immediate need for treatment to modify various behaviors that impair their quality of life; these needs would be addressed by Leesburg Regional Medical Center.

Ms. Beth Eaves, Director of Case Management for the Central Florida Health Alliance, wrote a letter of support citing complications in transferring patients to existing psychiatric inpatient settings--noting specific examples of cases where transfer to an existing psychiatric facility was not possible or when a transfer was done which resulted in an immediate readmission to the acute hospital setting. A number of other case management staff wrote letters of support citing similar concerns.

### **Letters of Opposition**

The Agency received several letters of opposition to this project.

The Vines Hospital (The Vines) provided a comprehensive statistical analysis of the proposed project prepared by National Healthcare Associates (NHA) and presents key points based on the findings. The Vines states the following:

- The Agency published a net need of zero additional beds in District 3 based on the need methodology formula which indicates there are sufficient beds now and through the July 2021 planning horizon to accommodate the District 3 adult population.

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- There are seven existing adult psychiatric hospital providers in District 3, making it a well-served region with a host of special programs focused on various behavioral health needs.
- Five of the seven hospital providers are freestanding hospitals, including one in Lake County.
- The Vines is in the process of converting adolescent residential beds to adult psychiatric beds to meet all incremental need in the 2021 planning horizon.
- There are no issues within District 3 relative to accessibility, availability, extent of utilization or any not normal circumstances related to programmatic, cultural, financial or geographic access that rise to any level to support approval of the proposed project.
- Given natural barriers and geographic travel patterns throughout north central Florida, any incremental need that exists in and around Lake County will be met by existing hospital providers.
- There is minimal outmigration of District 3 residents for psychiatric treatment.
- A new psychiatric hospital would ultimately draw patients from the same pool as the other existing psychiatric hospitals, adversely and significantly impacting each of them.
- Approval of the 21-bed project would cause the portion of District 3's allocated general hospital beds to decrease further, as only 13 percent of District 3's adult psychiatric beds are allocated to general hospitals, thus impairing financial access as opposed to addressing if any exist.

In addition, NHA and The Vines maintain that there were 18 patients (average of six per year) District 3 residents discharged from Leesburg Regional Medical Center emergency room to a psychiatric facility during the three-year period ending June 30, 2015. Steven A. Grigas of Akerman Senterfitt Law Firm submitted 15 letters of opposition on behalf of LifeStream Behavioral Center, Inc. (LifeStream). Opposition to the proposed project included representatives of Meridian Behavioral Healthcare; Lake Community Action Agency, Inc.; The Centers, Inc., Florida Alcohol and Drug Abuse Association; and the Florida Council for Community Mental Health. The shared sentiments expressed in these letters are:

- The proposed project by Leesburg Regional Medical Center, Inc. will not promote either quality or cost effectiveness and will not foster competition between the area's providers.
- Leesburg Regional Medical Center's proposed project would duplicate existing services.
- The proposed addition of 21 psychiatric beds in Lake County is not justified by the current and projected demand for service.

- LifeStream, as a Community Mental Health Center and designated Baker Act facility, offers a full range of services to the mentally ill, including hospitalization, medication and therapy services.
- LifeStream currently operates at a 79 percent occupancy rate. As such, there is no need for the additional beds. The projected bed need that has been calculated by the state does not support the need for any additional beds in this area.
- LifeStream is a well-established, high quality provider of psychiatric services for Lake County.

**C. PROJECT SUMMARY**

**Leesburg Regional Medical Center, Inc. (CON #10425)**, also referenced as LRMC or the applicant, a subsidiary of Central Florida Health Alliance, Inc.(CFHA), a not-for-profit health care system, proposes to establish a new 21-bed Class 3 adult inpatient psychiatric hospital in District 3, Lake County. The proposed project will be located on the applicant's north campus and will be referenced as LRMC-N.

The applicant indicates the proposed project involves converting the existing Class 3 rehabilitation hospital located at LRMC-N to a Class 3 adult psychiatric hospital. LRMC-N's existing rehabilitation beds will be delicensed concurrent with the opening of the comprehensive medical rehabilitation unit at LRMC's sister facility The Villages Regional Hospital pursuant to CON #10128. LRMC notes that the north campus is physically located approximately one mile from the main LRMC campus. The applicant states the proposed psychiatric program will be incorporated into the overall acute care operations of LRMC and that all of the acute care resources and services will be available to patients treated at LRMC-N.

The proposed project involves a total cost of \$2,851,469. The total project cost includes building, equipment, project development and start-up costs. The applicant indicates that the project consists of 10,620 gross square feet (GSF) of renovation at a total renovation cost of \$2,030,719.

The applicant states that it would represent special features and unique circumstances that shall appear as conditions for CON application #10425—the reviewer notes that the applicant did not include any attached pages to detail the conditions as indicated on Schedule C. The reviewer notes that the applicant only checked the box related to the following, but offered no specific language for conditions:

- Specific site within the subdistrict
- Percent of a particular population subgroup to be served
- Special programs
- Other specified conditions

**D. REVIEW PROCEDURE**

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes. 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 best meets the review criteria.

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

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

As part of the fact-finding, the consultant, Dwight Aldridge analyzed the application in its entirety with consultation from the financial analyst, Derron Hillman of the Bureau of Central Services, who evaluated the financial data, and Gregory Register of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

**E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA**

The following indicate the level of conformity of the proposed project with the review criteria and application content requirements found in Sections 408.035, and 408.037; applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code.

**1. Fixed Need Pool**

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

In Volume 42, Number 10, dated January 15, 2016 of the Florida Administrative Register, a fixed need pool of zero beds was published for adult inpatient psychiatric beds in District 3 for the July 2021 planning horizon.

As of January 15, 2016, District 3 had 247 licensed adult inpatient psychiatric beds and 46 CON approved adult inpatient psychiatric beds. District 3’s occupancy rate for the 12-month period ending June 30, 2015 was 78.21 percent. The applicant is applying to establish a new 21-bed Class 3 adult inpatient psychiatric hospital by converting the existing LRMC Class 3 rehabilitation hospital, outside the fixed need pool. Of the seven facilities in District 3 with licensed adult inpatient psychiatric beds, two are general hospital (Class 1) and five are freestanding (Class 3). These facilities are as follows:

**District 3 Adult Inpatient Psychiatric Utilization  
12-Month Period Ending June 30, 2015**

<b>Facility</b>	<b>County</b>	<b>Service Class</b>	<b># Adult Beds</b>	<b>Adult Occupancy</b>
LifeStream Behavioral Center	Lake	Class 3	41	95.80%
North Florida Regional Medical Center (Licensed 2/7/14)	Alachua	Class 1	20	80.81%
Shands at Vista	Alachua	Class 3	46	83.72%
Shands Hospital at the University of Florida	Alachua	Class 1	10	89.95%
Springbrook Hospital	Hernando	Class 3	61	56.93%
The Centers, Inc.	Marion	Class 3	15	87.01%
The Vines	Marion	Class 3	42	79.11%
<b>District 3 Total</b>			<b>247</b>	<b>78.21%</b>

*Source: Florida Hospital Bed Need Projections and Service Utilizations by District, April 2016 Batching Cycle*

The following chart contains the population estimates for the total adult population (age 18 and older) in District 3 by county for January 2016 and the July 2021 planning horizon.

**Population Estimates for District 3 (Population Age 18 and Over)  
And Percent Change by County from  
January 2016 to the July 2021 Planning Horizon**

<b>County</b>	<b>Population Age 18 And Over January 2016</b>	<b>Population Age 18 And Over July 2021</b>	<b>Percent Change</b>
Alachua	208,669	221,276	6.04%
Bradford	21,953	22,827	3.98%
Citrus	124,121	133,348	7.43%
Columbia	54,734	58,634	7.13%
Dixie	13,756	14,722	7.02%
Gilchrist	13,917	14,960	7.49%
Hamilton	11,999	12,453	3.78%
Hernando	149,002	166,394	11.67%
Lafayette	6,989	7,386	5.68%
Lake	258,793	295,243	14.08%
Levy	33,407	36,326	8.74%
Marion	286,846	317,593	10.72%
Putnam	57,082	57,837	1.32%
Sumter	106,925	131,315	22.81%
Suwannee	35,646	38,200	7.16%
Union	13,315	13,746	3.24%
<b>District Total</b>	<b>1,397,154</b>	<b>1,542,260</b>	<b>10.39%</b>
<b>State Total</b>	<b>15,825,697</b>	<b>17,133,590</b>	<b>8.26%</b>

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

As shown in the previous chart, District 3’s population age 18 and over is expected to experience 2.13 percent higher growth rate than the state. Lake County’s population age 18 and over is anticipated to grow a total of 14.08 percent. This represents a growth rate that is 3.69 percent greater than the district overall, and is 5.82 percent greater than the state overall. Lake County is projected to account for 19.14 percent of the district’s total July 2021 age 18 and over population.

**b. “Not Normal” Circumstances.**

LRMC states it is applying under “not normal” circumstances to establish a 21-bed, Class 3 adult inpatient psychiatric hospital in Lake County. The applicant states to have identified a need for additional adult psychiatric beds in District 3 and contents that LRMC is qualified to fulfill this need through the development of the proposed project.

The applicant cites the following special circumstances to support approval for CON application #10425:

- Projected demographic changes, particularly in the elderly population cohorts, indicate a projected increase in the need for psychiatric programs focused on the geriatric population
- The lack of availability and low use of inpatient psychiatric services for patients 65+ in the service area and in District 3

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- Sumter County's use rate for inpatient psychiatric patients is approximately 47 percent lower than the use rate for District 3 and approximately 50 percent lower than the use rate for Florida, indicating a disparity within the area
- The lack of acute hospital based gero-psychiatric programs capable of treating patients having other medical comorbidities
- Evidence of need from CFHA's emergency department patient base
- The proposed program at LRMC would not create adverse impact of existing psychiatric providers within District 3
- The written demonstrated support for the proposed adult psychiatric program provided by physicians, clinicians and case managers along with other providers of elder care

LRMC states that 20 percent of the 55+ population suffer from a mental disorder but less than three percent of older adults reported seeking a mental health professional. The applicant identifies several challenges in the geriatric behavioral health population accessing specialized care including:

- Geriatric patients choosing to seek treatment in their primary care setting instead of a mental health care specialty
- The lack of coordination among primary care and specialty care (such as mental health) provider
- Access barriers related to transportation

LRMC states it will address the existing barriers to care for the 65+ population due to medical comorbidities causing a gap in the utilization of appropriate care. The applicant states that the proposed program will provide:

- Educational services to community groups regarding recognition of adult and geriatric psychiatric disorders, the types of available treatment services and how to access existing treatment services at LRMC
- Establishing referral relationships with nursing homes, assisted living facilities (ALFs), home health agencies and social services agencies serving the LRMC markets—including providing initial screening services as requested
- Providing initial screening of patients for psychiatric issues as requested by primary care practitioners in the LRMC market
- Assisting the primary care practitioner, the patient and their family, in accessing services of the adult psychiatric program and also assisting with aftercare plans



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It is noted that the Agency considers adult inpatient psychiatric patients to be patients 18 years of age and older. For CON purposes, there is no Agency recognized geriatric designation for adult inpatient psychiatric patients.

The applicant notes that through LRMC's Community Education Coordinator, patients and their families will be assisted in overcoming the barriers impeding those adults having a psychiatric disorder from receiving needed services.

The applicant identifies the primary service area (PSA) of Lake and Sumter Counties and identifies Marion County as the secondary service area (SSA). LRMC indicates that the tri-county service area includes approximately 95 percent of discharges, with the PSA counties (Lake and Sumter) accounting for approximately 84 percent of the discharges. LRMC affirms that the service area for the proposed adult inpatient psychiatric program will be similar to the current service area for all other admission at CFHA facilities. LRMC provides the chart below in regards to patient origin relative to the PSA and SSA.

**Central Florida Health Alliance  
2015 Patient Origin**

<b>Service Area/County</b>	<b>LRMC</b>	<b>TVHS</b>	<b>CFHA</b>
<b>Primary Service Area</b>			
<b>Lake</b>	9,684	4,110	13,794
<b>Sumter</b>	4,318	6,286	10,604
<b>Subtotal PSA</b>	14,002	10,396	24,398
<b>Secondary Service Area</b>			
<b>Marion</b>	604	2,794	3,398
<b>Subtotal, PSA and SSA</b>	14,606	13,190	27,796
<b>Other</b>	661	777	1,438
<b>Total</b>	15,267	13,967	29,234

Source: CON application #10425, page 24

LRMC states that it is an integral component of the larger CFHA—an experienced provider with existing resources—that will allow the proposed new geriatric behavioral health program to successfully enter the psychiatric market in District 3 and efficiently establish the programs and services necessary to meet local needs. The applicant maintains that the proposed project is cost effective, as LRMC has existing physical resources at LRMC-N and is a less costly alternative to new construction.

By assessing demographic trends by county within the tri-county service area, LRMC indicates that PSA counties are expected to grow by almost 50 percent for the elderly age cohort from 2015 to 2020. The applicant states that the elderly population accounts for approximately 70 percent

of CFHA’s inpatient discharges and notes the majority were age 65+ in fiscal year (FY) 2015. The applicant indicates this supports the need for services specializing in the geriatric population. The applicant states that the projection of additional bed need, based on population growth alone is 36 beds—higher than the 21-bed proposed project. See chart below:

**Tri-County Service Area Psychiatric  
Bed Need for the 65 and Over Age Cohort, 2015 and 2020**

	<b>2015</b>	<b>2020</b>
Tri-County Market Population Age 65+	227,402	280,159
Prevalence Rate of Mental Illness	20.4%	20.4%
Estimated Population with Mental Illness	46,390	57,152
Prevalence Rate of Serious Psychological Distress (SPD) Age 65+	4.5% (10,233)	4.5% (12,607)
Percent of Cases Seeking Inpatient Treatment	40.0% (4,093)	40.0% (5,043)
Psychiatric ALOS Age 65+ (-) Days	11.0	11.0
Projected Service Area Patient Days	46,026	55,471
Projected ADC	123	152
Net Bed Need @ 80% Occupancy Threshold	154	190
<b>Increase in Bed Need Based on Elderly Population Growth</b>	<b>36</b>	

Source: CON application #10425, page 34 and AHCA Population Estimates and Projections, 2010-2030 (February 2015)

LRMC declares that the above bed need methodology is conservative as the 65+ population has a significantly lower use rate of acute mental health services in comparison to the younger demographic. The applicant indicates there are a number of factors accounting for the disparities in usage of adult inpatient psychiatric services by the geriatric population including: seeking treatment in a primary care setting instead of a mental health care specialty setting due to their coexisting physical health condition, lack of coordination among primary care and specialty providers, restrictive access to care because of transportation barriers and reluctance to be treated in general adult care settings. LRMC notes that many individuals with a primary psychiatric diagnosis are admitted to nursing homes, lowering utilization of inpatient acute geriatric psychiatric beds.

The applicant states that the identified service area (Lake, Sumter and Marion Counties) is projected to grow approximately 22 percent between 2010 and 2020. LRMC projects that the 65+ cohort will increase by 41 percent by 2020 and be approximately 32 percent of the total population for the tri-county service area. LRMC provides the following population projections for 18+ cohort as well as the 65+ cohort in the PSA and SSA.

**Central Florida Health Alliance  
Tri-County Service Area  
2010-2020 Population Projections by County  
All Ages and Select Age Cohorts**

County/Year	Total Population	18+	65+
<b>Primary Service Area</b>			
<b>Tri-County Service Area</b>			
2010	723,083	588,710	198,480
2020	879,134	727,677	280,159
<i>Percent Change</i>	21.6%	23.6%	41.2%
<b>District 3 Counties</b>			
2010	1,610,391	1,305,139	370,347
2020	1,841,570	1,516,255	503,088
<i>Percent Change</i>	14.4%	16.2%	35.8%
<b>Florida</b>			
2010	18,826,474	14,823,415	3,275,269
2020	21,217,866	16,906,794	4,339,190
<i>Percent Change</i>	14.4%	16.2%	35.8%

Source: CON application #10425, page 27

The applicant notes that the proposed project will be dedicated to caring for adult patients and will provide intensive treatment for individuals experiencing acute psychiatric disorders. LRMC affirms that the proposed project will have a specialized focus on elderly patients aged 65+ that have medical comorbidities in need of inpatient behavioral health services and will include therapeutic intervention.

The applicant reports that for the most recent 12 months (July 2014-June 2015), District 3 adult inpatient psychiatric providers had 69,787 adult patient days and an occupancy rate of approximately 78 percent. LRMC states that if Springbrook Hospital, which has the lowest occupancy rate, was excluded, the aggregate occupancy rate would be approximately 85 percent. The combined occupancy rate for the three providers within the project's tri-county service area (LifeStream Behavioral Center, The Centers, Inc. and The Vines Hospital) is approximately 86 percent with LifeStream Behavioral Center (the only provider in the proposed project's PSA) at approximately 96 percent. The applicant provides the following charts.

**District 3  
Adult Psychiatric Providers**

Facility	County	City	Beds
<b>General Hospital Facilities</b>			
North Florida Regional Medical Center	Alachua	Gainesville	20
UF Health Shands Hospital	Alachua	Gainesville	10
<b>Subtotal</b>			<b>30</b>
<b>Specialty Hospital Facilities</b>			
UF Health Shands Psychiatric Hospital	Alachua	Gainesville	46
Springbrook Hospital	Hernando	Brooksville	61
LifeStream Behavioral Center	Lake	Leesburg	41
The Centers, Inc.	Marion	Ocala	15
The Vines Hospital	Marion	Ocala	54
<b>Subtotal</b>			<b>217</b>
<b>Total, All Facilities</b>			<b>247</b>

Source: CON application # 10425, page 6

**District 3 Adult Psychiatric Providers,  
Adult Psychiatric Patient Days  
July 2014-June 2015**

Facility	County	Adult Bed Days	Adult Patient Days	Adult Occupancy
UF Health Shands Psychiatric Hospital	Alachua	16,790	14,006	.42%
UF Health Shands Hospital	Alachua	3,650	3,283	89.95%
Springbrook Hospital	Hernando	22,265	12,676	56.93%
LifeStream Behavioral Center	Lake	14,785	14,164	95.80%
The Centers, Inc.	Marion	4,764	4,764	87.01%
The Vines	Marion	15,593	15,593	79.11%
<b>District 3 Total</b>		<b>89,235</b>	<b>69,787</b>	<b>78.21%</b>

Source: CON application # 10425, page 6

The applicant states that North Florida Regional Medical Center (NFRMC) and UF Health Shands Hospital have psychiatric units within acute care hospitals in District 3 capable of accepting patients with comorbidities however, both present geographic accessibility challenges--NFRMC is 75 miles from LRMC and UF Health Shands Hospital is approximately 74 miles from LRMC.

LRMC asserts that need for the proposed program is demonstrated through both the comparison of existing demand to expected utilization based on national experience, and to provide services to the underserved population in skilled nursing facilities (SNFs) and assisted living facilities (ALFs) in the PSA and SSA. The applicant contends that elderly residents do not receive the same level of psychiatric care as other adults--reflected in a disproportionately lower use of inpatient psychiatric services. The applicant reports that the tri-county service area use rates

for the 65+ population were significantly less than the District 3 and statewide rates. The applicant provides the following use rate statistics:

- Use rates in the tri-county service area were 3.79 percent per thousand for residents age 65+ compared to 4.64 percent for District 3 residents and 4.84 percent for Florida residents.
- The tri-county service area was 18 percent lower than the District 3 rate and 22 percent lower than the state rate for psychiatric service utilization
- In District 3, the 65+ population represented approximately 17 percent of psychiatric discharges compared to approximately 25 percent of the resident population.
- The 65+ population in the tri-county service area had 17 percent of total psychiatric discharges but were approximately 29 percent of the population.

LRMC notes that it is developing the proposed project with Signet Health, a national leader in the management of behavioral health services, to provide development and management services. The applicant maintains that Signet Health has one of the most experienced groups of professionals to support an inpatient geriatric behavioral health program.

The applicant states that the proposed facility will accept patients 18+ however; the main focus will be the geriatric patient population. LRMC asserts that it examined the following information to determine need to a new adult psychiatric hospital:

- The 65+ population within the defined service area was determined.
- Based on the Mental Behavioral Health and Older Americans by the American Psychological Association, approximately 20 percent of adults aged 65+ met criteria for a mental disorder. This mental illness prevalence rate was applied to determined 65+ populations.
- Based on research, five percent of adults 65+ experience serious psychological distress (SPD)
- Research suggests that 55-60 percent of SPD patients receive inpatient treatment. LRMC's methodology assumes that 40 percent of SPD patients will receive inpatient treatment.
- The average length of stay (ALOS) was calculated to be 11.0 days, based on Signet Health's historical experience, and was applied to cases seeking inpatient treatment.

LRMC asserts that evidence of unmet service area adult psychiatric need is found by examining the high occupancy rates at existing adult psychiatric facilities in District 3--LifeStream Behavioral Center (located in Lake County) had an occupancy rate of 96 percent for FY 2014/2015. The applicant contends that although UF Health Shands Psychiatric

Hospital and Springbrook Hospital have geriatric psychiatric services, both present geographic accessibility challenges for the geriatric patient population with comorbidities. The applicant provides the following chart illustrating utilization at the adult inpatient psychiatric facilities in District 3.

**District 3 Adult Psychiatric Facilities  
July 2014-June 2015 Adult Utilization**

<b>Facility</b>	<b>County</b>	<b>Distance from LRMC (miles)</b>	<b>Distance from TVRH (miles)</b>	<b>Beds</b>	<b>Patient Days</b>	<b>Occupancy Rates</b>	<b>Dedicated Geriatric Psych Unit</b>
<b>General Hospital Facilities</b>							
North Florida Regional Medical Center	Alachua	75.0	63.6	20	5,301	80.8%	No
UF Health Shands Hospital	Alachua	74.1	62.7	10	3,283	89.9%	No
<b>Specialty Hospital Facilities</b>							
Springbrook Hospital	Hernando	77.8	66.3	46	14,006	83.4%	Yes
LifeStream Behavioral Center	Lake	54.3	63.4	61	12,676	95.8%	Yes
The Centers, Inc.	Marion	39.8	28.3	15	4,764	87.0%	No
The Vines Hospital	Marion	37.9	22.9	54	15,593	79.1%	No

Source: CON application #10425, page 32

LRMC maintains that managing the 65+ population requires special knowledge regarding possible differences in mental health presentations, co-existing and complicating chronic medical diseases, multiple medications and aging specific issues. The applicant indicates that approximately 88 percent of the 65+ population has at least one chronic health condition with 50 percent having between two and four chronic conditions.

The applicant contends that the 65+ population is more vulnerable to adverse drug effects and interactions—initiating, titrating and discontinuing medications may require a longer period to reach maintenance dosing to demonstrate efficacy.

LRMC notes that two of the most frequent co-morbidities for the 65+ population with psychiatric problems are hypertension and diabetes. The applicant lists several other comorbidities associated with the population including: Parkinson’s disease, congestive heart failure, cerebrovascular disease, anemia, cardiac arrhythmia, chronic skin ulcers, osteoporosis, thyroid disease, retinal disorders and prostatic hypertrophy. LRMC maintains that it has a full range of medical services available to this population and would be uniquely qualified to manage an elder patient population with both psychiatric and medical problems.

The applicant states it is important to note that UF Health Shands Hospital, Springbrook Hospital and LifeStream Behavioral Center all have small geriatric populations—the 65+ population makes up 10.15 and 11 percent respectively, of the patient populations at these facilities. LRMC further states that LifeStream Behavioral Center had the second lowest percentage of patients age 65+ in the planning district. LRMC states the high percentage of 65+ patients at general hospital facilities versus specialty hospital facilities stresses the importance of access to adult inpatient psychiatric services for this age cohort and supports the need for the proposed project. See the chart below:

**District 3 Adult Psychiatric Facilities Psychiatric Discharges  
Originating from Florida July 2014 – June 2015**

<b>Facility</b>	<b>Age 65 and Over</b>	<b>Total</b>	<b>Percent Age 65 and Over</b>
<b>General Hospital Facilities</b>			
North Florida Regional Medical Center	192	963	19.9%
UF Health Shands Hospital	106	322	32.9%
<b>Subtotal</b>	<b>298</b>	<b>1,285</b>	<b>23.2%</b>
<b>Specialty Hospital Facilities</b>			
UF Health Shands Psychiatric Hospital	241	2,413	10.0%
Springbrook Hospital	317	2,086	15.2%
LifeStream Behavioral Center	240	2,150	11.2%
The Centers, Inc.	156	814	19.2%
The Vines Hospital	278	2,016	13.8%
<b>Subtotal</b>	<b>1,232</b>	<b>9,479</b>	<b>13.0%</b>
<b>Total</b>	<b>1,530</b>	<b>10,764</b>	<b>14.2%</b>

Source: CON application #10425, page 33

The applicant identifies CFHA’s Emergency Department’s (ED) psychiatric patient base as additional evidence of need for the proposed project. LRMC contends that patient “boarding”, the holding of a patient in the ED while awaiting an inpatient mental health bed, increases the average wait time for all patients, creating crowding and chaos. LRMC asserts that patients with psychiatric diagnoses are more likely to frequent the ED on multiple occasions compared to patients without psychiatric illness. The applicant notes that the increase in ED visits by all patients, regardless of the diagnosis, result in increased wait times, decreased staffing capacity and decreased patient satisfaction.

The applicant notes that CFHA’s ED had a notable volume of hold days for psychiatric patients. LRMC reports that for the most recent 12-month period (July 2014-June 2015), CFHA had 327 (55 percent) patients age 65+ presenting to the ED with a psychiatric primary diagnosis from the primary service area of Lake and Sumter Counties, representing an average daily census (ADC) of 4.5 patients in FY 2015.

The applicant provides the following chart in regards to CFHA’s ED psychiatric hold days from FY 2013-2015. The reviewer notes that according to the applicant’s table, CFHA’s ED psychiatric hold days were fewer in FY 2014 and FY 2015 than in FY 2013.

**Central Florida Health Alliance  
Emergency Department Psychiatric Hold Days  
FY 2013-2015**

<b>Age Cohort</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Central Florida Health Alliance	2,297	1,278	1,672
Age 18-64	977	638	754
Age 65+	1,319	640	918

Source: CON application #10425, page 36

LRMC affirms that the proposed project has been developed to meet the continuing and growing needs of the community. The applicant asserts that the demographic overview presented reveals a service area with a strong population base, particularly the geriatric population. The applicant emphasizes, as part of the CFHA system, it must be prepared to provide inpatient behavioral health services as well as acute services to its aging patient population. LRMC states that the only major service not provided and not geographically proximate to CFHA’s hospital is adult inpatient behavioral health for the geriatric population. It is noted that the Agency considers adult psychiatric patients to be patients 18 years of age and older. For CON purposes, there is no Agency recognized geriatric designation for adult psychiatric patients.

**2. Agency Rule Criteria/Preferences**

**a. Chapter 59C-1.040, Florida Administrative Code, contain factors to be considered in the review of Certificate of Need Applications for hospital inpatient general psychiatric services for adults.**

- 1. 59C-1.040(4)(e) 1, Florida Administrative Code: Applicants shall provide evidence in their applications that their proposal is consistent with the needs of the community and other criteria contained in Local Health Council Plans, the district Alcohol, Drug Abuse and Mental Health Plan, and the State Health Plan.**

The applicant indicates that currently, there are no Local Health Council plans, Alcohol, Drug Abuse and Mental Health Plan or State Health Plan in Florida. LRMC states its proposed project is consistent with the need as evidenced by the letters of support, that the elderly population is receiving inpatient psychiatry care at



a lower use rate than is experienced on a statewide level and does not have sufficient programs/services/facilities to support their specific geriatric psychiatry needs.

2. **Rule 59C-1.040(4)(e) 3, Florida Administrative Code: In order to ensure access to hospital inpatient general psychiatric services for Medicaid-eligible and charity care adults, 40 percent of the gross bed need allocated to each district for hospital inpatient general psychiatric services for adults should be allocated to general hospitals.**

LRMC is proposing to convert its existing Class 3 rehabilitation hospital to a Class 3 adult inpatient psychiatric hospital. As of January 15, 2016, District 3 had 247 licensed inpatient adult psychiatric beds and 46 CON approved adult psychiatric beds. Twenty of these are at North Florida Regional Medical Center and ten are at UF Health Shands Hospital, both general hospital (Class 1). The remaining 217 inpatient adult psychiatric beds are in five freestanding (Class 3) hospitals. This represents a 12.1 percent (30/247) allocation to general hospitals, adding the applicant's proposed 21 beds, results in 11.2 percent (30/268) of these beds allocated to general hospitals. The reviewer notes that the applicant states that acute care services will be available to patients of LRMC-N through its acute care facility at LRMC.

LRMC states it will apply for and bill through its own unique Medicare number. The applicant is seeking to provide inpatient psychiatric services to the geriatric population. LRMC notes that patients in this age cohort are often dually eligible for Medicare and Medicaid.

3. **Rule 59C-1.040(4)(e) 4, Florida Administrative Code: Regardless of whether bed need is shown under the need formula, no additional hospital inpatient general psychiatric beds for adults shall normally be approved in a district unless the average annual occupancy rate of the licensed hospital inpatient general psychiatric beds for adults in the district equals or exceeds 75 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

District 3's adult inpatient psychiatric beds experienced 78.21 percent occupancy for the July 2014 through June 2015 reporting period.

- b. **Priority Considerations for hospital inpatient general psychiatric services (Rule 59C-1.040 (5) (i), Florida Administrative Code) (NOTE: All references to child/adolescent psychiatric services are deleted). In weighing and balancing statutory and rule review criteria, preference will be given to both competing and non-competing applicants who:**

1. **Provide Medicaid and charity care days as a percentage of their total patient days of total patient days provided by other hospitals in the district, as determined for the most recent calendar year prior to the year of the application for which data are available from the Health Care Board.**

The table below shows existing adult psychiatric providers' amount of combined FY 2014 charity care and Medicaid.

**District 3 Adult Inpatient Psychiatric Facilities  
Percentage of Combined Medicaid and Charity Care  
For FY 2014**

Facility	Combined Medicaid/Charity
North Florida Regional Medical Center (Licensed 2/7/14)	14.29%
LifeStream Behavioral Center	5.17%
Shands Hospital at the University of Florida	33.62%
Springbrook Hospital	3.73%
The Centers, Inc.	19.4%
The Vines	4.43%

Source: 2014 Agency for Health Care Administration Hospital Financial Data.

Note: UF Health Shands Hospital files consolidated financial report, which includes UF Health Shands Vista Financial data.

LRMC states the expected utilization of managed care, Medicaid and charity patients will be proportionally less than Medicare given the geriatric focus of the proposed hospital.

**Payer Mix for Proposed Service**

Payer	Project Year	
	One	Two
Self-Pay	1.5%	1.5%
Medicaid	2.0%	2.0%
Medicare	80.0%	80.0%
Other Managed Care	16.5%	16.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: CON application #10425, Schedule 7B

2. **Propose to serve the most seriously mentally ill patients to the extent that these patients can benefit from a hospital-based organized inpatient treatment program.**

LRMC states it will serve the most seriously mentally ill geriatric patients to the extent that these patients can benefit from a

hospital-based organized geriatric inpatient treatment program. The applicant states that its commitment is evidenced in its admissions criteria, severity of illness criteria, and exclusionary criteria.

It is noted that the Agency considers adult psychiatric patients to be patients 18 years of age and older. For CON purposes, there is no Agency recognized geriatric designation for adult psychiatric patients.

**3. Propose to serve Medicaid-eligible persons.**

The applicant indicates it will provide services to all patients who meet admission criteria, regardless of payer class. However, the applicant does not propose to condition the project to a measurable provision of care to Medicaid patients.

**4. Propose to serve individuals without regard to their ability to pay.**

The applicant indicates it will provide services to all patients who meet admission criteria, regardless of ability to pay. However, the applicant does not propose to condition the project to a measurable provision of care to charity care patients.

**5. Agree to be a designated public or private receiving facility.**

The applicant indicates the proposed 21-bed inpatient program will not be a Baker Act receiving facility. However, it is anticipated that patients with a psychiatric diagnosis will present at ED at CFHA's acute care hospitals in need of medical management but do not want inpatient psychiatric treatment. LRMC states that in these situations, patients will be placed at LRMC-N to address both their psychiatric and medical management needs and in the instance that a patient is still in need of inpatient psychiatric services under the Baker Act once the medical management needs are properly addressed, the patient will be transferred to the appropriate Baker Act facility.

- c. **Minimum Size of Specialty Hospitals (Rule 59C-1.040(3) (e) Florida Administrative Code).** A specialty hospital providing hospital inpatient general psychiatric services shall have a minimum total capacity of 40 beds. The minimum capacity of a specialty hospital providing hospital inpatient general psychiatric services may include beds used for hospital inpatient substance abuse services regulated under Rule 59C-1.041, Florida Administrative Code. The separately organized units for hospital inpatient general psychiatric services for adults in specialty hospitals shall have a minimum of 15 beds (Rule 59C-1.040(5), Florida Administrative Code).

LRMC proposes a 21-bed adult inpatient psychiatric facility. The applicant's project does not meet this criterion.

- d. **Access Standard. Hospital inpatient general psychiatric services should be available within a maximum ground travel time of 45 minutes under average travel conditions for at least 90 percent of the district's total population (Rule 59C-1.040(6), Florida Administrative Code).**

The applicant states that there are inpatient adult psychiatric services within 45 minutes for at least 90 percent of the district's total population. However, the applicant notes that the two facilities categorized as primary general hospital facilities, both located in Alachua County, are well over an hour drive from the primary service area for the proposed project. LRMC contends that although UF Health Shands Psychiatric Hospital and Springbrook Hospital both have geriatric psychiatric services, both present geographic accessibility challenges as the facilities are approximately 78 and 54 miles from LRMC respectively.

It is noted that the Agency considers adult psychiatric patients to be patients 18 years of age and older. For CON purposes, there is no Agency recognized geriatric designation for adult psychiatric patients.

The reviewer notes that the access standard is met in District 3.

- e. **Quality of Care.**

1. **Compliance with Agency Standards. Hospital inpatient general psychiatric services for adults shall comply with the Agency standards for program licensure. Applicants who include a statement in their certificate of need application that they will meet applicable Agency licensure standards are deemed to be in compliance with this provision (Rule 59C-1.040(7) (a), Florida Administrative Code).**

The applicant indicates intent to meet all of the applicable Agency licensure standards.

2. **Continuity. Providers of hospital inpatient general psychiatric services shall also provide outpatient services, either directly or through written agreements with community outpatient mental health programs, such as local psychiatrists, local psychologists, community mental health programs, or other local mental health outpatient programs (Rule 59C-1.040(7)(d), Florida Administrative Code).**

LRMC states it will work with community mental health resources to assure that its patients have access to the full continuum of mental health services needed to support their requirements. The applicant indicates it will also work closely with SNFs and ALFs to identify residents who meet admission criteria for inpatient geriatric psychiatric. Each patient will be individually assessed as to appropriateness for admission.

3. **Screening Program. All facilities providing hospital inpatient general psychiatric services shall have a screening program to assess the most appropriate treatment for the patient. Patients with a dual diagnosis of a psychiatric disorder shall be evaluated to determine the types of treatment needed, the appropriate treatment setting, and, if necessary, the appropriate sequence of treatment for the psychiatric and substance abuse disorders (Rule 59C-1.040(7)(e), Florida Administrative Code).**

The applicant indicates all referrals to LRMC will undergo a detailed screening prior to admission, designed to assure the patient will benefit from the program and to determine the most appropriate treatment plan for the patient.

- f. **Services Description (Rule 59C-1.040(8), Florida Administrative Code). An applicant for hospital inpatient general psychiatric services shall provide a detailed program description in its certificate of need application including:**

1. **Age groups to be served.**

The applicant indicates intent to offer geriatric psychiatric programs designed to meet the psychiatric needs of the elderly and will have specialized focus on elderly patients 65 years of age and older that have medical comorbidities. The reviewer notes that the applicant does state that it will treat the 18+ population on page

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20 of CON application #10425 but that the unit will have a specialized focus on the 65+ populations that may have medical comorbidities.

It is noted that the Agency considers adult psychiatric patients to be patients 18 years of age and older. For CON purposes, there is no Agency recognized geriatric designation for adult psychiatric patients.

**2. Specialty programs to be provided.**

The applicant indicates intent to offer geriatric psychiatric services designed to meet the psychiatric needs of individuals experiencing acute psychiatric disorders. The proposed program will have specialized focus on patients aged 65+ that have medical comorbidities by providing inpatient behavioral evaluation, treatment, and stabilization.

LRMC states it would be uniquely qualified to manage the elder patient population having both psychiatric and medical problems. The applicant indicates that freestanding psychiatric hospitals are not clinically capable of treating this cross-over patient population.

**3. Proposed staffing, including the qualifications of the clinical director and a description of staffing appropriate for any specialty program.**

The applicant proposes the following staff and FTE counts, for year one and year two of operation at the proposed site.

<b>Position</b>	<b>Number of FTEs Year One</b>	<b>Number of FTEs Year Two</b>
Program Director	1.0	1.0
Community Education	1.0	1.0
Nurse Manager	1.1	1.1
Unit Coordinator	Contracted	Contracted
Social Services	1.5	2.3
Unit/Program Manager	2.3	3.1
RN	46	7.7
LPN/VN	4.6	4.6
CAN Psych Tech	7.7	7.7
OT/RT/AT	2.3	3.1
<b>Total FTEs</b>	<b>26.2</b>	<b>31.6</b>

Source: CON application #10425, Schedule 6A

LRMC states the proposed program will be staffed by an interdisciplinary team with experience in diverse disciplines such as mental health, education medicine, physical and occupational

therapies, nursing, recreational and/occupational therapy and chemical dependency. The applicant indicates that staff must possess the appropriate academic degree licensure and credentials experience as defined by the job description and applicable state regulations.

**4. Patient groups by primary diagnosis ICD-9 code that will be excluded from treatment.**

The applicant lists the following as conditions that exclude individuals from treatment:

- Primary chemical dependency diagnosis
- Level of orientation and/or alertness incompatible with utilizing the therapeutic milieu
- Sensory and/or mobility deficits that preclude optimal program utilization

**5. Therapeutic approaches to be used.**

LRMC states its geriatric psychiatric program utilizes a combination of medication, psychotherapy and other geriatric specific treatment interventions. Treatment plans are individualized based on the comprehensive assessments and the identified needs. Treatment for geriatric psychiatric patients at LRMC includes:

- Comprehensive initial and ongoing assessments by the psychiatrist, medical practitioner and clinical staff at admission and throughout the hospital stay.
- Pharmacy services will be provided through LRMC, utilizing existing infrastructure and resources within the organization.
- Group therapies including reminiscence, coping with loss, signs/symptoms of treatment issues, self-esteem, medical education/compliance, life skills, cognition enhancement, and dexterity and movement activities.
- Activities therapies including: reality testing; self-care skills; experiencing constructive outlets for hostile feelings, tension and anxiety; improving physical fitness; sensory perception; motor skills coordination and improved cognitive task skills.
- Individual therapy will be provided by therapy staff and is individualized for each patient's needs.
- Family therapy will be provided by therapy staff or the psychiatrist as needed to provide education and support to the family on the aging process and behaviors/symptoms associated with the patient's diagnosis.

It is noted that the Agency considers adult psychiatric patients to be patients 18 years of age and older. For CON purposes, there is no Agency recognized geriatric designation for adult psychiatric patients.

LRMC states it will also provide discharge planning which will be developed in collaboration with the patient, family, treatment team, referring agency, and agencies/facilities the patient will be referred to upon discharge and referral services. LRMC will implement an effective discharge policy that facilitates the transition of patients to community outpatient mental health providers such as psychiatrists, psychologists, community mental health centers and other local mental health agencies, based on the assessed needs of the patient.

**6. Expected sources of patient referrals.**

LRMC states it will maintain a community referral database listing all available SNFs, ALFs, group homes and outpatient treatment programs but notes the first referral choice will always be the health care professional or organization that referred the patient into LRMC's treatment program.

**7. Expected average length of stay for the hospital inpatient general psychiatric services discharges by age group.**

Based on the historical experience of Signet Health, LRMC anticipates an ALOS of 11 days. This exceeds the 7.2 days ALOS for District 3 adult patients in DRGs 880-887 during July 2014-June 2015.

**8. Projected number of hospital inpatient general psychiatric services patient days by payer type, including Medicare, Medicaid, Baker Act, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the proposed project.**

The applicant states the expectation is that the primary patient population will be age 65+ and the majority of patient days are projected to be provided to Medicare patients. The applicant provides the table below, the reviewer notes that year one end June 30, 2018.



**LRMC Payer Mix  
Year one and Year Two of Operation**

<b>Payer</b>	<b>Year One</b>	<b>Year Two</b>
<b>Medicare</b>	80.0%	80.0%
<b>Medicaid</b>	2.0%	2.0%
<b>Self-Pay</b>	1.5%	1.5%
<b>Other Managed</b>	16.5%	16.5%
<b>Total</b>	100%	100%

Source: CON application #10425, page 63.

**9. Admission policies of the facility with regard to charity care patients.**

LMRC indicates patients will receive emergency medical treatment regardless of race, national origin, religion, handicap or source of payment. The applicant provides eligibility guidelines for charity as a financially indigent patient in Exhibit E of CON application #10425.

In addition to assessing need solely on income level, the facility will consider other financial assets and liabilities of the person when determining eligibility. LRMC discusses presumptive eligibility, which may be determined based on individual life circumstances. The applicant provides examples and states presumptive eligibility is not limited to the following circumstances:

- State funded prescription programs
- Homeless or received care from a homeless clinic
- Participation in Women, Infants and Children program (WIC)
- Food stamp eligibility
- Low income/subsidized housing with an address
- Patient is deceased with no known estate
- Medicaid benefits exhausted

LRMC notes several factors that would undoubtedly qualify a patient for charity care:

- Expired patient accounts
- Homeless patients
- Catastrophic determinations

The applicant states available assets and extraordinary circumstances will be reviewed to assist with eligibility determination for catastrophic charity care. LRMC contends that patients without insurance and not meeting the guidelines for charity care approval will be eligible for the uninsured self-pay discount of 40 percent, as well as an additional 20 percent if paid in full within 10 days.

- g. Quarterly Reports (Rule 59C-1.040(10), Florida Administrative Code). Facilities providing licensed hospital inpatient general psychiatric services shall report to the agency or its designee, within 45 days after the end of each calendar quarter, the number of hospital inpatient general psychiatric services admissions and patient days by age and primary diagnosis ICD 9 code.**

LRMC indicates intent to report to the Agency or its designee, within 45 days after the end of each calendar quarter, the number of hospital inpatient general psychiatric services admissions and patient days by age and primary diagnosis ICD-9 code.

**3. Statutory Review Criteria**

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

In Volume 42, Number 10, dated January 15, 2016 of the Florida Administrative Register, a fixed need pool of zero beds was published for adult inpatient psychiatric beds in District 3 for the July 2021 planning horizon.

As of January 15, 2016, District 3 had 247 licensed adult inpatient psychiatric beds and 46 CON approved adult psychiatric beds. District 3's occupancy rate for the 12-month period ending June 30, 2015 was 78.21 percent. The applicant is applying to establish a new 21-bed Class 3 adult inpatient psychiatric hospital by converting the existing LRMC Class 3 rehabilitation hospital. The applicant is applying outside the fixed need pool.

Per the applicant, NFRMC and UF Health Shands Hospital have psychiatric units within acute care hospitals in District 3 capable of accepting patients with comorbidities however, both present geographic accessibility challenges.

The applicant maintains that give the incidence of co-morbidities and high acuity for the identified patient population—proximity to acute care is important with patients benefitting from efficient and effective clinical management and continuity of care. LRMC indicates that the ability to address both the behavioral and physical health needs of the geriatric patient is a distinguishing feature of the proposed inpatient adult

psychiatric program—the interaction of physical health conditions, cognitive/functional impairments and behavioral health conditions is a defining feature.

It is noted that the Agency considers adult psychiatric patients to be patients 18 years of age and older. For CON purposes, there is no Agency recognized geriatric designation for adult psychiatric patients.

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

The applicant states that CFHA is a not-for-profit healthcare system that includes two acute care hospitals (The Villages Regional Hospital and LRMC) as well as inpatient rehabilitation, urgent care, post-acute care, ambulatory surgery, wound care, hyperbaric treatment and wellness facilities. CFHA primarily serves Lake, Sumter and Marion Counties. LRMC affirms that it has a history of providing quality of care and continually improves its performance of key functions of patient care that promote:

- Elimination of unnecessary risks and hazards to assure safety at all levels of care
- Appropriate utilization of resources
- Provision of the same standard of care for like populations across the integrated delivery system
- Improvement in operation efficiencies
- Promotion of “best practices”
- Improvement in customer service

LRMC declares that it has been successful with national quality measures for patients admitted with heart attacks, heart failure, pneumonia, undergoing surgery and numerous quality measures relating to the quality and safety in their care. The applicant notes that it was awarded a Bronze Award for Stroke Care and received its re-certification from the Joint Commission as an Advanced Primary Stroke Center.

LRMC references its sister facility noting that TVRH is committed to providing quality care and service excellence, with state-of-the art surgical suites, intensive care unit, a radiology department featuring filmless computer imaging, pharmacy, clinical laboratory and a full service ED. The applicant declares that TVRH recently earned the Joint Commission Gold Seal of Approval. The reviewer confirms that TVRH received Gold Seal accreditation on 12/5/2015.

The applicant indicates it will apply for Joint Commission accreditation for the proposed adult psychiatric program within one year of service. LRMC assures that the proposed project will adhere to the same mission, vision and pillars of excellence as do all the entities within CFHA. LRMC provides a list of accolades and achievements on pages 72-73 of CON application #10425.

CFHA operates Leesburg Regional Medical Center and The Villages Regional Hospital. Agency data obtained on April 6, 2016 indicates that CFHA facilities had a total of five substantiated complaints during the previous 36 months. A single complaint can encompass multiple complaint categories. A table below has these listed by complaint categories.

**Florida Health Alliance, Inc.  
Substantiated Complaint Categories for the Past 36 Months**

<b>Complaint Category</b>	<b>Number Substantiated</b>
Nursing Services	1
Resident/Patient/Client Assessment	1
Administration/Personnel	1
EMTALA	1
Emergency Access	1
Resident/Patient/Client Assessment	1

Source: Agency for Health Care Administration complaint records

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

**Analysis:**

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

Historically we have compared all applicant financial ratios regardless of type to bench marks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a

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particular CON project it is a reasonable proxy for health care related entities. The below is an analysis of the audited financial statements of Central Florida Health Alliance, Inc. (Parent) where the short term and long term measures fall on the scale (highlighted in gray) for the most recent year.

<b>Central Florida Health Alliance, Inc.</b>		
	<b>Jun-15</b>	<b>Jun-14</b>
Current Assets	\$161,599,000	\$178,960,000
Total Assets	\$612,706,000	\$583,681,000
Current Liabilities	\$67,345,000	\$62,967,000
Total Liabilities	\$287,260,000	\$289,519,000
Net Assets	\$325,446,000	\$294,162,000
Total Revenues	\$398,466,000	\$370,339,000
Excess of Revenues Over Expenses	\$31,824,000	\$35,636,000
Cash Flow from Operations	\$62,392,000	\$51,489,000
<b>Short-Term Analysis</b>		
Current Ratio (CA/CL)	2.4	2.8
Cash Flow to Current Liabilities (CFO/CL)	92.65%	81.77%
<b>Long-Term Analysis</b>		
Long-Term Debt to Net Assets (TL-CL/NA)	67.6%	77.0%
Total Margin (ER/TR)	7.99%	9.62%
<b>Measure of Available Funding</b>		
Working Capital	\$94,254,000	\$115,993,000

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

**Capital Requirements and Funding:**

The applicant indicates on Schedule 2 capital projects totaling \$49.3 million which includes this project, maturities on long-term debt, contingency funding, and other capitalization. Funding for this project will be provided by the parent. The parent provided a copy of its June 30, 2014 and 2015 audited financial statements. These statements were analyzed for the purpose of evaluating the parent's ability to provide the capital and operational funding necessary to implement the project. Based on our analysis above, the parent has an adequate financial position.

**Conclusion:**

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

**d. What is the immediate and long-term financial feasibility of the proposal? ss. 408.035(1) (f), Florida Statutes.**

**Analysis:**

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the management skills of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may go either beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

The applicant will be compared to hospitals in the Adult Psychiatric Hospital Group. We do not have case mix data available for this psychiatric hospital so an intensity factor of 1.3815 was calculated for the applicant by taking the projected average length of stay indicated and dividing it by the weighted average length of stay for the peer group. This methodology is used to adjust the group values to reflect the intensity of the patient as measured by length of stay. Per Diem rates are projected to increase by an average of 2.9 percent per year. Inflation adjustments were based on the new CMS Market Basket, 1st Quarter, 2016.

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

	PROJECTIONS PER APPLICANT		COMPARATIVE GROUP VALUES PPD		
	Total	PPD	Highest	Median	Lowest
Net Revenues	4,276,307	837	1,291	902	266
Total Expenses	3,504,701	686	1,586	883	666
Operating Income	771,606	151	149	-1	-635
Operating Margin	18.04%		<b>Comparative Group Values</b>		
	Days	Percent	Highest	Median	Lowest
Occupancy	5,110	66.67%	99.85%	76.31%	9.65%
Medicaid/MDCD HMO	104	2.04%	34.80%	0.00%	0.00%
Medicare/MDCR HMO	4,082	79.88%	95.30%	40.88%	0.00%

The projected net revenues and total expenses both fall within the group range and are considered reasonable. Operating income is slightly above the highest value. Profitability may be overstated.

**Conclusion:**

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

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

**Analysis:**

The type of competition that would result in increased efficiencies, service, and quality is limited in health care. Cost-effectiveness through competition is typically achieved via a combination of competitive pricing that forces more efficient cost to remain profitable and offering higher quality and additional services to attract patients from competitors. Since Medicare and Medicaid are the primary payers in the hospital industry, price-based competition is limited. With a large portion of the revenue stream essentially fixed on a per patient basis, the available margin to increase quality and offer additional services is limited. In addition, competitive forces truly do not begin to take shape until existing business' market share is threatened. The existing health care system's barrier to price-based competition via fixed price payers limits any significant gains in cost-effectiveness and quality that would be generated from competition.

**Conclusion:**

This project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

- f. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035(1) (h), Florida Statutes; Ch. 59A-3 or 59A-4, Florida Administrative Code.**

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project provided in Schedule 9, Table A and the project completion forecast provided in Schedule 10 appear to be reasonable. A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

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

- g. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(1) (i), Florida Statutes.**

LRMC proposes to provide a minimum to 2.0 percent of its annual psychiatric patient days to the combination of Medicaid, Medicaid HMO and charity/self-pay patients. The reviewer notes the above mentioned was not indicated by the applicant as a condition of approval for CON application #10425.

The applicant attests that CFHA has a well-established commitment of providing care to all patients in need, including Medicaid patients and the medically indigent. RMC notes that during FY 2015, CFHA provided approximately 10 percent of its inpatient discharges to Medicaid/Medicaid HMO patients, as well as an additional \$27.2 million to charity care patients. In regards to charity care for the proposed



project, the applicant states the large percentage of Medicare patients using geriatric psychiatric inpatient services effectively minimizes the need for charity and uncompensated care for this service. LRMC projects that only 20 percent of its psychiatric patients would be non-Medicare.

The applicant's Schedule 7B projects Medicaid services to be 2.0 percent of patient days with self-pay projected at 1.5 percent of patient days for year two of operation.

**F. SUMMARY**

**Leesburg Regional Medical Center, Inc. (CON #10425)**, proposes to establish a new 21-bed Class 3 adult inpatient psychiatric hospital in District 3, Lake County. The proposed project will be located on the north campus of Leesburg Regional Medical Center (LRMC-N). The applicant indicates the proposed project involves converting the existing Class 3 rehabilitation hospital to a Class 3 adult psychiatric hospital.

The proposed project involves a total cost of \$2,851,469. The total project cost includes building, equipment, project development and start-up costs. The applicant indicates that the project consists of 10,620 GSF of renovation at a total renovation cost of \$2,030,719.

The applicant stated that it would represent special features unique circumstances that shall appear as conditions for CON application #10425—the reviewer notes that the applicant did not include any attached pages to detail the conditions as indicated on Schedule C.

**Need**

In Volume 42, Number 10, dated January 15, 2016 of the Florida Administrative Register, a fixed need pool of zero beds was published for adult inpatient psychiatric beds in District 3 for the July 2021 planning horizon.

As of January 15, 2016, District 3 had 247-licensed adult inpatient psychiatric beds and 46 CON approved adult psychiatric beds. District 3's occupancy rate for the 12-month period ending June 30, 2015 was 78.21 percent. The applicant is applying outside the fixed need pool.

LRMC states it is applying under “not normal” circumstances to establish a new 21-bed Class 3 adult inpatient psychiatric hospital in Lake County. The applicant states to have identified a need for additional adult psychiatric beds in District 3 and contends that LRMC is qualified to fulfill this need through the development of the proposed project.

The applicant cites the following special circumstances to support approval for CON application #10425:

- Projected demographic changes, particularly in the elderly population cohorts, indicate a projected increase in the need for psychiatric programs focused on the geriatric population
- The lack of availability and resultant low use of inpatient psychiatric services for patients age 65 and older in the service area and in District 3
- Sumter County’s use rate for inpatient psychiatric patients is approximately 47 percent lower than the use rate for District 3 and approximately 50 percent than the use rate for Florida, indicating a disparity within the area
- The lack of acute hospital based gero-psychiatric programs capable of treating patients having other medical comorbidities
- Evidence of need from CFHA’s ED patient base
- The proposed program at LRMC would not create adverse impact of existing psychiatric providers within District 3
- The written demonstrated support for the proposed adult psychiatric program provided by are physicians, clinicians and case managers along with other providers of elder care

The applicant contends that the 65+ population is more vulnerable to adverse drug effect and interactions—initiating, titrating and discontinuing medications may require a longer period to reach maintenance dosing to demonstrate efficacy. LRMC notes that two of the most frequent comorbidities for the 65+ population with psychiatric problems are hypertension and diabetes. The applicant maintains that it has a full range of medical services available to this population and would be uniquely qualified to manage an elder patient population with both psychiatric and medical problems.

LRMC does not propose to be a Baker Act receiving facility.

### **Quality of Care**

LRMC asserts that CFHA, a not-for-profit health care system, is an experienced provider and has a history of providing quality of care and continually improves its performance of key functions of patient care.

LRMC states the proposed project will adhere to the same mission, vision and pillars of excellence as do all the entities within CFHA. The applicant provided a brief description of its ability to provide quality care.

Agency data show that the two CFHA hospitals (605 total beds) had a total of five substantiated complaints in five categories during the previous 36 months ending April 6, 2016.

**Cost/Financial Analysis**

Funding for this project and the entire capital budget should be available as needed. This project appears to be financially feasible based on the projections provided by the applicant. This project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

**Medicaid/Indigent Care**

LRMC proposes to provide a minimum to 3.4 percent in year one and 3.5 percent in year two of its annual psychiatric patient days to the combination of Medicaid, Medicaid HMO and charity/self-pay patients on its Schedule 7.

The applicant does not propose Medicaid or charity care conditions.

**Architectural Analysis**

A review of the architectural plans, narratives and other supporting documents did not reveal any deficiencies that are likely to have a significant impact on either construction costs or the proposed completion schedule.

**G. RECOMMENDATION**

Approve CON #10425 to establish a 21-bed adult inpatient psychiatric hospital in District 3, Lake County. The total project cost is \$2,851,469. The project involves 10,620 GSF of renovation and a renovation cost of \$2,030,719.

CONDITION: The applicant will provide a minimum of 3.5 percent of its annual psychiatric patient days to the combination of Medicaid, Medicaid HMO and charity/self-pay patients.

**AUTHORIZATION FOR AGENCY ACTION**

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

DATE: \_\_\_\_\_

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**Marisol Fitch**  
**Health Administration Services Manager**  
**Certificate of Need**