

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number:

Halifax Hospital Medical Center/CON #10429

303 North Clyde Morris Boulevard
Daytona Beach, Florida 32114

Authorized Representative: Bill Griffin
Director, Research and Planning
(386) 425-4062

2. Service District/Subdistrict

District 4/Subdistrict 4-5 (Volusia County)

B. PUBLIC HEARING

A public hearing was not held or requested regarding the proposed establishment of 96-bed general hospital.

Letters of Support

Halifax Hospital Medical Center submitted 37 unduplicated letters of support in Appendix 3 of the application. On pages 22-24 of the application, the applicant quotes extracts from some of these support letters. Of the 37 letters, 35 are of District 4, Subdistrict 4-5/local area origin (mostly from the City of Deltona), with the remaining two letters being from District 7, Subdistrict 7-2 (Orange County), the latter being contiguous to and immediately toward the south/southwest of Volusia County. The support letters are individually composed but in many instances address some recurring themes. Some major themes expressed in support of the proposed project include:

CON Action Number: 10429

- Almost 90,000 people live in Deltona¹, making it Volusia County's largest city² and many residents of the area must travel outside of the community to obtain health care, particularly specialty care, traveling at least 30 miles one way to a Daytona Beach or Port Orange emergency department (ED)³
- Deltona has no hospitals available to nearly 100,000 residents
- Travel time and travel distance for care would be improved, making services available locally, along with economic opportunity in the Deltona area, increased job opportunities and commercial development
- Needed specialty medical care in the area must usually be sought outside Deltona⁴
- Current hospitals in the area lack competition and the care at these facilities evidences this
- Health care access and choice would be improved
- Students could be trained locally in future medical careers
- Halifax Hospital Medical Center has been a valuable ally in providing medical management to uninsured/low income residents with chronic illnesses and serves more low income residents than any other provider in Volusia County

Some support letters are noted from the following:

- John L. Mica, Member of Congress (7th District, Florida), House of Representatives, Congress of the United States
- David Santiago, State Representative (District 27), Florida House of Representatives
- Volusia County Council (District 5 Council Member)
- Volusia County School Board (District 5 Member)
- City of Deltona (Mayor)
- Florida Department of Health in Volusia County (Interim Administrator)
- International Association of Fire Fighters, Local 2913, Deltona Professional Firefighters (President)

¹ As of April 14, 2016, according to the United States Census Bureau American FactFinder website at http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml#, the City of Deltona, Florida had a population of 85,182 residents, per the 2010 demographic profile. A Deltona resident population of 85,000 persons is stated by the applicant on page 21 of the application.

² As of April 14, 2016, according to the Volusia County, Florida, QuickFacts website at <http://www.volusia.org/visitors/cities-and-communities.stml>, Deltona is the largest city by population in Volusia County, per the 2010 census. This is based on the population for the following 12 Volusia County cities/communities listed in the website: Daytona Beach, Daytona Beach Shores, DeBary, Deland, Deltona, Edgewater, Holly Hill, New Smyrna Beach, Orange City, Ormond Beach, Port Orange and South Daytona.

³ The reviewer notes that an emergency department may be established without CON review or approval.

⁴ The reviewer notes that the applicant indicates the proposed project will have a non-specialty/non-tertiary focus.

C. PROJECT SUMMARY

Halifax Hospital Medical Center (CON application #10429) also referenced as HHMC or the applicant, an affiliate of government owned Halifax Health is operated within a special taxing district, pursuant to Chapter 2003-374, Laws of Florida. The applicant proposes to establish a new 96-bed general hospital (Halifax Hospital Deltona), located within the City of Deltona, Volusia County, Florida, Subdistrict 4-5. The applicant indicates that the proposed Halifax Hospital Deltona will be within the Halifax Crossing medically focused development, with the proposed facility located at the intersection of Interstate 4 (I-4) and State Road 472. The applicant does not offer a precise ZIP Code for the physical location of the proposed project but does state that the proposed project will be located in the proposed new Halifax Crossing Medical Village in Deltona. The applicant maintains that the proposed project will focus on adult non-specialty/non-tertiary care, with obstetric and pediatric services not anticipated. Throughout this review, Halifax Hospital Medical Center and Halifax Health Medical Center refers to the same facility and the same provider.

According to the applicant, the proposed project will be established and operated using proven service expertise at Halifax Health, with existing service and program strengths as the building blocks for the new hospital. The applicant states that existing staff/systems/protocols will be used to design and operate the services and programs to be established at the proposed facility. The applicant maintains that without the proposed new hospital development, Halifax's long-term profitability and managed care competitiveness will be compromised, with the organization's ability to provide community-based safety-net services at risk.

HHMC offers eight ZIP Codes to account for the total proposed service area, with the following five ZIP Codes as the primary service area (PSA) and the remaining three ZIP Codes as the secondary service area (SSA).

PSA ZIP Codes:

- 32725 (Deltona)
- 32738 (Deltona)
- 32724 (Deland)
- 32720 (Deland)
- 32763 (Orange City)

SSA ZIP Codes:

- 32713 (Debary)
- 32744 (Lake Helen)
- 32764 (Osteen)

The applicant anticipates that 15 percent of forecasted volume will originate from beyond the eight ZIP Codes proposed service area. The reviewer confirms that the ZIP Codes and city assignments, as stated above, are consistent with the United States Postal Service website at <https://tools.usps.com/go/ZipLookupAction!input.action>.

HHMC, an affiliate of Halifax Health, is a Class I government-owned general hospital with 568 licensed beds, including: 465 acute care beds, nine Level II neonatal intensive care unit (NICU) beds, 54 adult psychiatric beds and 40 comprehensive medical rehabilitation (CMR) beds. The affiliate also provides Level II adult cardiovascular services, is a comprehensive stroke center, operates an adult kidney transplantation program and is a designated Level II trauma center.

Halifax Hospital Medical Center proposes the following condition to CON approval on the application's Schedule C:

- The proposed new Halifax Health hospital will be located at the intersection of Interstate 4 and Howland Boulevard/State Road 472 within the Halifax Crossings development.

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. The Agency will not impose conditions on already mandated reporting requirements.

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 (sub district), applications are comparatively reviewed to determine which applicant(s) best meets the review criteria.

Rule 59C-1.010(3) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete; 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, Steve Love, 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 #10429 regarding the identified statutory criteria of 408.035, Florida Statutes.

1. Statutory Review Criteria

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 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. The following table illustrates bed utilization levels in District 4, Subdistrict 4-5 for the 12-month period ending June 30, 2015.

**Acute Care Hospital Utilization
District 4/Subdistrict 4-5
12-Month Period Ending June 30, 2015**

Hospital/County	Beds	Bed Days	Patient Days	Utilization
Florida Hospital Fish Memorial/Volusia	175	63,875	42,235	66.12%
Florida Hospital Deland/Volusia	146	53,290	34,042	63.88%
Subdistrict 4-5 Total	321	117,165	76,277	65.10%
District 4 Total	5,048	1,846,520	1,118,224	60.56%
Statewide	50,942	18,594,796	10,649,141	57.27%

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

District 4, Subdistrict 4-5 had 321 licensed acute care beds with an occupancy rate of 65.10 percent during the 12-month period ending June 30, 2015. As shown above, the subdistrict occupancy rate (65.10 percent) was greater than that of District 4 (60.56 percent) and also greater than the statewide occupancy rate (57.27 percent). There is no CON approved general hospital project in District 4, Subdistrict 4-5, pending licensure.

On August 18, 2014, Florida Hospital provided notification (NF#140035) to the Agency of its intent to add eight acute care beds to Florida Hospital Deland. Acute care utilization in Subdistrict 4-5 over the past three years is shown in the chart below.

**District 4/Subdistrict 4-5 Acute Care Hospital Utilization
Three Years Ending June 30, 2015**

	JUL 2012 JUN 2013	JUL 2013 JUN 2014	JUL 2014 JUN 2015
Number of Acute Care Beds	321	321	321
Percentage Occupancy	56.58%	58.97%	65.10%

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

As shown above, Subdistrict 4-5 had an 8.52 percent increase in acute care bed utilization from 56.58 percent to 65.10 percent over three years. Patient days increased approximately 15.07 percent from the 12 months ending June 30, 2013 (66,290 acute care patient days) to the 12 months ending June 30, 2015 (76,277 acute care patient days). Below is a chart illustrating District 4 population estimates for January 2015 and July 2021.

**District 4 Total Population and Population Age 65 and Over
Estimates and Percent Change by County
From January 2015 to July 2021**

County/Area	Total January 2015	Total July 2021	Percent Change	Age 65+ January 2015	Age 65+ July 2021	Age 65+ Percent Change
Baker	27,496	30,047	9.28%	3,351	4,376	30.59%
Clay	199,445	227,850	14.24%	27,029	36,463	34.90%
Duval	888,665	944,394	6.27%	114,410	146,160	27.75%
Flagler	103,874	129,548	24.72%	26,475	35,888	35.55%
Nassau	77,064	87,641	13.72%	14,371	19,956	38.86%
St. Johns	212,641	258,920	21.76%	36,873	52,287	41.80%
Volusia	505,331	534,798	5.83%	113,042	134,611	19.08%
District 4 Total	2,014,516	2,213,198	9.86%	335,551	429,741	28.07%
State Total	19,679,366	21,486,573	9.18%	3,635,347	4,457,999	22.63%

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

As shown above, Volusia County has the second largest total and the second largest age 65+ populations in District 4. Volusia County’s total population is projected to increase from 505,331 to 534,798 (5.83 percent) and its age 65+ population from 113,042 to 134,611 (19.08 percent) from January 2015 to July 2021. The applicant plans to locate its proposed facility in Volusia County, in the City of Deltona.

It was noted that Subdistrict 4-5 had a higher utilization rate (65.10 percent) than District 4 overall (60.56 percent) and the state overall (57.27 percent), for the 12-month period ending June 30, 2015. For the same 12-month period, the general hospital nearest to the proposed project (Florida Hospital Fish Memorial) had the highest utilization rate (66.12 percent) in Subdistrict 4-5 and the next nearest general hospital within Subdistrict 4-5 (Florida Hospital Deland) had a utilization rate of 63.88 percent. Florida Hospital Fish Memorial and Florida Hospital Deland are currently the only two general hospitals in Subdistrict 4-5.

The applicant maintains that the proposed project will be located within a 32-acre parcel within the larger Halifax Crossing development. HHMC states that the proposed project will be part of a multi-phased health care development by Halifax Health – with the full project development offering a comprehensive array of health care services to meet the medical needs of the local Deltona community. The proposed project is Phase III of a three-phase initiative: Phase I (the establishment of a freestanding ED and imaging center), Phase II (ambulatory surgery/endoscopy capabilities and a medical office complex) and Phase III (the proposed project as submitted).

The applicant indicates that Halifax Health and the City of Deltona have entered into an interlocal agreement pursuant to Florida Statutes, authorizing Halifax Health to operate the proposed health care services in Deltona. The reviewer notes that a copy of the agreement is not included in the application.

HHMC contends that the proposed project is warranted due to:

- The lack of any inpatient hospital services within the City of Deltona, a community with a population now reaching 90,000 persons, documenting access and availability limitations within the community
- The need to interject competition into the Deltona/west Volusia market, with just two hospitals in the west Volusia area (both Florida Hospital facilities) leading to a lack of competition and a lack of consumer choice
- The need for Halifax Health to remain a strong and viable provider to continue to provide needed safety net services to the community, with the proposed project providing Halifax an expanded inpatient geographic footprint to enhance its competitive position in managed care contract negotiations and providing Halifax a new incremental revenue stream to offset substantial forecasted revenue reductions
- The proposed project will be appropriately utilized and will be financially viable

A review and analysis of these points follows below.

HHMC asserts that the City of Deltona's population is expected to grow to over 90,000 residents by 2020, according to the University of Florida Bureau of Economic and Business Research/The Shimberg Center for Housing Studies. The applicant maintains that excluding municipalities in the Miami-Dade/Broward County metroplex, Deltona is the largest city in Florida that is without its own acute care hospital.

HHMC indicates that according to Agency discharge data for the 12-month period ending June 2015, Deltona residents alone (ZIP Codes 32725 and 32738) generated more than 11,412 total inpatient discharges (all ages, all patients, excluding normal newborns), equating to an approximate 200 bed need to serve the current Deltona population. The applicant notes that the non-specialty/non-tertiary pool of Deltona discharges that will be served by the proposed project (8,377 age 15+ non-specialty/non-tertiary discharges) demonstrates a 130 to 140 bed need to serve Deltona residents. HHMC contends that forecasted population growth will result in even greater need.

CON Action Number: 10429

The applicant states that Deltona and west Volusia County are both designated as a Health Professional Shortage Area (HPSA) and as a Medically Underserved Area (MUA) by the Health Resources and Services Administration (HRSA), as part of the total Volusia County designations. The ability of the proposed project to attract additional medical professionals to the area will provide a major access and availability benefit to the Deltona and west Volusia County populations, per HHMC. The applicant includes HPSA and MUA documentation for Agency review in Appendix 4 of the application. The reviewer notes that the HPSA primary care designation (single county designation type) for Volusia County, Florida was last updated April 18, 2014, with a HPSA score of 16 (within a 0 to 26 HPSA score range). The reviewer also notes that MUA designation (single county designation type) for Volusia County, Florida was last updated July 19, 2006, with an index of medical underservice score of 52.30 (no score range indicated). The reviewer notes that these HPSA and MUA scores address HRSA's determination of health professional shortages in Volusia County, Florida as a whole and are not specific to shortage in the City of Deltona/west Volusia County.

HHMC indicates two hospitals within western Volusia County – Florida Hospital Fish Memorial and Florida Hospital Deland. The applicant indicates that Florida Hospital Fish Memorial is approximately six miles and that Florida Hospital Deland is approximately 11-12 miles from the proposed project. The reviewer notes that according to www.mapquest.com, Florida Hospital Fish Memorial is 4.9 miles (11 minutes in driving time) and Florida Hospital Deland is 13.1 miles (22 minutes in driving time) from the City of Deltona. HHMC contends that Florida Hospital facilities saturate the central Florida marketplace; including facilities, sandwiching Deltona and that there is no effective competition currently in the Deltona market offering no local hospital choice for area residents. The applicant provides information about Florida Hospital's dominance of inpatient beds in the area and a lack of patient choice among competing providers on page 25 of the application.

The applicant indicates that using the Agency discharge database for the 12 months ending June 2015, excluding pediatric, obstetric, specialty and tertiary care, the two local Florida Hospital facilities accounted for 61 percent of total Deltona ZIP Code resident discharges and that including other Florida Hospital facilities, 73 percent of total Deltona discharges occurred within Florida Hospital facilities. HHMC asserts that based on the table below, the proposed project is needed to ensure that there is an actual choice in providers. See the table below.

**Halifax Hospital Deltona
Service Area Market Share Analysis – Target Patients Only**

Hospital	Patients from Deltona ZIPs	Percent of Total Deltona Zips	Patients from Target Service Area	Percent of Service Area Patients
FL Hosp Fish Mem	4,645	55%	8,148	39%
FL Hosp Deland	<u>491</u>	<u>6%</u>	<u>5,902</u>	<u>28%</u>
sum Fish/Deland	5,136	61%	14,050	67%
Other FL Hosp	<u>1,003</u>	<u>12%</u>	<u>2,257</u>	<u>11%</u>
Total FL Hosp	6,139	73%	16,307	78%
Halifax	201	2%	658	3%
All Others	<u>2,037</u>	<u>25%</u>	<u>3,839</u>	<u>19%</u>
Total	8,337	100%	20,804	100%

Source: CON application #10429, page 26

HHMC states that Halifax Health’s current inpatient and outpatient services are concentrated along Daytona Beach, Port Orange and the coastal corridor with no inpatient services or capacity in the Deltona/west Volusia market. The applicant contends that as a result, in negotiations with managed care providers who require or give preference to provider organizations who can provide service coverage throughout Volusia County, Halifax Health is at a distinct competitive disadvantage especially competing against Florida Hospital for contracts and inclusion in provider panels. The applicant contends that approval of the proposed project will provide Halifax Health with the full-county geographic coverage that is necessary to remain competitive.

The reviewer notes that the Agency’s Commercial Managed Care Unit confirmed that there are 24 commercial plans doing business in Volusia County. Of these 24 commercial plans—15 plans have commercial product lines and 12 of these 15 commercial product lines have contracted with Halifax Hospital, Halifax Health or Halifax Medical Center. The other product lines covered by commercial plans (Medicare, Medicaid and Healthy Kids) have contract oversight outside of the Commercial Managed Care Unit.

The applicant points out that full-county geographic coverage is important because two of the three largest employers in Volusia County-- Volusia County Schools (7,503 employees) and Volusia County Government (3,341 employees)--both require health care services available throughout the county-not just along the coastal corridor.

HHMC contends that Halifax provides a disproportionately high level of care to the county’s Medicaid and charity care patients. The applicant utilizes hospital prior year actual reports submitted to the Agency for fiscal years ending in 2014 stating that Halifax provided over 60 percent of Medicaid volume plus 44 percent of charity care volume or 56 percent of the combined Medicaid/charity care. See the table below.

**Volusia County Hospitals
Medicaid and Charity Care Profile – 2014**

Facility	Medicaid/ Medicaid HMO Days	Percent of Total Medicaid/ Medicaid HMO Days	Adjusted Charity Days	Percent of Total Adjusted Charity Days	Percent of Combined Medicaid/ Medicaid HMO/ Adjusted Charity Days
Halifax Hlth Med Ctr	27,585	60.5%	7,114	44.6%	56.4%
Bert Fish	1,177	2.6%	1,882	11.8%	5.0%
FL Hosp Memorial	7,692	16.9%	3,068	19.2%	17.5%
FL Hosp Deland	5,231	11.5%	1,103	6.9%	10.3%
FL Hosp Fish Mem	3,883	8.5%	2,787	17.5%	10.8%
Total	45,568		15,954		

Source: CON application #10429, page 28

The applicant maintains an analysis of internal payer mixes of each Volusia County provider; Halifax is providing a disproportionate share of care to the medically underserved populations. The applicant indicates that Halifax provided 22.7 percent of Medicaid volume, 3.2 percent charity care volume and combined Medicaid/Medicaid HMO/charity care of 25.8 percent. See the table below.

**Volusia County Hospitals
Medicaid and Charity Care Profile – 2014**

Facility	Medicaid/ Medicaid HMO Days	Total Patient Days	Percent Medicaid/ Medicaid HMO Days	Adjusted Charity Days	Total Adjusted Days	Percent Adjusted Charity Days	Combined Medicaid Plus Charity Percentage
Halifax Hlth Med Ctr	27,585	121,721	22.7%	7,114	223,546	3.2%	25.8%
Bert Fish	1,177	16,814	7.0%	1,882	40,404	4.7%	11.7%
FL Hosp Memorial	7,692	70,934	10.8%	3,068	132,328	2.3%	13.1%
FL Hosp Deland	5,231	35,797	14.6%	1,103	72,863	1.5%	16.1%
FL Hosp Fish Mem	3,883	39,934	9.7%	2,787	77,732	3.6%	13.3%
Total	45,568	285,200	16.0%	15,954	546,873	2.9%	18.9%

Source: CON application #10429, page 29

The applicant points out that Halifax Health also provides a significant level of community benefits to local area residents, stating that in FY 2015, Halifax provided over \$55 million in community benefits to support the needs of the area’s under and uninsured residents. Halifax Health discusses the breakdown of community benefits (page 29 of the application) and indicates that the data is from Halifax’s FY 2015 Audited Financial Statements (Appendix 2 of the application).

The applicant notes that based on forecast reductions in Medicare, Medicaid Disproportionate Share (DSH) and Graduate Medical Education (GME) payments, as well as expected reductions in Medicaid Low Income Pool (LIP) payments to Halifax for the FYs 2017/2018/2019, a financial loss in 2017 of \$12.2 million, a loss in 2018 of \$20.3 million and a loss in 2019 of \$15.8 million is anticipated. See the table below.

**Halifax Health
Financial Forecast – Reflecting Healthcare Reform Assumptions
(\$\$s in millions)**

	Actual FY 2014	Actual FY 2015	Budget 2016	Forecast 2017	Forecast 2018	Forecast 2019
Income from Operations	\$27.1	\$16.0	\$16.7	(\$12.2)	(\$20.3)	(\$15.8)

Source: CON application #10429, page 30

Halifax Health indicates that it does not expect closure due to these forecast revenue constraints and income declines; however, the organization will be required to curtail expenses and constrain resources invested on services that cannot be profitable due to limited payment and reimbursement – unless alternative revenue/income sources can be established. The applicant points out that the proposed project is one of Halifax’s strategic initiatives to offset these forecast revenue reductions and to increase income forecast to be lost due to these health system reforms.

Halifax Health estimates that the proposed project will realize an operating income of \$10,672,043 by FY 2021 (the third year of operation) and positive earnings before interest/depreciation/amortization (EBIDA) as follows: \$2,043,280 in FY 2019, \$12,199,661 in FY 2020 and \$23,637,149 in FY 2021. Halifax Health expects that the operating income of \$10.7 million by FY 2021 and the strong EBIDA contributions mentioned above will offset a large part of the previously stated estimated financial losses and support the continued provision of required care to all patients within Volusia County – not just those who have a reasonable payment source.

The reviewer notes that the Halifax Hospital Medical Center Taxing District is an independent taxing district chartered by the Florida Legislature to operate medical facilities and provide health services for the “preservation of the public health, for the public good and for the use of the public of the district” with facilities and services for the public and necessary for the general welfare of the residents of the district. According to the Volusia County Property Appraiser website, the Halifax Hospital District had \$13,257,608 in taxes levied in calendar year 2015 with a millage rate of 0.9550. The two other hospital districts in Volusia County had millage rates of 2.7842 (Southeast Volusia Hospital) and 1.9237 (West Volusia Hospital) for the same year. The reviewer notes that according to the Halifax Hospital Medical Center’s financial statements prepared by Deloitte and Touche, LLP, Halifax Hospital Medical Center’s geographic territory is located in northeastern Volusia County Florida primarily including the cities of Daytona Beach, Ormond Beach, Holly Hill and parts of Port Orange.

The applicant notes that the eight ZIP Code service area includes P. O. Box ZIP Codes associated the eight ZIP Codes and was included in the analysis. HHMC provides a map to identify the service area (page 33 of the application). The applicant states that using Nielsen 2016 estimates, the applicant provides 2016 and 2021 population estimates, the corresponding growth rate for that period, for the proposed service area.

The applicant points out that population data for the service area show that 2016 total population is estimated to be 209,156 with the two Deltona ZIP Codes estimated to have a total population of 92,221. HHMC notes that the age mix for the 2016 population is slightly older than the statewide average (service area 20 percent age 65+ versus Florida’s 19 percent age 65+). See the table below.

**Halifax Hospital Deltona
Service Area 2016 Population**

		2016 Population Estimates					
ZIP Code	Geographic Area	Total Pop	Age 0-14	Age 15-44	Age 45-64	Age 65-74	Age 75+
32713	Debary	20,850	3,086	6,327	6,276	2,987	2,174
32720	Deland	31,187	5,390	10,758	8,381	3,681	2,977
32724	Deland	34,511	5,726	12,010	8,862	4,283	3,630
32725	Deltona	46,273	8,350	17,056	12,734	4,584	3,549
32738	Deltona	45,948	8,806	18,253	12,903	3,695	2,291
32744	Lake Helen	4,031	619	1,344	1,246	492	330
32763	Orange City	22,867	3,793	7,559	5,777	2,763	2,975
32764	Osteen	3,489	478	1,126	1,192	439	254
Total		209,156	36,248	74,433	57,371	22,924	18,180

Source: CON application #10429, page 34

HHMC indicates that population data for the service area illustrates that 2021 total population is estimated to be 219,620 with the two Deltona ZIP Codes estimated to have a combined 2021 population of 96,351. The applicant states that the age mix for the 2021 population is slightly older than the 2016 population, with the 65+ population increasing to 22 percent. See the table below.

**Halifax Hospital Deltona
Service Area 2021 Population**

		2021 Population Estimates					
ZIP Code	Geographic Area	Total Pop	Age 0-14	Age 15-44	Age 45-64	Age 65-74	Age 75+
32713	Debary	21,902	3,106	6,591	6,122	3,695	2,388
32720	Deland	32,591	5,557	11,231	8,221	4,373	3,209
32724	Deland	36,475	5,919	12,713	8,801	5,115	3,927
32725	Deltona	48,069	8,312	17,577	12,950	5,405	3,825
32738	Deltona	48,282	8,597	18,921	13,347	4,781	2,636
32744	Lake Helen	4,119	618	1,369	1,175	598	359
32763	Orange City	24,548	3,935	8,127	5,868	3,357	3,261
32764	Osteen	3,634	476	1,150	1,152	557	299
Total		219,620	36,520	77,679	57,636	27,881	19,904

Source: CON application #10429, page 34

**Halifax Hospital Deltona
Service Area 2016 to 2021 Growth Rate**

		2016 - 2021 Percent Growth					
ZIP Code	Geographic Area	Total Pop	Age 0-14	Age 15-44	Age 45-64	Age 65-74	Age 75+
32713	Debary	5.0%	0.6%	4.2%	-2.5%	23.7%	9.8%
32720	Deland	4.5%	3.1%	4.4%	-1.9%	18.8%	7.8%
32724	Deland	5.7%	3.4%	5.9%	-0.7%	19.4%	8.2%
32725	Deltona	3.9%	-0.5%	3.1%	1.7%	17.9%	7.8%
32738	Deltona	5.1%	-2.4%	3.7%	3.4%	29.4%	15.1%
32744	Lake Helen	2.2%	-0.2%	1.9%	-5.7%	21.5%	8.8%
32763	Orange City	7.4%	3.7%	7.5%	1.6%	21.5%	9.6%
32764	Osteen	4.2%	-0.4%	2.1%	-3.4%	26.9%	17.7%
Total		5.0%	0.8%	4.4%	0.5%	21.6%	9.5%

Source: CON application #10429, page 35

The applicant maintains that the five-year 2016 to 2020 population growth within the service area shows moderate total population growth (5.0 percent or 10,464 residents). The applicant indicates that the Deltona ZIP Codes have forecasted growth of 4.5 percent (4,130 residents) during the same five-year period. The applicant notes that the highest growth rates are within the 65-74 age groups and the 75+ age group. The applicant contends that inpatient use rates directly tie to the age of a population and that the older the population, the higher the use rate. Based on this, the applicant maintains that the higher growth rates in the 65+ population will result in higher inpatient volume forecasts.

HHMC indicates that according to Agency discharge data for the 12-month period ending June 2015, service area residents generated 27,571 discharges (all ages/all DRGs excluding normal newborns). The applicant states that the subset of this total service area discharge volume that is anticipated to be treated at the proposed Deltona facility is 20,804 discharges—75 percent of total service area volume. HHMC maintains that the identified subset of patients excludes the following⁵:

- Patients age 0-14
- Major Diagnostic Category (MDC) 14/15 patients (OB/Newborns and Neonates)
- MDC 19/20 patients (Behavioral Health)
- Patients receiving specialty and tertiary care such as invasive cardiology/transplant/rehabilitation/trauma/burn/others

⁵ CON application #10429, Appendix 5 lists the following excluded DRGs: 001, 003-008, 011-014, 016, 020-033, 035-042, 082-087, 129, 131, 163-164, 183-184, 207-208, 215-238, 652, All MDC 14 DRGs, All MDC 15 DRGs, 849, All MDC 19 DRGs, All MDC 20 DRGs, 928-929, 934-935, 945-946, 955-958, 963-965.

HHMC notes that over half (52.23) of identified discharges (10,865 discharges) were generated by the 65+ population. The applicant indicates that Deltona ZIP Code 32725 generated the largest number of discharges (4,575) while Deltona ZIP Code 32738 generated the second highest number of discharges (3,802). See the table below.

**Halifax Hospital Deltona
Service Area Identified Patient Discharges
12 Months Ending June 2015**

		12 Months Ending June 2015 Target Discharges				
ZIP Code	Geographic Area	Age 15-44	Age 45-64	Age 65-74	Age 75+	Total
32713	Debary	198	606	514	754	2,072
32720	Deland	487	1,134	846	1,093	3,560
32724	Deland	396	1,028	785	1,258	3,467
32725	Deltona	894	1,524	896	1,261	4,575
32738	Deltona	765	1,490	772	775	3,802
32744	Lake Helen	39	131	75	111	356
32763	Orange City	312	750	615	915	2,592
32764	Osteen	51	134	102	93	380
Total		3,142	6,797	4,605	6,260	20,804
ZIP 32713 includes P. O. Box 32753						
ZIP 32720 includes P. O. Boxes 32721, 32722, 32723						
ZIP 32725 includes P. O. Box 32728						
ZIP 32738 includes P. O. Box 32739						
ZIP 32763 includes P. O. Box 32774						

Source: CON application #10429, page 36

The applicant provided patient discharge estimates as projected for the 12 months ending in June 2020. The applicant notes the five-year population growth used in its analysis is for the 2016 to 2021 time period. The applicant estimates a 2020 service area patient forecast of 22,558 discharges, with a total service area growth of 1,754 discharges (8.4 percent). See the table below.

**Halifax Hospital Deltona
Service Area Estimated Patient Discharges 2020
12 Months Ending June 2020**

		12 Months Ending June 2020 Target Discharges				
ZIP Code	Geographic Area	Age 15-44	Age 45-64	Age 65-74	Age 75+	Total
32713	Debary	206	591	636	828	2,261
32720	Deland	508	1,112	1,005	1,178	3,803
32724	Deland	419	1,021	937	1,361	3,738
32725	Deltona	921	1,550	1,056	1,359	4,887
32738	Deltona	793	1,541	999	892	4,225
32744	Lake Helen	40	124	91	121	376
32763	Orange City	335	767	747	1,003	2,847
32764	Osteen	52	130	129	109	421
Total		3,275	6,830	5,602	6,851	22,558

Source: CON application #10429, page 37

HHMC calculated a market share capture rate by ZIP Code range, based on proximity and ease of travel access to the proposed new hospital, as well as factoring in for strong Deltona resident support for the proposed project. According to the applicant, market share levels range from a low of 10-15 percent for Osteen to a high of 25-33 percent for the Deltona ZIP Codes. See the table below.

**Halifax Hospital Deltona
Service Area Market Share Range**

ZIP Code	Geographic Area	Forecast Halifax	
		Market Share Range by Percent	
32713	Debary	10%	15%
32720	Deland	10%	15%
32724	Deland	15%	20%
32725	Deltona	25%	33%
32738	Deltona	25%	33%
32744	Lake Helen	20%	25%
32763	Orange City	15%	20%
32764	Osteen	10%	15%

Source: CON application #10429, page 38

HHMC contends that when the individual ZIP Code market shares identified above are applied to the service area ZIP Code discharge volumes, the result is that Halifax is only anticipated to capture 18 percent to 24 percent of the overall target patient service area market for all identified ZIP Codes. The applicant asserts that the identified low overall target patient market share documents that the projections are market reasonable and achievable. The applicant also asserts that if the identified projected patient volume/discharges are compared to the entire service area volume (all patients/no exclusions), then the total service area market share is lower—13 percent to 18 percent. See the table below.

**Halifax Hospital Deltona
Service Area 2020 Forecast
Service Area Resident Discharges**

ZIP Codes	Geographic Area	2020 Total Service Area "Target" Discharges	Forecast Halifax Market Share by Percent	Forecast Halifax Deltona Discharges
32713	Debary	2,261	10 - 15%	226 - 339
32720	Deland	3,803	10 - 15%	381 - 570
32724	Deland	3,738	15 - 20%	561 - 748
32725	Deltona	4,887	25 - 33%	1,222 - 1,613
32738	Deltona	4,225	25 - 33%	1,056 - 1,394
32744	Lake Helen	376	20 - 25%	75 - 94
32763	Orange City	2,847	15 - 20%	427 - 569
32764	Osteen	421	10 - 15%	42 - 63
		22,558		3,990 - 5,390
			Avg SA Mkt Share	
			18% - 24%	

Source: CON application #10429, page 38

The applicant utilized the above forecasted volume to bed need for the proposed project and factoring in the following components:

- Determining the percent of total hospital volume that will be generated by non-service area residents
- Translating the total forecasted discharges to be served at the new hospital (into a patient day and an average daily census (ADC) forecast
- Determining the number of beds that are reasonably needed to meet the future ADC forecast

HHMC maintains that applying the 15 percent non-service area resident factor to the service area volume forecast results in a total volume forecast range of 4,694 to 6,341 discharges for the proposed new hospital. See the table below.

**Halifax Hospital Deltona
Service Area 2020 Forecast
Total Discharges**

Forecast Service Area Target Discharges	3,990 to 5,390	85% of Total Volume
Non-Service Area Patient Discharges	704 to 951	15% of Total Volume
Total Halifax Hospital Deltona Discharges	4,694 to 6,341	

Source: CON application #10429, page 39

The applicant reformatted the above forecasted data to illustrate a patient origin presentation for the forecasted patient volume by ZIP Code shows that the ZIP Codes expected to generate 75 percent of forecast volume (the PSA) are the two Deltona ZIP Codes, the two Deland ZIP Codes and the Orange City ZIP Code. HHMC provides that the remaining service area include Debary, Lake Helen, Osteen and the 15 percent of forecast volume originating from beyond the eight total service area ZIP Codes. See the table below.

**Halifax Hospital Deltona
Service Area 2020 Forecast**

ZIP Codes	Geographic Area	Patients from ZIP Code	Percent of Total Patients	Cumulative Percent
32725	Deltona	1,613	25.4%	25.4%
32738	Deltona	1,394	22.0%	47.4%
32724	Deland	748	11.8%	59.2%
32720	Deland	570	9.0%	68.2%
32763	Orange City	569	9.0%	77.2%
32713	Debary	339	5.3%	82.5%
32744	Lake Helen	94	1.5%	84.0%
32764	Osteen	63	1.0%	85.0%
	All Other	951	15.0%	100%
		6,341		

Source: CON application #10429, page 40

The applicant indicated that the above 2020-forecast discharge volume was analyzed to calculate projected patient days and ADC for the proposed facility. HHMC applied a 4.5 average length of stay (ALOS) to the forecasted discharge volume to obtain forecast patient days and ADC. The applicant indicates that utilizing the identified data results in a 2020 forecast of 21,123 to 28,534 inpatient days and an ADC of 57.9 to 78.2 ADC. Estimating an annual bed occupancy target of 70 percent to 75 percent, HHMC projects an overall bed need of 77 to 112 beds to meet the Halifax Deltona forecasted patient volume. See the table below.

**Halifax Hospital Deltona
Service Area 2020 Forecast Bed Need**

Forecast 2020 Discharges	4,694	4,694	6,341	6,341
Forecast 2020 Patient Days	21,123	21,123	28,534	28,534
Forecast 2020 ADC	57.9	57.9	78.2	78.2
Target Annual Occupancy Rate	75%	70%	75%	70%
Forecast 2020 Bed Need – ADC/Target Annual Occupancy Rate	77	83	104	112

Source: CON application #10429, page 40

HHMC maintains that applying the above ADC estimates to the proposed 96-bed hospital shows an expected annual inpatient occupancy rate of 60 percent to 81 percent—a reasonable occupancy level, when daily census variation, seasonal census variation and the required treatment of observation patients is considered.

The applicant states that a major goal of the proposed project is to interject competition into the Deltona/west Volusia hospital marketplace. HHMC indicates that the proposed project will shift some patients away from the existing dominant provider – Florida Hospital. The applicant contends that the benefits of introducing competition into the local marketplace with a local choice in hospital providers while ensuring that Halifax Health will remain a viable entity far outweigh any potential loss of patients to Florida Hospital when the benefits/impacts of the proposed project are weighed and balanced.

HHMC presents two assumptions that it considers unreasonable—that 100 percent of the proposed project’s patient volume was taken only from Florida Hospital facilities and that no market volume growth or Halifax patient shifts are considered. HHMC contends that even if these “unreasonable” assumptions were true, Florida Hospital would still have a dominant market position in the service area (52 percent of market volume). The applicant asserts this scenario is not a realistic expectation

of what will occur in the market, but indicates that this unrealistic scenario does show the Florida Hospital market control in the service area and documents the need for the proposed project and for competition within the service area.

**Halifax Hospital Deltona
Impact of 100 Percent of Proposed Project Volume Shift from Florida Hospital**

Hospital	Current "Target" Pts from Service Area	Percent of Current Service Area Ptns	Service Area "Target" Ptns After 100 Percent Shift from FL Hospital	Percent of Service Area Ptns After 100 Percent Shift
Total FL Hospital Combined	16,307	78%	10,917	52%
Halifax Daytona	658	3%	658	3%
Halifax Deltona	0	0%	5,390	26%
All Others	3,839	19%	3,839	19%
Total	20,804	100%	20,804	100%

Source: CON application #10429, page 42

HHMC presents a "a more realistic" patient shift scenario in which the applicant incorporates market growth and offsets specific to existing Halifax patients shifting from Daytona Beach or Port Orange to the proposed project location. The applicant forecasts market growth within the service area to increase to 1,754 patients and 2,339 total patients (no exclusions except normal newborns assuming that the "target" patients are 75 percent of total patients – during the 2015-2020 timeframe). The applicant also notes 658 existing patients at Halifax facilities expected to shift to the proposed project. HHMC states that it projects 3,990 to 5,390 total patients from the service area with the net number of potential shifted cases from existing providers of 1,217 to 3,307 discharges. See the table below.

**Halifax Hospital Deltona
Potential Shifted Cases Resulting from the Proposed Project**

Forecast "Target" Patients from Service Area	3,990	3,990	5,390	5,390
Service Area Patient Volume Growth Offset	(1,754)	(2,339)	(1,754)	(2,339)
"Targeted" Patients (1,754) and Total Patients (2,339)	"Target" Pts	Total Pts	"Target" Pts	Total Pts
Halifax Current "Target" Patient Volume Offset	(329)	(434)	(329)	(434)
658 Existing Patients - 50%/66% Shifted to Deltona	50% of Pts	66% of Pts	50% of Pts	66% of Pts
Net Potential Cases Shifted from Existing Providers	1,907	1,217	3,307	2,617

Source: CON application #10429, page 43

The applicant notes that using patient market shares for the service area—excluding Halifax as a proxy for potential patient shift levels—the forecast low (1,217) and the high (3,307) potential number of shifted patients were allocated to potential providers as shown below.

**Halifax Hospital Deltona
Potential Shifted Cases from Market Area Hospitals**

Hospital	Current "Target" Patient Market Share/Percent of Patient Shift – Excluding Halifax	Low Potential Patient Shift – 1,217 Patients	High Potential Patient Shift – 3,307 Patients
FL Hospital Fish Memorial	40%	487	1,323
FL Hospital Deland	29%	353	959
Other FL Hospital Providers	11%	134	364
Total FL Hospital Providers	80%	974	2,646
All Other Hospitals	20%	243	661
Total Shifted Patients		1,217	3,037

Source: CON application #10429, page 44

HHMC states that using the high patient shift scenario, with 2,646 patients shifted from Florida Hospital facilities to the proposed project, this still results in Florida Hospital treating 13,661 patients from the service area (66 percent of the patient service area market). The applicant notes that using the low potential patient shift scenario results in Florida Hospital still treating 15,333 service area patients (74 percent of the patient service area market).

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.

HHMC reiterates the following topics previously discussed in the application to warrant project approval that address fostering competition, the reduction in charges to patients and enhanced access:

- The interjection of meaningful competition within the Deltona/west Volusia County area in order to promote quality of care and cost effectiveness of care with currently no effective competition in the Deltona market and no local hospital choices for area residents
- Current discharge data indicating that 78 percent of the adult inpatient market (excluding pediatric, obstetric, specialty and tertiary care) is controlled by Florida Hospital

CON Action Number: 10429

- The proposed project is expected to establish a new revenue/profit stream for Halifax Health—supporting the organization’s system-wide commitment to continue to provide to all segments of the county population including those with limited financial resources
- Halifax Health’s forecasted financial payment sources are expected to decline beyond 2016 due to significant reductions in Medicare, Medicaid DSH, GME and LIP programs
- Halifax Health expects income from operations losses of \$12.2 million in 2017, losses of \$20.3 million in 2018 and losses of \$15.8 million in 2019 and while the organization does not expect to face closure due to these (expected) revenue constraints, it will be required to constrain resources such as safety net services that Halifax Health currently provides to the medically indigent and under and un-funded population within the county
- Proposed project approval would help Halifax Health realize a positive EBIDA/cash flow contribution of \$2.0 million in FY 2019, \$12.2 million in FY 2020 and \$23.6 million in FY 2021
- Proposed project approval would help Halifax Health’s financial strength by ensuring Halifax’s ability to negotiate contracts with managed care providers in Volusia County
- The propose project would bring the first inpatient services to the City of Deltona, the largest City in Volusia County
- The proposed project would enhance patient access and availability in the planned service area, as well as supporting the development of needed new primary care, specialty physician practices and associated allied health professionals in the Deltona area
- The proposed project would bring Halifax’s safety net care to the Deltona/west Volusia County area

HHMC presents that the proposed project would help Halifax Health, as fixed costs would be spread over a larger volume base once the new hospital is established, with incremental fixed cost per unit of service reductions expected and no financial burden on existing operations expected. The applicant states that specific to charges to area patients, government payment sources will not be impacted by the proposed project but that patients with private insurance coverage are expected to see potential charge reductions due to the injection of competitive pressures that the proposed project would introduce into the area.

- 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 HHMC and District 4 overall, in fiscal year (FY) 2014 data from the Florida Hospital Uniform Reporting System (FHURS).

**Medicaid, Medicaid HMO and Charity Data
Halifax Health Medical Center and District 4
FY 2014**

Applicant/Area	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percent	Percent of Charity Care	Percent Combined Medicaid, Medicaid HMO and Charity Care
HHMC	27,585	22.66%	4.03%	26.69%
District 4 Total	219,101	18.28%	4.25%	22.53%

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

Further review of the entire complement of District 4 general acute care hospital providers for FY 2014 indicates that, compared to any other general acute care hospital in District 4, for the period, Halifax Health Medical Center had:

- The third highest number of Medicaid/Medicaid HMO patient days (27,585)
- The second highest percentage of these patient days (22.66 percent)
- The fourth highest percentage of charity care patient days (4.03 percent)

The reviewer confirms that HHMC is District 4's third highest volume single provider of acute care services to patients served through Medicaid/Medicaid HMO and the medically indigent (exceeded by UF Health Jacksonville and Baptist Medical Center Jacksonville). Additionally, the reviewer confirms that HHMC is the highest volume single provider of acute care services to patients served through Medicaid/Medicaid HMO and the medically indigent in the southern portion of District 4.

The table below illustrates HHMC's state fiscal year (SFY) 2015-2016 low-income pool (LIP) and disproportionate share hospital (DSH) program participation, as of March 22, 2016.

**Halifax Health Medical Center
LIP and DSH Program Participation
2015-2016**

Program	Annual Total Allocation	Year-to-Date Total Allocation as of March 22, 2016
LIP	\$15,565,922	\$11,674,441
DSH	\$4,871,112	\$3,630,700

Source: Agency Division of Medicaid, Office of Program Finance

The applicant does not propose to condition project approval to its provision of Medicaid, Medicaid HMO or charity/medically indigent care patient days.

HHMC reiterates being the primary provider of care to Medicaid and charity care patient in 2014. The applicant also reiterates that Halifax provided over 60 percent of Medicaid volume plus 44 percent of charity care volume or 56 percent of the combined Medicaid/charity care. HHMC notes that it provides a disproportionate share of care to the medically underserved populations. See the tables below.

**Volusia County Hospitals
Medicaid and Charity Care Profile – 2014**

Facility	Medicaid/ Medicaid HMO Days	Percent of Total Medicaid/ Medicaid HMO Days	Adjusted Charity Days	Percent of Total Adjusted Charity Days	Percent of Combined Medicaid/ Medicaid HMO/ Adjusted Charity Days
Halifax Hlth Med Ctr	27,585	60.5%	7,114	44.6%	56.4
Bert Fish	1,177	2.6%	1,882	11.8%	5.0
FL Hosp Memorial	7,692	16.9%	3,068	19.2%	17.5
FL Hosp Deland	5,231	11.5%	1,103	6.9%	10.3
FL Hosp Fish Mem	3,883	8.5%	2,787	17.5%	10.8
Total	45,568		15,954		

Source: CON application #10429, page 48

**Volusia County Hospitals
Medicaid and Charity Care Profile – 2014**

Facility	Medicaid/ Medicaid HMO Days	Total Patient Days	Percent Medicaid/ Medicaid HMO Days	Adjusted Charity Days	Total Adjusted Days	Percent Adjusted Charity Days	Combined Medicaid Plus Charity Percentage
Halifax Hlth Med Ctr	27,585	121,721	22.7%	7,114	223,546	3.2%	25.8%
Bert Fish	1,177	16,814	7.0%	1,882	40,404	4.7%	11.7%
FL Hosp Memorial	7,692	70,934	10.8%	3,068	132,328	2.3%	13.1%
FL Hosp Deland	5,231	35,797	14.6%	1,103	72,863	1.5%	16.1%
FL Hosp Fish Mem	3,883	39,934	9.7%	2,787	77,732	3.6%	13.3%
Total	45,568	285,200	16.0%	15,954	546,873	2.9%	18.9%

Source: CON application #10429, page 29

The applicant reiterates its significant level of community benefits to local area residents, stating that in FY 2015, Halifax provided over \$55 million in community benefits to support the needs of the area's under and uninsured residents. The applicant maintains that Halifax Health will provide the same level of access to Medicaid patients and the medically indigent at the proposed facility as is provided by Halifax Health's existing programs and services. The applicant also assures the provision of care at the proposed site to all residents in need of required health care services.

- 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.**

The applicant states that the proposed project location is within the City of Deltona, as part of the Halifax Crossing medically focused development, located at the intersection of I-4 and Howland Avenue/State Road 472.

HHMC reiterates the proposed 75 percent PSA and 25 percent SSA, with 15 percent of the 25 percent SSA as all other. The applicant presents the service area resident discharges by ZIP Code in the table recreated below.

**Halifax Hospital Deltona
Service Area 2020 Forecast**

ZIP Codes	Geographic Area	Patients from ZIP Code	Percent of Total Patients	Cumulative Percent
32725	Deltona	1,613	25.4%	25.4%
32738	Deltona	1,394	22.0%	47.4%
32724	Deland	748	11.8%	59.2%
32720	Deland	570	9.0%	68.2%
32763	Orange City	569	9.0%	77.2%
32713	Debary	339	5.3%	82.5%
32744	Lake Helen	94	1.5%	84.0%
32764	Osteen	63	1.0%	85.0%
	All Other	951	15.0%	100%
		6,341		

Source: CON application #10429, page 51

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 within the same district 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.

The Agency received one written statements of opposition (WSO) to CON application #10429 on May 6, 2016. This WSO was signed by R. David Prescott of Rutledge Ecenia, Attorneys and Counselors at Law, on behalf of Central Florida Regional Hospital, Inc. The Agency notes that Central Florida Regional Hospital, Inc., is located in District 7/Subdistrict 7-4 (Seminole County) and the proposed project being opposed is located in District 4/Subdistrict 4-5 (Volusia County). The reviewer notes that Central Florida Regional Hospital is not an existing health care facility in the same district as the applicant's proposed facility. The reviewer notes that Section 408.039(5)(c), Florida Statutes, reads;

In administrative proceedings challenging the issuance or denial of a certificate of need, only applicants considered by the agency in the same batching cycle are entitled to a comparative hearing on their applications. Existing health care facilities may initiate or intervene in an administrative hearing upon a showing that an established program will be substantially affected by the issuance of any certificate of need, whether reviewed under s. 408.036(1) or (2), to a competing proposed facility or program within the same district. With respect to an application for a general hospital, competing applicants and only those existing hospitals that submitted a detailed written statement of opposition to an application as provided in this paragraph may initiate or intervene in an administrative hearing. Such challenges to a general hospital application shall be limited in scope to the issues raised in the detailed written statement of opposition that was provided to the agency. The administrative law judge may, upon a motion showing good cause expand the scope of the issues to be heard at the hearing. Such motion shall include substantial and detailed facts and reasons for failure to include such issues in the original written statement of opposition.

The reviewer notes that since Central Florida Regional Hospital, Inc., is not a competing applicant and is not an existing health care facility within the same the same district or subdistrict, the written statement of opposition was not reviewed with regards to CON application #10429.

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.

Halifax Hospital Medical Center (CON application #10429) responded on May 16, 2016 to Central Florida Regional Hospital's written statement of opposition. The reviewer notes that since Central Florida Regional Hospital, Inc. is not a competing applicant and is not an existing health care facility within the same the same district or subdistrict, the written statement of opposition was not reviewed with regards to CON application #10429. The reviewer indicates that Mr. Jeff Feasel's, President and Chief Executive Officer of Halifax Health, response on behalf of the applicant to Central Florida Regional Hospital's written statement of opposition was not reviewed with regards to CON application #10429.

H. SUMMARY

Halifax Hospital Medical Center (CON application #10429), an affiliate of government owned Halifax Health is operated within a special taxing district, pursuant to Chapter 2003-374, Laws of Florida. The applicant proposes to establish a new 96-bed general hospital located within the Halifax Crossing medically focused development, with the proposed facility located at the intersection of Interstate 4 (I-4) and Howland Boulevard/State Road 472, Deltona, Florida, Volusia County, District 4, Subdistrict 4-5. The applicant does not offer a home ZIP Code for the proposed project location, as required in s. 408.037(2), Florida Statutes. The applicant maintains that the proposed project will focus on adult non-specialty/non-tertiary care, with obstetric and pediatric services not anticipated.

HHMC offers eight ZIP Codes to account for the total proposed service area, with the following five ZIP Codes as the primary service area (PSA) and the remaining three ZIP Codes as the secondary service area (SSA).

PSA ZIP Codes:

- 32725 (Deltona)
- 32738 (Deltona)
- 32724 (Deland)
- 32720 (Deland)
- 32763 (Orange City)

SSA ZIP Codes:

- 32713 (Debary)
- 32744 (Lake Helen)
- 32764 (Osteen)

The applicant anticipates that 15 percent of forecast volume will originate from beyond the eight ZIP Codes proposed service area.

Halifax Hospital Medical Center proposes the following condition to CON approval on the application's Schedule C:

- The proposed new Halifax Health hospital will be located at the intersection of Interstate 4 and Howland Boulevard/State Road 472 within the Halifax Crossings development.

The reviewer notes that pursuant to Section 408.035, Florida Statutes, the Agency shall consider only the following criteria for each co-batched applicant:

- 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
- 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 the medically indigent

Need:

According to the Agency's Florida Hospital Bed Need Projections & Service Utilization by District (published on January 15, 2016) District 4, Subdistrict 4-5 had a total of 321 licensed acute care beds with an occupancy rate of 65.10 percent for the July 1, 2014 through June 30, 2015 reporting period.

There is no CON approved general hospital project in District 4, Subdistrict 4-5, pending licensure. On August 18, 2014, Florida Hospital provided notification (NF #140035) to the Agency of its intent to add eight acute care beds to Florida Hospital Deland (District 4/Subdistrict 4-5/Volusia County).

The applicant contends that need for the proposed facility is justified on the following:

- Excluding municipalities in the Miami-Dade/Broward Country metropolplex, Deltona is the largest city in Florida that is without its own acute care hospital
- HRSA documents Volusia County as a whole county primary care HPSA, with a primary care HPSA score of 16 (within a 0 to 26 HPSA score range) and an MUA designation score of 52.30

CON Action Number: 10429

- The interjection of meaningful competition within the Deltona/west Volusia County area in order to promote quality of care and cost-effectiveness of care with currently no effective competition in the Deltona market and no local hospital choices for area residents
- Current discharge data indicating that 78 percent of the adult “target” inpatient market is controlled by Florida Hospital
- Establishing a new revenue/profit stream for Halifax Health, thereby supporting the organization’s system-wide commitment to continue to provide to all segments of the County population – especially those with limited financial resources
- Halifax Health’s forecasted financial payment sources are expected to decline beyond 2016 due to significant reductions in Medicare, Medicaid DSH, GME and LIP programs
- Halifax Health expects income from operations losses of \$12.2 million in 2017, losses of \$20.3 million in 2018 and losses of \$15.8 million in 2019 and while the organization does not expect to face closure due to these (expected) revenue constraints, it will be required to expand alternative revenue sources, limit expenses and constrain resources such as safety net services that Halifax Health currently provides to the medically indigent and under and un-funded population within the County
- Help Halifax Health realize a positive EBIDA/cash flow contribution of \$2.0 million in FY 2019, \$12.2 million in FY 2020 and \$23.6 million in FY 2021 which would be expected to offset significant portions of the forecast revenue reductions, supporting the continued provision of care to all patients within the county – not just those who have a reasonable payment source
- Help Halifax Health’s financial strength by ensuring Halifax’s ability to negotiate contracts with managed care providers in Volusia County, as Halifax does not currently have full county inpatient coverage for the entirety of Volusia County as some large Volusia County employers give preference to or require of managed care providers
- Bring the first inpatient services to the City of Deltona, the largest City in Volusia County with a 2010 population of (approximately) 85,000 residents and expected to grow to over 90,000 residents by 2020
- Enhance patient access and availability in the planned service area, as well as supporting the development of needed new primary care and specialty physician practices and associated allied health professionals in the Deltona area
- Bring Halifax’s safety net care to the Deltona/west Volusia County area

- Halifax Health's fixed costs would be spread over a larger volume base once the new hospital is established, with incremental fixed cost per unit of service reductions expected and no financial burden on existing operations expected
- Specific to charges to area patients, government payment sources will not be impacted by the proposed project but patients with private insurance coverage are expected to see potential charge reductions (due to the injection of competitive pressures that the proposed project would introduce into the area)

The Agency finds that the applicant met the criteria specified in Section 408.035 (2), Florida Statutes, for approval of a general acute hospital.

Competition

The applicant contends that the proposed project interjects meaningful competition within the Deltona/west Volusia County area in order to promote quality of care and cost effectiveness. The applicant maintains that currently, there is no effective competition in the Deltona market and no local hospital choices for area residents, with 78 percent of the adult inpatient market (excluding pediatric, obstetric, specialty and tertiary care) in the area controlled by Florida Hospital.

HHMC expects that patients in the area with private insurance coverage would likely see potential charge reductions due to the injection of competitive pressures with the introduction of the proposed project.

Medicaid/charity care:

The applicant proposes no Medicaid/Medicaid HMO or charity/medically indigent care condition.

Florida Hospital Uniform Reporting System data indicates that during FYE June 30, 2014, Halifax Health Medical Center provided 26.69 percent of its total patient days to Medicaid, Medicaid HMO and charity care. These are the third highest percentages of Medicaid/Medicaid HMO and charity care patient days (combined) in District 4, for the 2014 reporting period. Overall, District 4 acute care facilities averaged 22.53 percent Medicaid, Medicaid HMO and charity care patient days, during this same time frame.

Halifax Health Medical Center participates in the LIP and the DSH programs. The applicant's SFY 2015-2016 total LIP allocation was \$15,565,922 and the total DSH allocation was \$4,871,112. The applicant's LIP allocation received was \$11,674,441 and the DSH allocation received was \$3,630,700, as of March 22, 2016.

I. RECOMMENDATION:

Approve CON #10429 to construct a 96-bed acute care hospital in District 4, Subdistrict 5, Volusia County.

CONDITION: The proposed new Halifax Health hospital will be located at the intersection of Interstate 4 and Howland Boulevard/State Road 472 within the Halifax Crossings development.

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