

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number:

Sarasota County Public Hospital District
d/b/a Sarasota Memorial Hospital/CON #10431
1700 South Tamiami Trail
Sarasota, Florida 34239-355

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

2. Service District/Subdistrict

District 8/Subdistrict 8-6 (Sarasota County)

B. PUBLIC HEARING

A public hearing was not held or requested regarding the proposed 80-bed general hospital.

Letters of Support

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital submitted 185 letters of support in tab nine of CON application #10429. Many of the support letters are of a general form letter variety but some are individually composed—some additional form letters were received by the Agency during the omissions period. Support letters from many physicians indicate an affiliation with the applicant. The physician/allied health practitioner letters of support base their favorable recommendation of the proposed project on their experience. Some major themes expressed in support of the proposed project include:

- The proposed facility will give invaluable hands-on experience to students in the south county area.
- Sarasota Memorial has a longstanding reputation for providing excellent care.

CON Action Number: 10431

- The proposed facility will improve accessibility, ideally located next to a major transportation corridor.
- Financial accessibility will be improved—as Sarasota Memorial delivers the majority of Medicaid and uninsured care in Sarasota County.
- The proposed facility will ease capacity constraints at the existing Sarasota Memorial campus.
- Residents face long wait times at local health care facilities.
- The new facility would entice additional medical facilities and personnel to establish offices in the service area.
- The proposed facility would allow residents the ability to access Sarasota Memorial’s services, facilities and technology.
- The rapidly expanding and aging residents of the service area face numerous health challenges and need additional hospital and emergency care.
- The existing hospital offer childbirth options and delivery services.

Some support letters are noted from the following:

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

C. PROJECT SUMMARY

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10431) also referenced as SCPHD or the applicant, a special hospital district, proposes to establish a new 80-bed general hospital to be located in the Nokomis/Venice area of south Sarasota County within ZIP Code 34275. According to the applicant, the proposed new hospital will focus on adult, non-specialty/non-tertiary care services—with pediatric and obstetrics not included. SCPHD maintains that the proposed location, available to I-75, will provide timely access to all sectors of Sarasota County along the I-75 corridor. The applicant indicates that the proposed facility addresses the following points:

- To ease capacity constraints at Sarasota Memorial’s existing main campus
- Provide the South County community with a new and convenient source of high-quality, advanced emergency and medical services closer to their homes
- Provide Sarasota Memorial’s focus on care to all patients, regardless of their ability to pay, to the South County market

Sarasota Memorial Hospital, Sarasota Memorial Health System’s Hospital, is a Class I government-owned general hospital with 819 licensed beds. This bed count includes: 666 acute care beds, 20 Level II neonatal intensive care unit (NICU) beds, 13 Level III NICU beds, 49 adult psychiatric beds, 37 child/adolescent psychiatric beds and 34 comprehensive medical rehabilitation (CMR) beds. The affiliate also provides Level II adult cardiovascular services and is a comprehensive stroke center. Additionally, Sarasota Memorial Hospital is a Level 2 Trauma Center.

SCPHD proposes the following conditions to CON approval on the application’s Schedule C:

- The proposed new hospital will be located at the southwest corner of the Laurel Road/Interstate 75 intersection in Nokomis (Venice).
- The proposed new hospital will provide needed medical care to all patients in need, regardless of ability to pay.
- At a minimum, the proposed hospital will provide at least 13 percent of its patient volume to Medicaid, Medicaid Manage Care, non-payment, self-pay and charity patients combined.
- A new Community Medical Clinic operation will be established at the proposed new hospital, with a minimum of \$100,000 per year committed to support this important community health initiative.
- A minimum of \$100,000 per year will be provided by Sarasota Memorial to enhance the ability of the existing local transportation

networks to access the new hospital and to enhance access to health care facilities and services within south Sarasota County.

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.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Sections 408.035 and 408.037, Florida Statutes; and applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

Applications are analyzed to identify strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district (subdistrict), applications are comparatively reviewed to determine which applicant(s) best meets the review criteria.

Rule 59C-1.010(3) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete; however, two exceptions exist regarding receipt of information concerning general hospital applications. Pursuant to Section 408.039(3)(c), Florida Statutes, an existing hospital may submit a written statement of opposition within 21 days after the general hospital application is deemed complete and is available to the public. Pursuant to Section 408.039(3)(d), Florida Statutes, in those cases where a written statement of opposition has been timely filed regarding a certificate of need application for a general hospital, the applicant for the general hospital may submit a written response to the Agency within 10 days of the written statement due date. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the certification of the applicant.

As part of the fact-finding, the consultant, Marisol Fitch, analyzed the application in its entirety.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

The reviewer presents the following analysis and review of CON application #10431 regarding the identified statutory criteria of Section 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, and, as such, the following table illustrates bed utilization levels in District 8, Subdistrict 8-6 for the 12-month period ending June 30, 2015.

Acute Care Hospital Utilization District 8/Subdistrict 8-6 12-Month Period Ending June 30, 2015				
Hospital	Beds	Bed Days	Patient Days	Utilization
DOCTORS HOSPITAL OF SARASOTA	139	50,735	28,766	56.70%
ENGLEWOOD COMMUNITY HOSPITAL	100	36,500	12,430	34.05%
SARASOTA MEMORIAL HOSPITAL	666	243,090	105,990	43.60%
VENICE REGIONAL BAYFRONT HEALTH	312	113,880	44,256	38.86%
Subdistrict 8-6 Total	1,217	444,205	191,442	43.10%
DISTRICT 8 TOTAL	4,122	1,503,206	838,950	55.81%
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 8, Subdistrict 8-6 had a total of 1,217 licensed acute care beds with an occupancy rate of 43.10 percent during the 12-month period ending June 30, 2015. As shown above, the subdistrict occupancy rate (43.10 percent) was less than that of District 8 (55.81 percent) and also less than the statewide occupancy rate (57.27 percent). Currently for the general hospitals in Subdistrict 8-6 and for the 12-months ending June

CON Action Number: 10431

30, 2015, each of these hospitals except Doctors Hospital of Sarasota had utilization rates lower than District 8 overall and all were lower than the state overall.

There is no CON approved general hospital project in District 8, Subdistrict 8-6, pending licensure.

Acute care utilization in Subdistrict 8-6 over the past three years is shown in the chart below.

**District 8/Subdistrict 8-6 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	1,217	1,217	1,217
Percentage Occupancy	40.26%	42.24%	43.10%

Source: Florida Bed Need Projections and Services Utilization, published January 2014-January 2016
Note: Bed counts are as of December 31 for the appropriate years

As shown above, Subdistrict 8-6 had a 2.84 percent increase in acute care bed utilization from 40.26 percent (12 months ending June 30, 2013) to 43.10 percent (12 months ending June 30, 2015). Subdistrict 8-6 had 178,816 acute care patient days for the 12 months ending June 30, 2013 which increased to 191,442 (or by approximately 7.06 percent) by the 12 months ending June 30, 2015. This occupancy rate increase is with a constant acute care bed count of 1,217 beds for the three-year period.

Below is a chart showing District 8 population estimates for January 2015 and July 2021.

**District 8 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
Charlotte	165,829	175,872	6.06%	58,407	66,569	13.97%
Collier	343,417	387,322	12.78%	93,488	113,855	21.79%
Desoto	34,480	35,146	1.93%	6,435	7,161	11.28%
Glades	12,858	13,610	5.85%	2,964	3,466	16.94%
Hendry	38,056	39,215	3.05%	4,830	5,626	16.48%
Lee	669,099	778,611	16.37%	160,724	205,079	27.60%
Sarasota	392,390	423,110	7.83%	126,847	150,052	18.29%
District Total	1,656,129	1,852,886	11.88%	453,695	551,808	21.63%
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, Sarasota County, the proposed project location, has the second largest total and the second largest 65+ populations in District 8. Sarasota County's total population is projected to increase from 392,390 to 423,110 or by 7.83 percent and its 65+ population from 126,847 to

150,052 or by percent, from January 2015 to July 2021. As previously stated, the applicant plans to locate its proposed facility in Sarasota County, ZIP Code 34275.

The applicant indicates that the proposed location, the southwest corner of the intersection of Laurel Road and I-75, will provide timely access to all sectors of south Sarasota County allowing residents from the Venice area to the North Point area reasonable travel times to the proposed new facility. SCPHD states that the proposed Laurel Road site is approximately 19 miles from the existing Sarasota Memorial site and approximately 16 miles from the North Port City Hall complex.

SCPHD notes that the proposed four-story facility will have 80 licensed acute-care beds and 20 observation beds with a modular, flexible design that can accommodate additional beds and programs in the future. The applicant indicates that obstetric and pediatric care will not be provided at the proposed facility.

The applicant presents a number of advantages to the proposed location, including:

- The proposed site is easily accessed by major north and south arteries
- The site will allow for more timely critical access for first responders
- The site easily accommodates a heliport
- The site will provide strong access to all sectors of south Sarasota County versus site options that would be focused only on the North Port area or only on the Venice area
- The site is expandable for future development
- The proposed hospital is highly visible
- The location allows for application to the Florida Department of Transportation for signage along the I-75 corridor
- The location is inland and can remain open and accessible during named storms
- The site is not affected by potential access shutdowns due to closures of bridges that span the inter-coastal waterway
- The site is self-sufficient in terms of parking and will not be affected by local events that could impact parking

SCPHD maintains that staff members at the proposed facility will have the support and expertise of Sarasota Memorial's electronic medical record and other integrated information technology to provide seamless consultation and continuation of care with specialists at the main hospital campus and with any of the Health System's outpatient facilities—including five urgent care centers, the North Port freestanding emergency room and six ambulatory care centers. The applicant notes the following advantages to the proposed facility:

- The proposed facility will be state-of-the-art
- The proposed facility will include spacious private patient rooms with sofa beds and other amenities for families
- The patient care areas will include color palettes and material textures carefully selected based on research to enhance care and promote healing and recovery
- Support and ancillary services will be appropriately sized, located and staffed to support inpatient and observation patient populations
- A three-story medical office building will be built as part of the initial design to accommodate physician offices and other outpatient and support functions
- The campus will include a four-story parking garage to accommodate 600 vehicles
- The proposed facility is a greenfield project and will combine maximum flexibility with the most advance and safest evidence-based design
- Fire protection will be in the form of a fully sprinklered building tied to a staff-controlled central energy plant monitored 24 hours a day, seven days a week
- Every consideration to establish an environmentally friendly facility for patients, staff and the community will be a priority—from the mechanical systems to the materials used for the new facility

The applicant indicates that there are three main reasons the proposed hospital needs to be developed:

- The proposed project is being developed to provide enhanced access to care within the target service area, especially to the 65+ population
- The proposed project is being developed to resolve the current service area lack of access to care for Medicaid/Medicaid Managed Care/non-pay and self-pay patients
- The proposed project is being established to provide a competitive alternative to Venice Regional for residents of the target service area

SCPHD identifies a twelve-area ZIP Code service area that includes the southern portions of Sarasota County ranging from Osprey/Nokomis/Venice south to Englewood and west to the Charlotte County line and east to the Hendry County line (including the North Port area). The reviewer notes that based upon statements on page 91 of

CON Action Number: 10431

CON application #10431, the identified primary service areas (PSA) have been shaded below.

Sarasota Memorial Laurel Road Hospital Service Area ZIP Codes	
34229	Osprey
34275	Nokomis
34285	Venice
34292	Venice
34293	Venice
34286	North Port
34287	North Port
34288	North Port
34289	North Port
34291	North Port
34223	Englewood
34224	Englewood

Source: CON application #10431 page 53

The applicant indicates that the total estimated 2015 population for the service area is 194,272—with 39 percent of the total population 65+ and 19 percent 75+. SCPHD maintains that inpatient utilization is directly related to the age of the population with an older age mix resulting in a significantly higher inpatient volume. The applicant asserts that the significant elderly population in Venice will drive a significantly higher inpatient volume than the younger North Port population. SCPHD contends that additionally, an elderly population is limited in its safe ability to drive extended distances or to drive in congested areas. The applicant presents population data for the service area for both 2015 and 2020. See the tables below.

Sarasota Memorial Laurel Road Hospital Service Area Population				
2015				
Zip Code	City Name	Total Population	65-74	75+
34223	Englewood	16,906	4,283	4,085
34224	Englewood	15,463	3,656	3,173
34229	Osprey	7,407	1,638	1,215
34275	Nokomis	16,847	3,789	2,990
34285	Venice	18,198	5,244	6,251
34286	North Port	21,170	1,930	922
34287	North Port	25,546	5,121	4,849
34288	North Port	12,715	1,458	618
34289	North Port	2,867	331	141
34291	North Port	7,724	753	444
34292	Venice	15,626	4,572	4,064
34293	Venice	33,803	7,094	6,638
		194,272	39,869	35,390
2020				
34223	Englewood	17,215	4,953	4,306
34224	Englewood	16,083	4,266	3,460
34229	Osprey	7,804	1,972	1,304
34275	Nokomis	17,476	4,481	3,181
34285	Venice	18,819	6,142	6,691
34286	North Port	23,996	2,299	1,349
34287	North Port	27,193	5,845	5,210
34288	North Port	14,514	1,687	920
34289	North Port	3,273	379	207
34291	North Port	8,569	924	568
34292	Venice	17,352	5,631	4,613
34293	Venice	35,141	8,468	7,164
		207,435	47,047	38,973

Source: CON application #10431 page 55 and 56

SCPHD notes that the 2015 to 2020 population growth for the 65-74 population within the service areas is 18 percent and 10.1 percent for the 75+ population. The applicant indicates that while North Point population is expected to experience strong growth it will “only” be associated with 37 percent of the service area total population in 2020— 24 percent of the 65-74 population and 21 percent of the 75+ population. Conversely, SCPHD states that Venice will account for 43 percent of the 65-74 population and 47 percent of the 75+ population. The applicant maintains that its decision to locate the proposed facility at the Laurel Road site will enable the organization to meet the needs of both population sectors rather than focusing solely on either the Venice or North Port communities.

The applicant states that the proposed facility will focus on providing services that are sustainable in the community and excluding the services that require specialty care expertise or that require a volume minimum higher than expected from the service area (pediatrics and obstetrics). SCPHD provided a full listing of excluded DRGs in Appendix 7 of CON #10431. The applicant presented inpatient utilization for the

CON Action Number: 10431

service area for the last three quarters of 2014 and the first quarter of 2015. The reviewer notes that data was available for the second quarter of 2015 prior to the omissions deadline for CON application #10431. See table below.

Sarasota Memorial Laurel Road Hospital South Sarasota County Target Inpatient Utilization 12 Months Ending 3/31/2015						
ZIP Code	City	15-44	45-64	65-74	75+	Total
34223	Englewood	128	529	518	1,085	2,260
34224	Englewood	165	418	451	796	1,830
34229	Osprey	25	110	145	246	526
34275	Nokomis	135	351	428	707	1,621
34285	Venice	90	315	543	1,371	2,319
34286	North Port	219	414	329	295	1,257
34287	North Port	222	586	719	1,231	2,758
34288	North Port	161	246	217	194	818
34289	North Port	22	39	60	32	153
34291	North Port	55	115	91	69	330
34292	Venice	81	196	437	1,083	1,797
34293	Venice	246	738	841	1,541	3,366
Total		1,549	4,057	4,779	8,650	19,035

Source: CON application #10431 page 59

SCPHD indicates that the distribution of total discharges by ZIP code shows that the three Venice ZIP Codes generated 39 percent (7,482) of the target discharges of the total service area with Englewood residents accounting for 21 percent (4,090) and North Port accounting for 28 percent (5,316).

The applicant presents data on market share for the service area, noting that Venice Regional Bayfront Health serves the largest number of the target service area patients (47 percent). The reviewer notes that data was available for the second quarter of 2015 prior to the omissions deadline for CON application #10431. See the table below.

Sarasota Memorial Laurel Road Hospital South Sarasota County Target Inpatient Market Shares 12 Months Ending 3/31/2015		
Facility	Discharges	% of Total
Venice Regional Bayfront Health	8,939	47.0%
Sarasota Memorial Hospital	2,672	14.0%
Englewood Community Hospital	2,118	11.1%
Fawcett Memorial Hospital	2,066	10.9%
Bayfront Health Port Charlotte	1,268	6.7%
Doctors Hospital of Sarasota	655	3.4%
All Other	1,317	6.9%
Total	19,035	

Source: CON application #10431 page 60

SCPHD asserts that 4.8 percent of South County patients were Medicaid or Medicaid Managed Care patients with 4.1 percent Non-Payment or

CON Action Number: 10431

Self-Pay. The applicant maintains that a significantly larger than expected number of Medicaid/Self-Pay residents traveled to Sarasota Memorial to obtain care rather than accessing the closer Venice Regional facility. SCPHD notes that while Venice Regional serviced 47 percent of all South County patients, it served a disproportionately low percentage (26 percent) of South County Medicaid/Medicaid Managed Care patients and (33 percent) of South County non-pay/self-pay patients. The applicant contends that this demonstrates a significant access to care problem for the service area Medicaid/Medicaid Managed Care/non-pay/self-pay population and a major reason to approve the proposed facility. SCPHD maintains that the proposed facility will bring high quality and accessible patient care services to all segments of the South County marketplace rather than forcing the low-income or no-income population to travel to Sarasota Memorial's existing facility. The reviewer notes that data was available for the second quarter of 2015 prior to the omissions deadline for CON application #10431. See the table below.

Sarasota Memorial Laurel Road Hospital South Sarasota County Target Inpatient Payor Mix 12 Months Ending 3/31/2015						
Payor	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
	Total South County Patients		Sarasota Memorial Hospital Patients		Venice Regional Hospital Patients	
Commercial Insurance	2,614	13.7%	495	18.5%	916	10.2%
Commercial Liability	21	0.1%	12	0.4%	0	0.0%
Kidcare	6	0.0%	1	0.0%	1	0.0%
Medicaid	424	2.2%	115	4.3%	116	1.3%
Medicaid Managed Care	491	2.6%	97	3.6%	123	1.4%
Medicare	10,635	55.9%	1,415	53.0%	5,599	62.6%
Medicare Managed Care	3,354	17.6%	273	10.2%	1,597	17.9%
Non-Payment	181	1.0%	83	3.1%	13	0.1%
Other	27	0.1%	2	0.1%	0	0.0%
Other State/Local Gov't	243	1.3%	6	0.2%	218	2.4%
Self-Pay	590	3.1%	113	4.2%	242	2.7%
TriCare or Other Fed	186	1.0%	14	0.5%	29	0.3%
VA	202	1.1%	28	1.0%	65	0.7%
Worker's Comp	61	0.3%	18	0.7%	20	0.2%
Total	19,035	100.0%	2,672	100.0%	8,939	100.0%

Source: CON application #10431, page 62

CON Action Number: 10431

The applicant indicates that it used service area 2015 target discharge volume as a baseline to forecast 2020 target discharge volume and then applying an age cohort specific population growth rate for each ZIP code of the identified service area to calculate a 2020 volume forecast for the proposed facility. SCPHD indicates that the market volume growth of 1,733 target discharges was incorporate into its assessment of potential impact on existing providers associated with the development of the proposed facility.

SCPHD presents Sarasota Memorial’s current market capture rates for the target service area. The reviewer notes that the applicant titles the table as 2015 market share but the majority of the data used was collected during calendar year 2014 (April 1, 2014-March 31, 2015). See the table below.

Sarasota Memorial Laurel Road Hospital South Sarasota 2015 Market Share for Sarasota Memorial Hospital				
ZIP Code	City	Total Discharges	SMH Discharges	SMH Market Share
34223	Englewood	2,260	145	6.4%
34224	Englewood	1,830	93	5.1%
34229	Osprey	526	319	60.6%
34275	Nokomis	1,621	352	21.7%
34285	Venice	2,319	201	8.7%
34286	North Port	1,257	303	24.1%
34287	North Port	2,758	451	16.4%
34288	North Port	818	130	15.9%
34289	North Port	153	33	21.6%
34291	North Port	330	109	33.0%
34292	Venice	1,797	183	10.2%
34293	Venice	3,366	353	10.5%
		19,035		

Source: CON application #10431 page 65

The applicant utilized the above historical market share data by community to estimate forecast 2020 (second year of operation) market shares for the proposed facility. SCPHD indicates that applying these market share levels results in a forecast of 4,489 discharges to be served at the proposed facility—22 percent of the total service area target patient market or 18 percent of the total service area. See the table below.

Sarasota Memorial Laurel Road Hospital South Sarasota County Forecast Laurel Road Discharges				
ZIP Code	City	Forecast 2020 Total Market Target Discharges	Forecast Laurel Road Hospital Market Share	Forecast Laurel Road 2020 Hospital Discharges
34223	Englewood	2,339	10%	233.9
34224	Englewood	1,947	10%	194.7
34229	Osprey	571	40%	228.2
34275	Nokomis	1,730	40%	692.0
34285	Venice	2,451	20%	490.2
34286	North Port	1,547	25%	386.8
34287	North Port	2,956	25%	739.1
34288	North Port	1,006	25%	251.6
34289	North Port	186	25%	46.5
34291	North Port	387	25%	96.7
34292	Venice	2,043	20%	408.6
34293	Venice	3,605	20%	721.1
		20,768		4,489.4

Source: CON application #10431 page 67

SCPHD maintains that while it does not have a hospital presence in the south County area, it does have a strong and diverse array of services and aligned medical professionals already in place within south Sarasota County. The applicant documents these services on pages 25-26 of CON application #10431. SCPHD asserts that the 100 aligned practitioners with the south County area combined with established outpatient programs and services provides a strong platform to successfully develop and operate the proposed new Laurel Road hospital.

The applicant presents a bed need forecast of 80 to 85 beds based on the following information:

- 20,768 estimated south County non-tertiary non-pediatric discharges in 2020
- 4,489 estimated discharges for the proposed new facility in 2020
- 19,753 estimated patient days for the proposed new facility in 2020 based on a 4.4 average length of stay (ALOS)
- Calculated estimated average daily census (ADC) of 54.1 for the proposed new facility based on the information above
- Increased ADC of 60.1 to 63.6 based on 10 to 15 percent out-of-market volume
- Bed need of 80 to 85 beds based on 75 percent target occupancy

SCPHD states that the proposed facility has the potential to reduce the volume of South County adult non-tertiary/non-specialty patients treated by existing subdistrict facilities. The applicant contends that any loss of potential patients must be tempered with the expectation that the south county Sarasota inpatient market as well as the Charlotte County inpatient market are forecasted to expand into the future.

The applicant maintains that market growth, an estimated 1,733 discharges in year 2020, accounts for 39 percent of the anticipated volume for the proposed new facility. SCPHD indicates that a significant amount of existing Sarasota Memorial patients from the service area will shift to the new facility—50 to 66 percent of patient volume (1,336 to 1,764 patients). The applicant asserts that combining these two impacts results in a possible total shift in patients from existing providers from 585 to 1,420 patients. See the table below.

Impact of Market Volume Growth and Sarasota Memorial Volume Shifts on Existing Providers of the Service Area		
Forecast 2020 Laurel Road Hospital Patients from the Service Area	4,489	4,489
Forecast Service Area Patient Growth 2015 to 2020	1,733 <i>Target Patients Only</i>	2,140 <i>All Patients</i>
Forecast Shift of Current SMH Service Area Target Patient Volume to Laurel Road Site	1,336 <i>50% of Service Area SMH patients</i>	1,764 <i>66% of Service Area SMH patients</i>
Resulting Potential Shift of Patients from Existing Providers—Net of Offsets	1,420	585

Source: CON application #10431 page 71

SCPHD next examined the impact for existing providers after adjusting for the identified impact shifts for volume growth and Sarasota Memorial volume shifts and excluding Sarasota Memorial’s existing market share. The applicant indicates that the largest shift would be to Venice Regional, between 320 and 776 patients as a result of the proposed facility. SCPHD maintains that other potential patient shifts are expected to be minimal from 23 to 184 patients. See the table below.

Sarasota Memorial Laurel Road Hospital Potential Impact on Existing Providers			
Facility	Relative % of Total Discharges	585 Net Shifted Cases	1,420 Net Shifted Cases
Venice Regional Bayfront Health	54.6%	320	776
Englewood Community Hospital	12.9%	76	184
Fawcett Memorial Hospital	12.6%	74	179
Bayfront Health Port Charlotte	7.7%	45	110
Doctors Hospital of Sarasota	4.0%	23	57
All Others	8.2%	47	114
Total		585	1,420

Source: CON application #10431 page 72

The applicant maintains that for all existing providers except Venice Regional, the above impact analysis presents a high-end estimate of potential impact and excludes total volume growth for each provider that might further offset potential patient volume shifts. SCPHD indicates that the Venice Regional volume shift estimate may be realistic illustrating a three to eight percent shift in patient volume to the proposed new facility. The applicant contends that Venice Regional’s “operational and quality lapses” along with its disproportionate low level

of care to the service area's low income/no income patients—the community benefit associated with the new hospital compared to the potential impact supports approval of the proposed facility. The reviewer notes that the applicant did not present evidence of the stated operational and quality lapses.

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.

SCPHD indicates that a major reason for the proposed project is to establish a competitive alternative to Venice Regional. The applicant states that it will provide a high quality and cost-effective competitive alternative to the existing provider's current operations. SCPHD maintains that it is clearly the higher quality and lower charge provider when compared to Venice Regional.

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

SCPHD notes that the proposed project is expected to have a positive impact on patient charges within the local market as managed care and commercial programs are expected to see market charges reduced in comparison to Venice Regional (which has 50 higher charges according to FloridaHealthFinder.gov). The reviewer notes that charges are not revenues and that FloridaHealthFinder.gov does not report what percentage of charges are being collected through negotiated rates nor does it show hospital operational costs associated with charges.

The applicant maintains that currently Venice Regional has a significant competitive advantage in treating the service area that require or desire hospital care within a close distance of their home. SCPHD indicates that the proposed facility will allow for a local choice in providers rather than a "default decision". The applicant notes that the proposed facility will force Venice Regional to enhance its operations, patient satisfaction levels and quality of care provided. SCPHD reiterates that Venice Regional provides an unexpected low level of care for the service area's

Medicaid and self-pay populations. The applicant asserts that the proposed facility will bring enhanced access to traditionally underserved patient groups directly within south Sarasota County.

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

The table below illustrates the Medicaid/Medicaid HMO days and percentages as well as charity percentages provided by Sarasota Memorial Hospital and District 8 overall, in fiscal year (FY) 2014 data from the Florida Hospital Uniform Reporting System (FHURS).

Medicaid, Medicaid HMO and Charity Data Sarasota Memorial Hospital and District 8 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
Sarasota Memorial Hospital	22,334	17.32%	2.55%	19.87%
District 8 Total	140,249	14.02%	2.58%	16.60%

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

Further review of the entire complement of District 8 general acute care hospital providers for FY 2014 indicates that, compared to any other general acute care hospital in District 8 (23 total facilities), for the period, Sarasota Memorial Hospital had:

- The second highest number of Medicaid/Medicaid HMO patient days (22,334)
- The second highest percentage of these patient days (17.32 percent)
- The ninth highest percentage of charity care patient days (2.55 percent)

The reviewer confirms that Sarasota Memorial Hospital is District 8’s second highest volume single provider of acute care services to patients served through Medicaid/Medicaid HMO and the medically indigent, only being exceeded in this regard by Lee Memorial Hospital.

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

Sarasota Memorial Hospital LIP and DSH Program Participation SFY 2015-2016		
Program	Annual Total Allocation	Year-to-Date Total Allocation as of March 22, 2016
LIP	\$11,410,708	\$8,558,031
DSH	\$3,269,790	\$2,434,022

Source: Agency Division of Medicaid, Office of Program Finance

The applicant proposes to condition project approval to its provision of at a minimum, at least 13 percent of its patient volume to Medicaid, Medicaid Manage Care, non-payment, self-pay and charity patients combined.

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

SCPHD states that it is the safety net provider for the area. The applicant indicates that as the county's sole community-owned hospital and accountable to the local citizens, it continues to support essential programs and services that other local hospitals have eliminated or scaled back due to limited or no program/service profitability. SCPHD notes Sarasota Memorial provided nearly \$97 million in community benefit services at cost. The applicant provides the following table to illustrate the fiscal year (FY) 2015 community benefit levels for the applicant. See the table below.

Sarasota County Public Hospital District FY 2015 Community Benefit	
Bad Debts	\$25,283,951
Traditional Charity Care	\$13,462,406
Medicare Losses	\$23,292,873
Medicaid Losses	\$9,746,069
Trauma and ED care call pay and subsidies	\$6,857,290
Anesthesiologist, hospitalist and psychiatric coverage	\$5,957,478
Clinic and Other Community Programs	\$4,439,263
Indigent Care Fund Payments	\$7,619,198
	\$96,958,528

Source: CON application #10431 page 89

The applicant maintains that it provides 87 percent of the Medicaid care provided by Sarasota County hospitals and 82 percent of the charity care adjusted days. See the table below.

Sarasota County Hospitals Provision of Medicaid and Charity Care 2014					
Facility	Medicaid and Medicaid HMO Days	Percent of Total for the County	Adjusted Charity Days	Percent of Total Adjusted Charity Days	Percent Combined Medicaid, Medicaid HMO and Charity Care
Sarasota Memorial Hospital	22,334	86.9%	6,110	82.4%	85.9%
Doctors Hospital	1,081	4.2%	826	11.1%	5.8%
Bayfront Venice	1,683	6.6%	51	0.7%	5.2%
Englewood	596	2.3%	432	5.8%	3.1%
Total	25,694		7,419		

Source: CON application #10431 page 87

SCPHD states that it will operate the proposed facility in the same manner as it does its existing operations—providing care to all residents in need of required health care services, regardless of ability to pay. The applicant maintains that evidence of this commitment is documented by the conditions for the proposed facility, including:

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

- 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.**

CON Action Number: 10431

The applicant states that the proposed project will be located at the intersection of Laurel Road and Interstate 75 in Nokomis—ZIP Code 34275. The applicant provided the following table of its service area noting that the secondary service area (SSA) is composed of ZIP Codes 34229, 34224, 34291 and 34289 as well as the patients expected to originate from beyond the defined south county area. See the table below.

Sarasota Memorial Laurel Road Hospital South Sarasota County Target Market 2020 Discharges By ZIP				
ZIP Code	City	Forecast Laurel Road 2020 Hospital Discharges	% of Total Discharges	Cumulative %
34287	North Port	739	14.8%	14.8%
34293	Venice	721	14.5%	29.3%
34275	Nokomis	692	13.9%	43.1%
34285	Venice	490	9.8%	53.0%
32292	Venice	409	8.2%	61.2%
34286	North Port	387	7.8%	68.9%
34288	North Port	252	5.0%	74.0%
34223	Englewood	234	4.7%	78.7%
34229	Osprey	228	4.6%	83.2%
34224	Englewood	195	3.9%	87.1%
34291	North Port	97	1.9%	89.1%
34289	North Port	47	0.9%	90.0%
All other out of area at 10% of total		499	10.0%	100.0%
Total Forecasted Volume		4,988	100.0%	

Source: CON application #10431 page 91

F. Written Statement(s) of Opposition

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

The Agency received three written statements of opposition to CON application #10431 on May 6, 2016. These were from representatives of Venice Regional Bayfront Health, Bayfront Health Port Charlotte and Englewood Community Hospital/Fawcett Memorial Hospital.

Bayfront Health Port Charlotte (BHPC) submitted a detailed letter of opposition to the proposed project including many form letters of opposition supporting the City of North Port’s CON application and opposing the proposed facility. The reviewer notes that the City of North

Port withdrew their application prior to the omission deadline for the first hospital batching cycle of 2016.

Additionally, the reviewer notes that Bayfront Health Port Charlotte is located in acute care Subdistrict 8-1, District 8 (Charlotte County) while the proposed facility will be located in Subdistrict 8-6, District 8 (Sarasota County). If applications were submitted by both applicants for facilities in their respective counties, the applications would not be comparatively reviewed with each other.

BHPC contends in its written opposition statement (WOS) that the proposed facility will be located within BHPC's defined secondary service area—with eleven of twelve SCPHD service area ZIP codes overlapping with BHPC's PSA and SSA. The opposition maintains that it would be severely impacted as it relies on patients from southern Sarasota County. BHPC indicates that the proposed facility has proposed to duplicate readily available and accessible services at other area hospitals.

The WOS indicates that CON application #10431 presents no capacity constraints through empirical data. BHPC maintains that every hospital in Sarasota County, including Sarasota Memorial Hospital, has a "vast" number of vacant acute care licensed beds that are readily accessible and available to residents of the service area. The opposition states that the proposed facility has not proposed to offer anything different at Laurel Road than what is readily available at multiple hospitals throughout Sarasota and northern Charlotte Counties.

Englewood Community Hospital, Inc. (ECH) and **Fawcett Memorial Hospital Inc. (FMH)** submitted a detailed letter of opposition to the proposed project. The reviewer notes that FMH is located in acute care Subdistrict 8-1, District 8 (Charlotte County) while the proposed facility will be located in Subdistrict 8-6, District 8 (Sarasota County). If applications were submitted by both applicants for facilities in their respective counties, the applications would not be comparatively reviewed with each other. The reviewer also notes that ECH is located in Sarasota County.

ECH maintains that the proposed facility's identified service area currently has "robust" competition with six existing acute care hospitals providing care to area residents. Opposition indicates that there are adequate unoccupied beds to meet the anticipated increase in patient days through June 30, 2020. The WOS contends that the proposed facility will not significantly improve accessibility or availability of acute care services and that there is no need for an additional hospital to meet the acute care inpatient need of the residents of south Sarasota County.

CON Action Number: 10431

Opposition states that the proposed facility's contention that it will enhance access to care for the 65+ population was not demonstrated through statistical evidence nor did the applicant provide documentation that the 65+ population experience constraints in the ability to travel or that constraints have resulted in patients failing to obtain care in a timely manner.

In addition, ECH indicates that CON application #10431 fails to provide evidence to document a lack of access to care for the Medicaid/Medicaid Managed Care/Non-Pay and Self-Pay patients in the defined service area. Opposition states that CON application #10431 does not provide any documentation that a patient in these populations was unable to obtain care or obtain care in a timely manner.

ECH states that CON application #10431 did not present documentation to explain why existing space at Sarasota Memorial Hospital is inadequate to meet the population's needs and need to be decompressed due to capacity constraints. The WOS notes that Sarasota Memorial Hospital has an average of 375 unoccupied acute care beds on a daily basis.

Opposition maintains that SCPHD's volume estimates and potential impact upon existing providers is flawed—both with its ability to capture market share and substantially underestimating/ignoring potential impact on existing facilities. Opposition specifically point out that the impact to both ECH and FMH are underestimated by SCPHD.

ECH indicates that it conducted an analysis of impact and forecast of potential utilization of the proposed facility. Opposition notes that its analysis employs a wider range of DRGs than presented by SCPHD and measures through patient days instead of by discharges. Utilizing this new methodology, opposition maintains that ECH is expected to lose 1,323 patient days and FMH is expected to lose 1,873 patient days for the year ending June 30, 2020.

The WOS notes that SCPHD has not opened a new inpatient hospital facility for many decades and has limited experience in opening new facilities. Opposition questions whether the proposed facility will be able to attract an adequate physician complement for referrals.

ECH contends that CON application #10431 presents no analysis of the availability and extent of utilization of the existing supply of general inpatient acute care beds that already address the need of the identified service area. Opposition maintains that currently there is a "generous" surplus of beds available in or adjacent to the identified service area to meet the anticipated need for the foreseeable future—1,681 beds in six facilities. See the table below.

Acute Care Hospital Bed Utilization Sarasota County and Adjacent Charlotte County July 2014-June 2015					
Hospital	Acute Beds	Bed Days	Patient Days	% Occupancy	Empty Beds
Doctors Hospital of Sarasota	139	50,735	28,766	56.70%	60
Englewood Community Hospital	100	36,500	12,430	34.05%	66
Sarasota Memorial Hospital	666	243,090	105,990	43.60%	376
Venice Regional Bayfront Hospital	312	113,880	44,256	38.86%	191
Fawcett Memorial Hospital	217	79,205	57,155	72.16%	60
Bayfront Health Port Charlotte	247	90,155	49,926	55.38%	110
Area Hospital Utilization	1,681	613,565	298,523	48.65%	863

Source: WOS page 11

Opposition presents the following summary regarding access for the proposed facility:

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

ECH maintains that the identified service area of the proposed facility is already well served by several competing hospitals and hospital systems. See the table below.

Existing Hospitals Serving SCPHD's Proposed Service Area July 1, 2014-June 30, 2015		
Hospital	Patient Days	Percent of Total
Bayfront Port Charlotte	6,423	7.3%
Doctors of Sarasota	2,561	2.9%
Englewood Community Hospital	7,311	8.3%
Fawcett Memorial	10,349	11.8%
Sarasota Memorial	13,633	15.6%
Venice Regional	37,588	42.9%
Other	9,778	11.2%
All Hospitals	87,643	100.0%

Source: WOS page 17

Opposition contends that the proposed facility and further expansion of the SCPHD system is more likely to drive up rates to commercial patients and payers. ECH indicates that additional health system cost increases

related to competitive pressure for scarce professional personnel as well as the “natural tendency to see unnecessary hospitalizations when excess beds are present” are the likely outcomes if the proposed facility is approved.

ECH states that SCPHD fails to identify the various public funding it receives to compensate for the costs of providing care to the Medicaid and indigent population, including:

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

The opposition maintains that since SCPHD did not provide accounting of the cost to provide care to the Medicaid and indigent populations compared to actual reimbursements/funding associated with that care—no assessment can be made of whether any hardship exists for SCPHD or its patients. ECH indicates that the “increased convenience” proposed for the Medicaid and indigent populations at the proposed facility is not adequate justification for approval of the proposed project.

Venice Regional Bayfront Health (VRBH) submitted a detailed letter of opposition to the proposed project including a significant amount of form letters noting the availability of health care services in south Sarasota County, letters from the VRBH Board of Trustees and form letters of opposition supporting the City of North Port’s CON application and opposing the proposed facility. The reviewer notes that the City of North Port withdrew their application prior to the omission deadline for the first hospital batching cycle of 2016.

VRBH states that it is a 312-bed regional healthcare system that provides a comprehensive array of healthcare services to the greater Venice area and beyond. Opposition asserts that it provides quality medical care to thousands of people in the greater Venice/Sarasota County area and is committed to delivering personalized healthcare to its patients and helping the community grow and prosper. VRBH presents a summary of its 2015 community benefits. See the table below.

Venice Regional Bayfront Health 2015 Community Benefit	
Providing Quality Care:	
ER Patient Visits	32,405
Inpatient Cases	10,310
Outpatient Visits	316,709
Physician Clinic Visits	207,925
Licensed Beds	312
Financial Benefits	
Payroll	\$89,619,367
Capital Investments	\$16,754,343
Estimated Taxes Paid	\$1,683,030
Caring for Community	
Charity and Uncompensated Care	\$19,758,037
Donations to the Community	\$27,666
Dollars Spent Locally	\$8,873,664
Total Community Investment	\$136,716,107

Source: Opposition page 8

Opposition provides a list of notable accomplishments and programs it currently has on pages 9-12 of the WOS. VRBH indicates that it has had significant changes in its leadership since 2014 but that since January 2014 the hospital will have invested more than \$30 million in capital improvements and clinical technologies to enhance care.

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

- To ease capacity constraints at Sarasota Memorial Hospital
- To provide growing South County community with a new and convenient source of high quality, advanced emergency and medical services closer to home
- To care for the medically indigent in the South County market
- Improve access to acute care for the area’s large senior population, which is limited in its ability to travel safely

Opposition maintains that SCPHD never showed that there was any accessibility, availability or quality issue nor did it justify the rationale for a new hospital—in particular anything based on SCPHD’s four main reasons identified above.

VRBH indicates that there is no need to decompress Sarasota Memorial Hospital’s capacity based on its occupancy rate and other historical utilization and there is no need to decompress any other Sarasota County hospitals based on those same metrics. The opposition contends that it would be “poor health planning” to add another 80 acute care beds to a market where overall acute care occupancy is only 43 percent and there are on average 693 vacant beds.

The WOS asserts that SCPHD states that the growing South County residents need a new and convenient hospital, closer to home.

Opposition contends that “new and convenient do not underlie health planning principals.” VRBH indicates that 10 of 12 of the identified ZIP codes for the proposed project’s service area overlap with its defined service area. In addition, opposition maintains that SCPHD’s defined service area is “illogical” and the proposed site has “virtually zero population” within the northern half of its ZIP code area.

Furthermore, VRBH maintains that the time difference between the closest ZIP codes identified as the proposed project’s service area to the proposed site are insignificant and do not warrant the approval of a new acute care hospital. Opposition asserts that SCPHD is “simply seeking to establish this hospital in this location to enhance its market share in a more affluent area of the County.” VRBH states that while SCPHD indicates there is only one bridge to VRBH, there are three. In addition, opposition maintains that VRBH does not evacuate during storms—it shelters in place. VRBH maintains that if SCPHD believed there was an accessibility issue for the elderly of the service area to access acute care services it would have included a drive time study evidencing barriers to geographic access. Opposition notes that VRBH is 5.3 miles from the Laurel Road site proposed by the applicant. VRBH contends that any patient that would seek emergency treatment at the proposed facility and require specialty care—will be transported to a facility with specialty services which would result in delays to appropriate treatment.

The opposition notes that SCPHD is the only provider of programs with disproportionately high Medicaid and medically indigent patients (obstetrics, psychiatric services, neonatal care, pediatrics and trauma) and serves a disproportionate number of patients in the identified payor groups. VRBH notes that SCPHD is an independent taxing district with the authority to levy ad valorem property taxes. Opposition indicates that in 2015 it received nearly \$45 million in taxes to provide \$13,462,000 in charity care. See the table below.

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

Source: Opposition page 32

VRBH states that SCPHD’s discussion of charges is moot as “charges are irrelevant to virtually all payors in the current timeframe” since charges

do not dictate profits—payments do. Opposition presents metrics from SCPHD’s audited financial statements in terms of profitability ratios. See the table below.

Sarasota County Public Hospital District Profitability Ratios			
	FY 2013	FY 2014	FY 2015
Operating Margin	5.5%	11.0%	14.5%
Excess Margin	8.7%	12.0%	16.1%
Return on Assets	3.6%	5.6%	8.5%
Total EBIDA Percent	16.4%	19.9%	23.2%
Operating Cash Flow Margin	13.5%	19.0%	21.7%

Source: Opposition page 35

Opposition notes that the proposed home ZIP code area, 34275, for the proposed project has less than 1,000 Medicaid eligible residents and has a median household income of \$50,226.

Sarasota Memorial Laurel Road Hospital Service Area and Sarasota County Count of Medicaid Eligible Residents by ZIP Code Area As of September 1, 2015			
Area	Medicaid Eligible	Percent Medicaid	Median Household Income
34275 (Home ZIP)	992	5.9%	\$50,226
Service Area			
Venice	3,647	5.4%	\$48,808
Osprey/Nokomis	1,250	5.2%	\$54,800
Englewood	2,338	7.2%	\$45,262
North Port	9,602	13.7%	\$47,434
Service Area Total	16,837	8.7%	\$48,202
Sarasota County	48,968	10.0%	\$48,178
State of Florida	3,167,670	15.9%	\$46,183

Source: Opposition page 37

VRBH maintains that SCPHD did not prove that the proposed facility will enhance access for Medicaid and medically indigent patients nor did it show evidence that access issues exist for any portion of the population, including a medically indigent subset.

Opposition indicates that the proposed facility would have significant adverse impact on VRBH—impacting non-tertiary inpatient cases as well as having a ripple effect on all outpatient services and tertiary cases. VRBH notes that the proposed service area for SCPHD is VRBH’s service area. See the table below.

Venice Regional Bayfront Health Reliance on SCPHD Laurel Road Defined Service Area Excludes Ages 0-14 12 Months Ending June 30, 2015			
Service Area	Inpatient Discharges	Emergency Department Visits	Ambulatory Surgery Visits
Service Area Cases	8,714	13,891	9,313
All Other VRBH Cases	931	2,298	1,285
Total VRBH Cases	9,645	16,189	10,598
Percent Reliance on Service Area	90.3%	85.8%	87.9%

Source: Opposition page 52

VRBH states that SCPHD’s forecasted market shares by ZIP Code area could be drastically understated, particularly in Venice and North Port. Opposition presents a “recast”-ed estimate of the non-tertiary case impact on VRBH with the market share estimates increased for Venice and North Port. See the table below.

Adjusted Non-Tertiary Case Impact of Sarasota Memorial Laurel Road to Venice Regional Bayfront Health Forecasted 2020					
ZIP Code	2020 Forecasted Non-Tertiary Market Cases	Adjusted Laurel Road Market Shares	Adjusted Laurel Road Cases	Venice Regional Market Shares	Impact to Venice Regional
34223	2,327	10%	233	35.4%	82
34224	1,901	10%	190	17.1%	33
34229	578	40%	231	21.7%	50
34275	1,632	40%	653	62.2%	406
34285	2,344	40%	938	81.8%	767
34286	1,547	35%	541	10.8%	58
34287	3,000	35%	1,050	21.4%	225
34288	1,036	35%	363	4.7%	17
34289	193	35%	68	6.3%	4
34291	372	35%	130	13.5%	18
34292	2,081	40%	832	78.7%	655
34293	3,601	40%	1,440	74.0%	1,066
Total	20,614		6,669		3,381
Venice	8,027		3,210		2,488
North Port	6,149		2,152		322
Osprey/ Nokomis	2,211		884		456
Englewood	4,228		423		115

Source: Opposition page 55

VRBH indicates that the inpatient case impact could be as high as 3,381 cases or as low as 2,045, and does not include a ripple effect on its tertiary case volume. In addition, opposition states that this could result in a total inpatient impact of \$6,419,461 (on the low end) to \$10,613,606 (on the high end). See the table below.

Inpatient Contribution Margin and Impact 2020 Cases in 2015 Dollars		
	Using SCPHD Laurel Road Market Shares	Adjusted SCPHD Laurel Road Market Shares
Service Area Inpatient Cases to be Lost	2,045	3,381
In-Migration Cases to be Lost (10%)	227	376
Total Cases to be Lost	2,272	3,757
Contribution Margin per Admission	\$2,825	
Total Inpatient Impact from Service Area Cases	\$6,419,461	\$10,613,606

Source: Opposition page 56

Opposition maintains that in addition to lost inpatient activity, VRBH will have between a \$5.545 and \$9.018 million dollar outpatient contribution margin loss resulting in a “substantial and devastating operational impact” and threaten VRBH’s future viability. See the table below.

Inpatient and Outpatient Impact on an Annual Basis 2020 Cases in 2015 Dollars		
	Using SCPHD Laurel Road Market Shares	Adjusted SCPHD Laurel Road Market Shares
Inpatient	\$6,419,461	\$10,613,606
Outpatient	\$5,454,364	\$9,017,965
Total-Annual Impact	\$11,873,824	\$19,631,571

Source: Opposition page 57

VRBH states that the proposed facility could result in cannibalization of the Sarasota County health care work force and will impact VRBH with respect to its staffing, turnover, recruitment and potentially create upward pressure on wages and benefits. Opposition maintains that the proposed facility could also negatively impact quality as it will dilute the qualified work force.

Opposition provided a number of legal arguments on pages 59-60.

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

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

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10431), responded on May 16, 2016 to written statements of opposition (WSO) submitted by Venice Regional Bayfront Health (VRBH), Bayfront Health Port Charlotte (BHPC), Englewood Community Hospital (ECH) and Fawcett Memorial Hospital

(FMH). David Verinder, President and CEO of SMH responded on behalf of the applicant. SMH indicates and the reviewer confirms through the website at <http://hcahealthcare.com/about/facilities.dot>, that ECH and FMH are both Hospital Corporation of America®, (HCA®) facilities. SMH's response is 26 pages with additional reference materials that include the following journal articles:

- Our View-Traffic problems magnified by a bridge too often, Venice Gondolier, April 25, 2015 (one and a half pages)
- “Unbelievable” problems at Venice hospital, Sarasota Herald-Tribune, July 23, 2015 (two and a third pages)
- Online readers voice support for new Sarasota Memorial Hospital location, Herald-Tribune, May 10, 2016 (one page)

On the response cover page, Mr. Verinder states that the applicant is including further documentation and evidence that the proposed new hospital is needed to ensure that all south county residents have appropriate access to high quality and cost efficient hospital services, regardless of financial resources or insurance coverage. SMH's response is briefly summarized below.

The response contends that the proposed Laurel Road site is an optimal site location for the proposed new hospital—at the major transportation corridor within the south county area, linking the Venice and North Port communities and providing easy access to all sectors. The response asserts that if the proposed project were to be located within the current “largest elderly population core”, the facility would be located on the coast, in Venice, providing no enhanced access to the North Port/Englewood portions of the service area. The response states that conversely, if the proposed facility were located in North Port, access to the expanding Venice Community would not be enhanced. The response indicates additional benefits of the proposed site as follows:

- The ability to expand in the future
- The ability for on-site services to remain operational during significant storm situations
- The ability for patients and staff to access the proposed site without incurring the travel bottlenecks associated with having health care located on an island
- The ability to have emergency service personnel and functions stage at the proposed site in the event of natural or other disasters

Specific to geographic access, SCPHD points out that VRBH is located on an island that is accessible only by drawbridges and discusses access challenges in reaching VRBH. The response notes the following quote from the May 9, 2016 Sarasota Herald-Tribune:

“Venice Regional is on the island and sometimes the bridges are up,” Venice City Council Member Bob Daniels. “If I had a heart attack, I would not want to be waiting for a bridge to come down. I would want to go somewhere right away.”

The reviewer notes that according to the website http://www.venicegov.com/Boards_Links/city_council.asp, as of May 26, 2016, Bob Daniels, PhD, is a Venice City Council Member, a member of the Venice Area Chamber of Commerce and is the city council liaison to the Municipal Code Enforcement Board, the Metropolitan Planning Organization and the Sarasota County Tourist Development Council.

SCPHD points out that in VRBH’s WSO, the existing facility does not evacuate in circumstances of storms but shelters in place like other hospitals. SCPHD counters that historically, facility evacuation ultimately may become necessary--using Hurricane Charley (2004) as an example, stating that several hospitals serving Charlotte County (including VRBH’s sister hospitals) were damaged, forcing the facilities to transfer hundreds of patients by ambulance convoy and helicopter to other area hospitals.

The response addresses comments in the WSO letters criticizing SCPHD for not including specialty pediatric or obstetric inpatient services—pointing out that the provision of high quality specialty obstetric and pediatric services require a minimum threshold volume. The applicant contends that its analysis of population data and needs of the community do not support the inclusion of obstetric/pediatric services in the proposed project and services should not be established until local service area volumes growth is sufficient to sustain such programs.

The response reiterates SCPHD’s safety net and related activities commenting that opponents do not deny that SCPHD is the sole safety net provider in Sarasota County and that there will be significant positive community benefit in expanding these safety-net services to the proposed facility. The response notes that the opponents contend that SMH should not be permitted to increase geographic access to these much needed unfunded and underfunded community services. The response states that the opponents suggest that SCPHD is being “paid” to provide services and care for these patients as a result of its collection of ad valorem tax. SCPHD indicates that VRBH’s opposition mischaracterizes its use of tax receipts, which are stated to enhance the provision of high quality care not just locally but throughout the state via Intergovernmental Transfers (IGTs).

According to the applicant, to ensure SCPHD continues to meet the changing health needs of the entire community it serves, the District’s charter does not allocate tax revenues solely to offset the expense of

uncompensated care or the expense of a particular program/patient demographic. SCPHD states it may levy taxes of up to two mills for a range of valid discretionary purposes including:

- Payment of operating expenses, debt service and capital expenditures
- Acquisition of real and personal property
- Establishment, construction, acquisition, operation and maintenance of hospitals and health care facilities for limited or extended care and treatment and any facilities that are necessary and incidental to the operation thereof within Sarasota County

SCPHD asserts that tax revenues comprise only about six-to-seven percent of the hospital's budgeted revenue and that its ability to meet the needs of the community also requires strong patient volumes combined with ongoing cost controls, efficiency measures and funding from state and federal reimbursement programs. The applicant maintains that strong operational and financial performance, supplemented by ongoing tax assistance, has allowed it to provide a wide range of advanced services and programs that improve access to care. SCPHD offers a list of some of these investments within the community (Response page six and seven). The applicant maintains that federal and state payments do not fully fund the significant costs of programs provided by SCPHD and that a stable financial performance along with tax assistance helps offset mission service expenses. In addition, SCPHD indicates that actual dollars received from ad valorem taxes have decreased, with FY 2016 tax receipts of \$46,610,008, down significantly from FY 2007 tax dollars of \$56,274,898. The reviewer notes that the applicant did not provide any documentation regarding the millage rate for 2007 to correlate and calculate the ad valorem taxes.

SCPHD states that in addition to enhancing care in the community, the District voluntarily uses tax dollars to support the state Medicaid program through the contribution of IGTs and the funds hospitals receive in return to support required patient care for those with limited financial resources.

Using the Agency website www.Floridahealthfinder.gov, as of March 29, 2016, SMH states having the lowest charges of all Sarasota County hospitals, with SMH's charge low of \$13,214 and charge high of \$56,683, for the 12 months ending June 2015. See the table below.

**Sarasota County Hospitals
All Hospitalizations Patient Charge Profile
Data for the 12 Months Ending June 2015**

	Charges Low	Charges High
Statewide	\$16,402	\$60,842
Sarasota Memorial Hospital	\$13,214	\$56,683
Doctor’s Hospital of Sarasota	\$29,240	\$84,180
Venice Regional Bayfront Health	\$25,595	\$86,823
Englewood Community Hospital	\$29,296	\$75,123

Source: CON application #10431, Response, page 8

The response indicates that the SMH pricing advantage will provide South County residents with a lower cost solution to accessing quality hospital services and should competitively force other area hospitals to review and reduce their hospital charges. The reviewer notes that there is no correlation between costs and charges that were documented by the applicant. SCPHD maintains that the WSO letters attempt to reject the above historical charge advantage and the proposed project’s projected advantages. The applicant contends that the VRBH WSO conclusions (specifically that SMH’s low charge profile is not relevant) are wrong and are based on flawed assumptions and inaccurate statements, including:

- The WSO wrongly assumes that the proposed facility will share in the same Medicaid and Medicare reimbursement models as Sarasota Memorial
- The WSO incorrectly states that hospital charges are irrelevant

The response maintains that SCPHD’s level of safety net care and its funding of safety net programs qualify the hospital to receive add-on payments as outlined in state and federal rules and regulations. The response also maintains that VRBH and other hospitals could provide the same level of care and receive these add-on payments—but have chosen not to do so. SCPHD maintains that the availability of and eligibility requirements for reimbursement is determined by numerous factors and are specific to a hospital facility seeking such funding. The applicant notes though that current funding is uncertain in the face of anticipated or potential reductions in funding.

SCPHD states that VRBH cannot accurately project payments for CON application #10431 or any acute care hospital due to the uncertainty surrounding the Medicaid reimbursement program. The applicant reiterates that Sarasota Memorial remains the only hospital in the county willing to provide services necessary to care for all residents, including the un- and underfunded patients within the county.

The response asserts that VRBH’s contention that “charges have no bearing on Medicaid and Medicare” is a fallacy. The applicant states that unlike predetermined DRG payment amounts for most Medicare and Medicaid hospital claims, outlier payments are directly influenced by hospital charges. SCPHD maintains that since both the state and federal

government use charges as a proxy to determine additional outlier payments, charges have a very real impact on both the Medicare and Medicaid program. The applicant asserts that with VRBH's reported charges more than 50 percent higher than SCPHD, the introduction of the proposed project will have a positive impact on local area patient charges.

SCPHD contends that the proposed project will help to alleviate a significant financial and geographic access problem within the local market. The response notes that WSO letters wrongly attempt to make the argument that because SCPHD treats a large number of obstetric and pediatric patients and operates a trauma program--that the payer mix comparisons between the two hospitals are not relevant to the assessment. The applicant asserts that the fact remains that VRBH is not providing needed access to service area underserved populations. SCPHD asserts that with no obstetric/pediatric/trauma patients included in the proposed project's payer class assessment of access, there is no service mix advantage provided when payer comparisons are made.

The response states that 1,686 total patients or 8.9 percent of the patients within the south county market that are proposed to be served fall into underserved Medicaid/non-pay/self-pay categories—and these patients should have the same local access to high quality care. According to the applicant, the proposed project is needed to resolve this access problem.

SCHPD takes the position that WSO letters about SMH's capacity constraints as being misleading and without merit are simplistically comparing annual inpatient days to licensed beds to reach their conclusions. According to SMH, this approach consciously ignores the known realities of the local health care marketplace, including:

- A significant portion of licensed beds are in semi-private settings, SMH's real effective capacity is often less than licensed capacity
- That there is significant variability observed in the utilization of healthcare services
 - Seasonal variation due to winter/snowbird influx of patients
 - Daily variation within the week associated with elective/scheduled case volumes peaking mid-week
- That observation patients are a major issue in today's health care environment and these patients are often cared for in inpatient beds

The proposed project would help decompress the main campus and give the thousands of south Sarasota County patients who already seek care at SCHPD a nearby facility.

SCPHD notes that its new Courtyard Tower has 171 beds, only 30 of which are in semi-private rooms – the other 141 beds are private rooms. The applicant indicates that it expects its ADC volume increases and seasonal growth to continue to increase through 2021. In addition, the response states that a review of FY 2015 utilization data for SCHPD shows that observation patients account for 14 percent of all patient volume served with the hospital’s acute care/observation beds. The applicant concludes that an assessment of inpatient volume alone, ignoring observation patient volume, results in an inaccurate evaluation of facility utilization and capacity constraints.

SCPHD states it has the only trauma program in Sarasota County— noting that its ED volumes have increased 17.8 percent over the last three years (2012-2015) and having one of the busiest Emergency Care programs in the state, with over 116,300 visits to the hospital’s main campus Emergency Care Center and 25-bed North Port freestanding ED in 2015. The applicant expects 7,000 visits to its ED from patients in Venice area ZIP Codes by 2016.

The applicant maintains that it has experienced strong historical growth and is forecasted to continue to grow into the future. Using SCPHD internal data, the response indicates FY 2013 to FY 2016 YTD estimates for various patient day characteristics, with percentage increases over prior years. See the table below.

SMH Volume Trends FY 2013 - FY 2016 (through April 2016)

	FY 2013	FY 2014	FY 2015	FY 2016
Acute Care IP Days	95,533	103,277	112,351	77,224
Acute Care OBS Days	15,786	18,441	18,527	10,463
Total Acute Care Days	111,319	121,718	130,878	87,687
<i>Percent increase over prior year</i>		9.3%	7.5%	12.4%
Total Non-Acute Days	24,810	25,724	27,608	16,609
Total Days	136,129	147,442	158,486	104,296
<i>Percent increase over prior year</i>		8.3%	7.5%	11.3%

Source: CON application #10431, Response, page 15

The applicant contends that VRBH reported declining utilization/ occupancy for this same three-year (+) period and that VRBH is the only hospital in Sarasota County to report such a decline.

SCPHD reiterates acute care volume forecasts to reach an ADC of 513 or 73 percent occupancy by 2020 and reach an ADC of 549 and a 78 percent occupancy by 2021 with 666 acute care licensed beds at SMH and two observation units of 18 beds each, for a total bed capacity of 702. Comparably, SMH reiterates acute care “in season” volume forecasts (January to April), using a 12 percent seasonality factor. In this estimate, SMH reaches 82 percent occupancy “in season” in 2020 and an 87 percent occupancy “in season” by 2021. See the tables below.

CON Action Number: 10431

SMH Acute Care Annual Volume Forecasts FY 2015 Through 2021

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Acute Care ADC	359	391	419	448	479	513	549
Increase over prior year		9%	7%	7%	7%	7%	7%
Acute Care and Observation Beds	702	702	702	702	702	702	702
Acute Care Total Occupancy	51%	56%	59%	64%	68%	73%	78%

Source: CON application #10431, Response, page 16

SMH Acute Care “In Season” Annual Volume Forecasts FY 2015 Through 2021

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Acute Care ADC	359	391	419	448	479	513	549
“In Season” Total Acute Care ADC With 12 Percent Factor	402	438	469	502	537	575	615
Acute Care and Observation Beds	702	702	702	702	702	702	702
Acute Care Total Occupancy	57%	62%	66%	71%	76%	82%	87%

Source: CON application #10431, Response, page 16

The response discusses CMS star ratings (HCAHPS surveys) for VRBH, as of May 2016. See the table below.

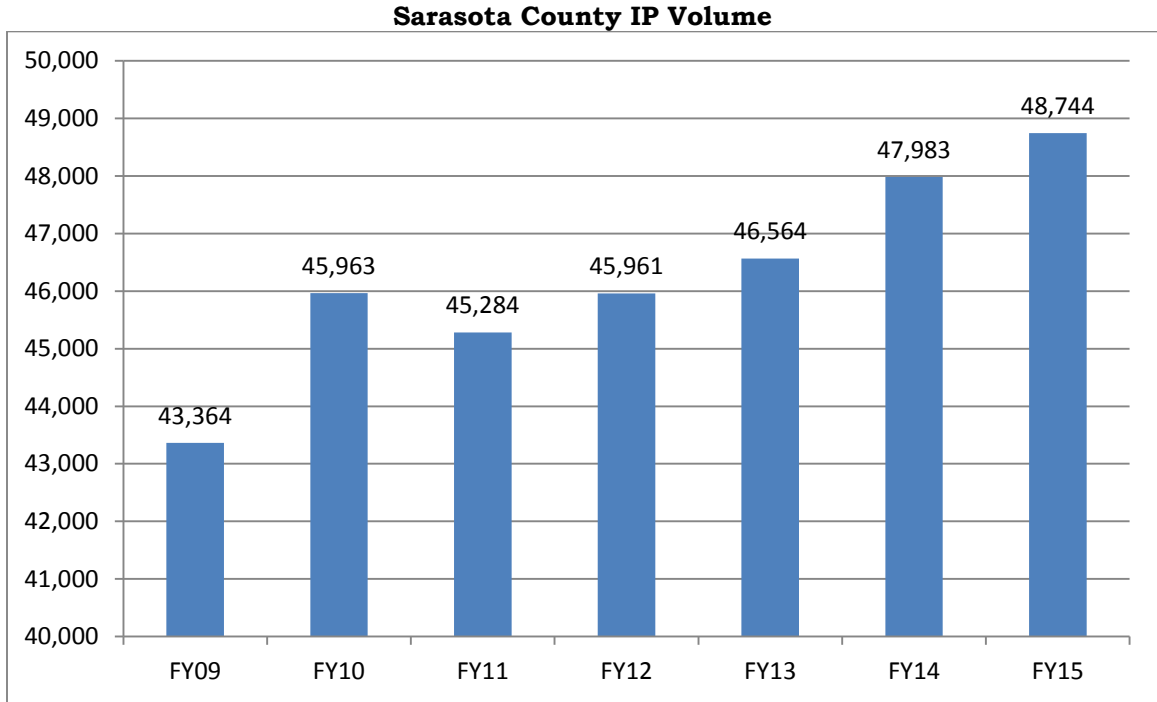
VRBH CMS/SCAHPS Star Ratings

	Summary Star Rating	Overall Hospital Star Rating	Recommend the Hospital Star Rating
VRBH	**	*	**
Percent of Hospitals with Star Ratings Above VRBH	82%	96%	89%

Source: CON application #10431, Response, page 21

SCPHD also discusses other quality features and ratings of VRBH and couples this with VRBH volume declines but inpatient increases for Sarasota County overall. The reviewer notes that for the review of a general hospital project, quality of care is not a statutory rule criterion, pursuant to Section 408.035(2), Florida Statutes.

SCPHD indicates Agency discharge database records indicating the Sarasota County inpatient (IP) discharge totals rising from 43,364 (FY 2009) to 48,744 (FY 2015). See the table below.



Source: CON application #10431, Response, page 23

SCPHD contends that the vast majority of the letters reflecting opposition to the proposed project were from letters crafted and coordinated by VRBH and the Port Charlotte staff. SCPHD comments that 90+ letters from North Port residents included in the VRBH/Port Charlotte opposition show opposition to the proposed project in the context of a competing City of North Port hospital CON application, which the City of North Port did not submit. The applicant references its journal articles included in the response as further evidence supporting the proposed project.

The response asserts that the opponent hospitals wrongly suggest that the proposed new hospital will not significantly enhance travel times to a hospital for patients within the south county area. The applicant notes that bottlenecks can and do occur in reaching, attaining quality care and financial access at the VRBH facility. SCPHD notes that average travel time enhancements are not the critical driver of the proposed project but emphasizes that geographic access to care during not-normal or emergency situations and community access limitations are factors.

SCPHD contends that WSO comments that adverse impact is understated are flawed since the opposition disregards the population growth and forecasted market volume growth in the south county market area to offset adverse impact on existing providers.

The applicant maintains that utilization projections, volume forecast and market share level estimates are reasonable within CON application

#10431 based on SCPHD's current market strengths, proximity to the proposed project location and existing market share to existing providers. SCPHD asserts that the only reasonable change to the adverse impact assessment in the CON application may be the reduction in impact on VRBH—as its market share within the service area is declining in association with its continuing volume declines.

H. SUMMARY

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10431), an independent hospital district, created by the Florida Legislature in 1949 and owner/operator of Sarasota Memorial Hospital, proposes to establish a new 80-bed general hospital to be located in the Nokomis/Venice area of south Sarasota County, Florida, within ZIP Code 34275. The applicant indicates that the proposed facility addresses the following points:

- To ease capacity constraints at Sarasota Memorial's existing main campus
- Provide the South County community with a new and convenient source of high-quality, advanced emergency and medical services closer to their homes
- Provide Sarasota Memorial's focus on care to all patients, regardless of their ability to pay, to the South County market

The applicant offers 12 ZIP Codes to account for the total proposed service area, with the following eight ZIP Codes as the PSA and the remaining four ZIP Codes as the SSA.

PSA ZIP Codes:

- 34275 (Nokomis)
- 34285 (Venice)
- 34292 (Venice)
- 34293 (Venice)
- 34286 (North Port)
- 34287 (North Port)
- 34288 (North Port)
- 34223 (Englewood)

SSA ZIP Codes:

- 34229 (Osprey)
- 34289 (North Port)
- 34291 (North Port)
- 34224 (Englewood)

The applicant proposes to condition project approval to the proposal as shown on pages three and four of this report.

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 8, Subdistrict 8-6 had a total of 1,217 licensed acute care beds with an occupancy rate of 43.10 percent during the 12-month period ending June 30, 2015. Additionally, the subdistrict occupancy rate was less than that of District 8 (55.81 percent) and less than the statewide occupancy rate (57.27 percent), for the same time period.

There is no CON approved general hospital project in District 8, Subdistrict 8-6, pending licensure.

The applicant indicates that there are three main reasons the proposed hospital needs to be developed:

- The proposed project is being developed to provide enhanced access to care within the target service area, especially to the 65+ population
- The proposed project is being developed to resolve the current service area lack of access to care for Medicaid/Medicaid Managed Care/non-pay and self-pay patients
- The proposed project is being established to provide a competitive alternative to Venice Regional for residents of the target service area

Written Statement(s) of Opposition

The Agency received three written statements of opposition - one each from representatives of Bayfront Health Port Charlotte (BHPC), Englewood Community Hospital/Fawcett Memorial Hospital (ECH/FMH) and Venice Regional Bayfront Health (VRBH). The reviewer notes that both BHPC and FMH are located in Charlotte County—in the same district but not in the same subdistrict as the proposed facility.

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

- ECH indicates that the applicant's proposed service area has robust competition with six existing acute care hospitals providing care to area residents and also that there are adequate unoccupied beds to meet the anticipated increase in patient days through June 30, 2020
- ECH indicates that the proposed facility will not significantly improve accessibility or availability of acute care services in south Sarasota County
- ECH contends that provided no evidence that constraints have resulted in patients failing to obtain care in a timely manner or that there is a lack of access to care for the Medicaid/Medicaid Managed Care/Non-Pay and Self-Pay patients in the applicant's defined service area
- ECH states that Sarasota Memorial Hospital has an average of 375 unoccupied acute care beds on a daily basis
- ECH indicates that the applicant underestimates the impact on both ECH and FMH, with ECH expecting to lose 1,323 patient days and FMH expecting to lose 1,273 patient days, for the year ending June 30, 2020, if the proposed project is approved
- ECH contends that the applicant has not opened a new inpatient hospital in many decades and has limited experience in opening new facilities
- ECH indicates that the proposed hospital will result in no improvement in geographic accessibility for more than 75 percent of the total population it expects to serve
- ECH anticipates that additional health system cost increases related to competitive pressure for scarce professional personnel as well as the "natural tendency to see unnecessary hospitalizations when excess beds are present" are the likely outcomes if the proposed facility is approved
- ECH notes that the applicant fails to identify the various public funding it receives to compensate for the costs of providing care to the Medicaid and indigent population and that "increased convenience" proposed for the Medicaid and indigent population is not adequate justification for approval of the proposed project
- VRBH states having provided numerous community benefits to its community and residents and since January 2014, having invested more than \$30 million in capital improvements and clinical technologies to enhance care
- VRBH maintains that there is no need to decompress Sarasota Memorial Hospital and that it would be "poor health planning" to add another 80 acute care beds to a market where overall acute care occupancy is only 43 percent and there are on average 693 vacant beds

- VRBH notes that 10 of 12 of the identified ZIP Codes for the proposed project's overlap with VRBH's defined service area and that additionally, the applicant's service area is "illogical"
- VRBH maintains that time differences realized by the proposed project are insignificant and that the applicant's proposal is "simply seeking to establish this hospital in this location to enhance its market share in a more affluent area of the County"
- VRBH identifies that there are three bridges to VRBH, not just one
- VRBH states that the applicant's discussion of charges is moot as "charges are irrelevant to virtually all payors in the current timeframe" since charges do not dictate profits—payments do
- VRBH notes that the proposed home ZIP Code (34275) has less than 1,000 Medicaid eligible residents and has a median household income of \$50,226
- VRBH indicates that the inpatient case impact of the proposed facility could be as high as 3,381 cases or as low as 2,045, and does not include a ripple effect on its tertiary case volume
- VRBH maintains that the proposed facility will have an impact of between a \$5.545 and \$9.018 million dollar outpatient contribution margin loss resulting in a "substantial and devastating operational impact" and threaten VRBH's future viability.
- VRBH states that the proposed facility could result in cannibalization of the Sarasota County health care work force and will impact VRBH with respect to its staffing, turnover, recruitment and potentially create upward pressure on wages and benefits.

The Agency finds that the applicant failed to demonstrate the criteria specified in Section 408.035 (2), F.S., for a general acute hospital. The Agency has determined that within the context of the criteria, neither need for the project nor a lack of availability or accessibility of health care facilities to the residents of the subdistrict was established by the applicant in order to merit approval of the proposed project. In addition, the Agency did not find that on balance the applicant did not demonstrate within CON application #10431 the extent that the proposed project would foster competition and promote quality and cost-effectiveness to all residents of Sarasota County.

Competition

The applicant contends that a major reason for the proposed project is to establish a competitive alternative to VRBH, with the applicant attesting that it is clearly the higher quality and lower charge provider when compared to VRBH. Also, the applicant expects to have a positive impact on patient charges within the local market as managed care and commercial programs are expected to see market charges reduced in comparison to VRBH.

The proposed project maintains that it will allow for a local choice in providers and will force VRBH to enhance its operations, patient satisfaction levels and quality of care provided. The applicant also anticipates that proposed new facility will bring enhanced access to traditionally underserved patient groups directly within south Sarasota County.

Medicaid/charity care:

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

Florida Hospital Uniform Reporting System data indicates that during FYE June 30, 2014, Sarasota Memorial Hospital provided 19.87 percent of its total patient days to Medicaid, Medicaid HMO and charity care. Overall, District 8 acute care facilities averaged 16.60 percent Medicaid, Medicaid HMO and charity care patient days, during this same time frame.

Sarasota Memorial Hospital participates in the LIP and the DSH programs. The applicant's SFY 2015-2016 total LIP allocation was \$11,410,708 and the total DSH allocation was \$3,269,790. The applicant's LIP allocation received was \$8,558,031 and the DSH allocation received was \$2,434,022, as of March 22, 2016.

I. RECOMMENDATION:

Deny CON #10431.

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