STATE AGENCY ACTION REPORT

CON APPLICATIONS FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Encompass Health Rehabilitation Hospital of Escambia County, LLC/CON #10495
c/o HealthSouth Corporation
3660 Grandview Pkwy., Suite 200
Birmingham, Alabama 35243

Authorized Representative: Mr. Walter Smith
Director of Regulatory Affairs
(205) 970-7926

2. Service District/Subdistrict

District 1 (Escambia, Okaloosa, Santa Rosa and Walton Counties)

B. PUBLIC HEARING

A public hearing was requested and was held on Tuesday, October 17, 2017 at 10:00 a.m. CST in the Board Room of the Panama City/Bay County Chamber of Commerce at 235 West 5th Street, Panama City, Florida 32401. The hearing was requested by Mr. Craig D. Miller, authorized representative for West Florida Hospital. The hearing was slightly delayed as Encompass' first witness was late to arrive.

First to speak on behalf of Encompass Health Hospital of Escambia County was Ms. Lori Bedard, an area CEO who oversees three HealthSouth facilities (Ocala, Altamonte and Spring Hill). Ms. Bedard stated that Encompass Health was proposing a new 50-bed comprehensive medical rehabilitation (CMR) freestanding hospital in Pensacola, Florida—a state-of-the-art facility including two bariatric suites and all private rooms. She indicated that private rooms are safer, allow for increased family participation and create an easier path for referrals including timely admissions.

Ms. Bedard contends that the proposed facility will allow for choice options for patients, physicians and family members not associated with HCA—increasing access to CMR services. She noted that hospital-based CMR units often will not accept patients from non-affiliated facilities creating frustration on the parts of the case managers and physicians resulting in the cessation of referrals to the hospital-based unit.

She went on to indicate that HealthSouth has well-established quality CMR services in Florida—including 12 facilities with disease-specific Joint Commission Accreditation in Stroke. Ms. Bedard noted additional disease-specific accreditations. She asserted that rehabilitation is HealthSouth's focus and purpose—all resources are utilized to provide the very best rehabilitative care in the most cost-effective manner.

Ms. Bedard maintains that HealthSouth has state-of-the-art equipment. She highlighted specifically the rehabilitation-specific electronic medical record allowing for more accurate and timely documentation for staff as well as tie tasks to specific patients and caregivers. Ms. Bedard also notes that for HealthSouth as an organization, the electronic medical record allows a large organization to adapt to changes from Medicare such as the care tool, which had a particularly quick turnaround. The electronic medical record also increases patient safety and quality and is utilized to reduce readmissions—a key focus for cost control. She noted that HealthSouth recently announced a partnership with Cerner to effectively manage patients across the continuum of care.

In addition, Ms. Bedard notes that an advantage of HealthSouth is their employment recruitment, retention and development. HealthSouth and Encompass have been recognized as one of the best places to work in health care and the proposed facility will lead to additional employment opportunities in Escambia County. She indicates that HealthSouth's orientation process and education efforts are specific to rehabilitation including offering financial incentives and CPE training for therapists and nurse.

From a results standpoint, Ms. Bedard asserts better outcomes for rehabilitation patients in a cost-effective manner. She notes HealthSouth has consistently exceeded UDS[1] measures including discharges to community. She states that 78 HealthSouth facilities in 2016 had PEM[2] scores at or above 80 percent. Average length of stay for

[1] The Uniform Data System for Medical Rehabilitation

[2] The program evaluation model—a case mix-adjusted and severity-adjust tool that provides facilities with a composite performance score and percentile ranking drawn from nearly three-quarter of all inpatient rehabilitation facilities in the country

HealthSouth facilities are less than the national adjusted expected length of stay. She maintains that HealthSouth is cost-effective as an organization and that their cost-per-discharge is better than the industry average.

She concludes that the proposed project will provide access to quality CMR services to residents of the service area which is not currently available.

Ms. Sharon Gordon-Girvin, a health care planner with the Gordon-Girvin Group, spoke on behalf of the applicant. She stated that the application presents an empirical model that the proposed service area has lack of access to CMR services and an institutional bias to skilled nursing facilities (SNFs). She indicates that there is a lower bed supply in District 1, coupled with an institutional bias which leads to a lack of availability and accessibility to CMR services.

Ms. Gordon-Girvin notes that ratios show a lack of access and bed availability indicating that there are seven SNF admissions per one CMR admission in District 1 in comparison to five SNF admissions per one CMR admission in the state. She indicates that there is correlation between these ratios and lack of CMR services confirming the institutional bias.

She notes hospital behaviors with respect to SNF discharges and CMR discharges correlate with the institutional bias with the exception of three hospitals:

- Six to one (West Florida Hospital)
- Three to one (Fort Walton Beach Medical Center)
- Four to one (Sacred Heart of the Emerald Coast

Ms. Gordon-Girvin indicates that these ratios indicate proximity to CMR services that other providers in District 1 do not enjoy. She notes that admission sources vary dramatically between West Florida Hospital, Fort Walton Beach Medical Center and all other rehabilitation hospitals. Unlike in other districts in Florida where 93.8 percent of admissions are from transfers from another hospital—for Fort Walton Beach Medical Center 31.3 percent of admissions are from clinic/physician/office and 17.04 percent of admissions are from a transfer from another hospital and for West Florida Hospital 91.9 percent of admissions from clinic/physician/office and 0.5 percent of admissions from a transfer from another hospital. She maintains that other acute care hospitals within District 1 are not referring patients to the existing HCA CMR providers in the district.

Noting adverse impact to other providers, Ms. Gordon-Girvin indicates that there are examples in District 3 and District 7 with no published need where both admissions and patient days increased over the baseline with the entrance of HealthSouth to the market—she notes that in District 7 the overall increase in patient days was 20,329 for all providers and for District 3 the overall increase in patient days was 18,786 for all providers.

Ms. Gordon-Girvin maintains that empirical evidence demonstrates the benefit that a freestanding independent hospital confers on a district—noting the increase in CMR admissions at Sacred Heart of the Emerald Coast.

Mr. Craig Miller, representing West Florida Hospital and Fort Walton Beach Rehabilitation Hospital, spoke in opposition of the applicant. He notes a number of points:

- The proper methodology for predicting need is CMR beds to population not SNF to CMR admissions
- The application will not provide any additional services that are not already available in the district
- HealthSouth's Medicaid/charity care condition is minimal at best
- Information in the application is incorrect—specifically the transfers from other hospitals percentage for West Florida Hospital
- Low occupancy is not suppressing need—only certain patients are appropriate to be admitted to a CMR bed
- No criticism of existing programs from submitted letters of support
- Application should be denied based on merit and past Agency decisions

Mr. Johnny Harrison, Regional Vice President for Rehabilitation Services for HCA, spoke next. He indicated that his division is its own entity entirely focused on rehabilitation services. Mr. Harrison notes that HCA is the second largest provider of acute rehab services, over 12,000 beds in 64 facilities (11 in Florida with 306 beds) and 25,000 rehabilitation patients annually. He indicates that his rehab specific support all individual programs and provide corporate resources. He identified a number of quality programs that HCA participates in including UDS, CARF (Commission on Accreditation of Rehab Facilities), Joint Commission Certification and American Medical Rehab Providers Association.

Mr. Harrison noted that HCA has a sophisticated electronic medical record system with a partnership with UDS to build a unique electronic interface between HCA's documentation system and the CMS patient assessment.

He stated that HCA is committed to supporting rehabilitation program, noting that HCA invested nearly one million for specialty equipment and an upgrade to the physical plant in 2014. In terms of training, HCA has paid for two certified rehab nursing training per year. He also notes that HCA has paid for prospective payment system training for coordinators at each facility.

Mr. Larry Meeker interjected out of turn, adding to Mr. Harrison's testimony, and stated that "they" have 12 certified rehab nurses on staff and 12 more that are eligible to be certified—noting the commitment to certified rehab nurses.

Ms. Jessica O'Neal spoke next, identifying herself as the COO of West Florida Hospital whose mission is to be the hospital and employer of choice for all Escambia County, Santa Rosa County and surrounding areas. She cited a number of accolades and statistics regarding her facility, including the economic impact to the area of $171 million dollars for 2016 noting specifically $17,934,668 in total taxes paid. She also listed and number of clinical services, community partnerships and volunteer participation.

Mr. Larry Meeker followed Ms. O'Neal, noting the unique features of the West Florida CMR unit (58 beds, 40 of those are private), noting specifically the therapy pool, ADL suite and large gym. He notes the myriad of subspecialties available at West Florida and appropriate diagnoses. Mr. Meeker notes the benefits and efficiencies of being attached to an acute care facility. He asserts that the unit is dedicated to treating anyone, regardless of ability to pay, as long as the patient is appropriate for CMR care. Mr. Meeker also notes that the unit is supported by a local fund that supplements patients without the ability to pay for services.

Dr. Glennal Verbois spoke next. She echoed Mr. Meeker's benefits and efficiencies regarding attachment of the unit to an acute care facility. She notes her commitment to her facility and patients and the unit has 24-hour physician coverage. Dr. Verbois identifies the unit's utilization of the electronic medical record.

She maintains that personally reviews every patient referred to the unit and makes decisions for admissions based on CMS' criteria. Dr. Verbois indicates that the facilities admissions are subject to audit in rehabilitation hospitals and that the unit has a very high turnover rate for initial denials illustrating that she is admitting the right patients. She notes that admissions come from all over the state and out-of-state and she maintains that she has great relationships with all of the hospitals in the panhandle.

Regarding SNF patients, Dr. Verbois notes that there should be no overlap between SNF and CMR. She asserts that there are a number of physicians and case managers that don't understand the difference in the criteria. Dr. Verbois maintains that there is no limitation to admission as long as the insurance approves and the patient meets the criteria. Mr. Larry Meeker interjected again, noting that the unit admits more patients from Sacred Heart than from Fort Walton Beach Medical Center.

Ms. Rebecca Jones spoke next. She identified as the Rehab Program Director of the Rehab Institute of Northwest Florida, a department of Fort Walton Beach Medical Center, located in Destin, Florida—12 miles from the Medical Center. The Institute is a 20-bed, all private room, facility. She notes that the program is well-established, CARF accredited with a stroke specialty program and under the direction of a full-time physician medical director with a staff of all registered nurses some of whom are CRN certified with seven-days a week therapy services. She notes that in 2016, the facility returned greater than 78 percent of admissions back to the community and was in the top 25 percent for their PEM scores.

Ms. Jones notes that the Institute was recently approved to add an additional 10 beds by exemption due to high utilization of the existing beds which will be online in 2018, including four bariatric suites. She also provided a snapshot of the referral patterns specific to the Pensacola area, in 2016 the facility had 43 referrals and admitted 20. In 2017, up to present, the facility had 50 referrals and admitted 23. She notes the majority of the referrals are from the Fort Walton and Destin area.

The opposition submitted a written presentation—part of which was covered by the speakers previously addressed above. The other part is addressed below.

HCA's two existing CMR facilities in District 1 presented a written document addressing opposition to the proposed application.

Encompass' Project is Inconsistent with the CON Statutory Review Criteria

- There is no fixed need for the Encompass project
- Encompass is requesting approval under special circumstances but no special circumstances exist
- Encompass' proposal represents an unnecessary duplication of existing resources
- Encompass will not improve geographic, financial or clinical access to CMR services
- Encompass will adversely impact West Florida Hospital

Lack of Special Circumstances

- The Agency has established a high bar for the demonstration of special circumstances with respect to CMR patients
- Applicants must demonstrate specific patients or groups of patients who cannot access services which Encompass has failed to do
- Encompass relies on irrelevant statistical analyses and inaccurate data in an effort to manufacture a not normal circumstance
- District 1's ratio (1.34) of CMR beds per 1,000 population for the 65+ population is above the Florida average (0.71) and higher than six of 11 districts
- Escambia County is projected to grow more slowly than other District 1 counties in total population and in the 65+ population
- Encompass' proposed conditions do not support approval
- Encompass' "Not Normal" arguments are flawed
- Encompass makes the ridiculous claim that the low occupancy in the 58 CMR beds at West Florida suppresses the CMR bed need methodology

District CMR Beds are Underutilized

- District 1's occupancy rate (57.3 percent) of existing CMR beds is the lowest among all districts in Florida (69.5 percent)
- 10 additional CMR beds have already been approved, but not yet implemented, for The Rehabilitation Institute of Northwest Florida in Okaloosa County, which will increase the available capacity

Encompass Will Not Improve the Distribution of CMR Services

- CMR services are well distributed in District 1 currently
- The two existing providers are located in the district's two largest population centers
- Placing additional CMR beds in Escambia County is a poor health planning choice

Encompass Will Not Improve Financial Access

- The proposed condition of 2.25 percent of patients for Medicaid and self-pay/charity is a minimal commitment—but consistent with the experience of the 12 HealthSouth CMR facilities in Florida
- HealthSouth facilities provide minimal access to Medicaid recipients (1.2 percent) and patients without insurance
- West Florida serves a higher proportion of Medicaid (8.8 percent), and as an acute care hospital, offers access to low income patients generally
- The approval of HealthSouth's application will result in the loss of Medicare and commercial insurance CMR patients at West Florida which will impair its operations

Encompass Will Not Improve Clinical or Programmatic Access

- The commitment to provide certain equipment items does not enhance clinical access to care
- West Florida offers a wide array of specialized CMR equipment and services
- Encompass proposes no services not already available at West Florida

Expansion of CMR Bed Supply and CMR Admissions

- Encompass makes the broad claim that when CMR bed supply expands, CMR admissions increase
- The goal of the CON program is not to increase utilization of CMR services, but instead to ensure that community needs are being met
- Encompass provided no evidence that District 1 residents cannot access CMR care
- CMR utilization will only increase with the addition of CMR beds if there is an existing capacity constraint or the introduction of new programs

Encompass Will Not Promote Quality of Cost-Effectiveness

- Encompass makes a related claim that utilization will expand when patients have a choice of CMR providers
- CON necessarily limits choice and competition
- Approval of Encompass' proposed project will not promote quality or cost-effectiveness
- Encompass will adversely impact quality by reducing CMR utilization at West Florida and recruiting specialized staff from West Florida
- Encompass will not promote cost-effectiveness because it will unnecessarily duplicate already underutilized CMR beds as well as capital costs and operating expenses

Encompass' Analysis of Referral Patterns Relies on Inaccurate Data

- The applicant claims that referral patterns, in terms of the sources of admissions to existing CMR providers, demonstrate limited access to existing CMR beds
- The claim is based on data that indicates only five patients were transferred from West Florida's acute care unit or from other hospitals to its CMR program (in 2016 West Florida received 232 from its own acute care services and 396 from other acute care hospitals)

Encompass' Projected Utilization in Unreasonable

- Encompass employs a totally illogical approach to projecting utilization of its CMR facility based on the ratio of CMR cases to SNF cases rather than directly projecting future CMR demand
- The vastly inflated utilization projections are an attempt to obscure the fact that Encompass can only fill its beds by redirecting patients away from West Florida

West Florida Will Be Adversely Impacted

- The approval of Encompass' project will adversely impact West Florida's CMR services
- Encompass' proposal will nearly double the CMR beds in Escambia County which operated at only 50 percent occupancy in 2016
- Encompass will draw from the same referral sources as West Florida
- Encompass will recruit specialized staff from West Florida
- West Florida's utilization will decline, which coupled with its loss of staff, will impact its ability to maintain the specialized programs it offers
- Encompass will have a significant, ongoing financial impact on West Florida through the unnecessary duplication of CMR services

The applicant also presented a written document noting the existence of its identified not normal circumstances:

- A lower bed supply inhibits access
- When the beds supply expands, CMR admissions increase
- Referral patterns demonstrate limited access to existing CMR beds
- Low numbers of CMR beds relative to SNF beds coupled with HCA two facilities having all the CMR beds limits choice
- West Florida Hospital, with the larger beds supply, affects the future calculation of need with suppression of market entry

The applicant notes that the impediments in District 1 include:

- An institutional bias for nursing homes
- Fewer CMR beds per capita impeding both access and availability to hospital level care
- Low occupancy in the 58 CMR beds at West Florida Hospital suppresses the bed need methodology
- The district's CMR bed supply has been stagnant at 78 since 1996

The applicant concluded that it stood on the strength of its application.

The hearing ended at 11:02 a.m. CST.

Letters of Support

Encompass Health Rehabilitation Hospital of Escambia County, LLC (CON application #10495) submitted 14 unduplicated letters of support and highlights excerpts of seven support letters.

Below, the reviewer reproduces the excerpted portions of the support letters, listed in the order provided in the application.

"My patients on the neurology floor would greatly benefit from an independent acute comprehensive rehab hospital in Escambia County. Residents in the Escambia County area do not have many acute care rehab options once they are discharged from the hospital. There is only one acute rehab hospital in the Escambia County area; from a discharge planning perspective this creates issues when there aren't enough beds at the only local facility to accommodate stroke patients needing further rehabilitation."
--Eliza White, MSW, Sacred Heart Health System/Ascension Health

"I have been working with case management for over 5 years in Santa Rosa and Escambia Counties. In our area we have patients that would benefit from an acute comprehensive rehabilitation hospital. Many are not able to get the services they need because we are limited to only one in or [sic] immediate area. With three hospitals in the Pensacola area with stroke accreditation, we would all benefit from having another [CMR] facility to choose from."
--Donna Walls, RN, BSN, ACM, Director of Case Management, Santa Rosa Medical Center

"Many of our patients require the advanced rehabilitative care that is currently limited in our area. We have had to send patients as far away as Jacksonville for these services."
--Doug Sills, Chief Executive Officer, Santa Rosa Medical Center

"…As a practicing Hospitalist in a rural community not far from Escambia County, our comprehensive rehabilitation hospital options are limited and the skilled nursing facilities do not provide the level of intensity of therapy and nursing care the patients need to return to their optimal level of function and independence. While HealthSouth Rehabilitation Hospital in Panama City is excellent, it is too far and too inconvenient for our patients and their families.

Our Hospitalists work closely with the case management department nurses to provide the post-discharge plan of care that incorporates the family support capabilities, therefore convenient location is so important."
--R. Lee Thigpen, MD, Medical Director Hospitalist,
North Okaloosa Medical Center

> "In my role as CEO, I am responsible for North Okaloosa Medical Center in Crestview, FL. We continue to have very few options for our patients who need long term care post-acute care stays. Another facility in our region would be welcomed to continue to improve the outcomes seen at all facilities and to offer our patients choice for their care. I had a great relationship in South Carolina with a HealthSouth facility and look forward to building a relationship with an organization that will work with me to make sure all our patients are cared for appropriately. For these reasons, I hope you will seriously consider the granting of a Certificate of Need to Encompass for an independent acute comprehensive rehab hospital in Escambia County."
> *--Ronnie Daves, Chief Executive Officer, North Okaloosa Medical Center*

> "Thousands of Americans suffer strokes every year, many of whom suffer tremendous physical and cognitive challenges that impact their lives forever. Those who receive acute rehabilitation for their physical, occupational and speech deficits live far better lives than those who do not. Encompass/HealthSouth is known for their intensive rehabilitation modalities, inclusive of the tremendous technological advances in therapy and qualified and talented clinicians."
> *--Melanie Johnson, Vice President, Greater Georgia/North Florida Communities, American Heart Association/American Stroke Association*

> "The challenge then becomes where to send the patient. From our experience, those we have sent to HealthSouth in Panama City where the focus was on restorative intensive physical and occupational therapies. These patients were able to return to home or other living situation quicker and experienced better outcomes."
> *--Pensacola Lung Group, PA[3], physicians Messina, Bray, Wagner, Hielmi, Marco, Bercz, Diaz and Ted LaPointe, CEO*

The reviewer confirms that the applicant's excerpts accurately quote the support letters referenced.

[3] According to the website https://www.healthcare4ppl.com/medical-group/florida/pensacola/pensacola-lung-group-m-d-s-p-a-7517928062.html, this physician group has two practice medical offices located in Pensacola Florida. There are eight health care providers, specializing in Pulmonary Disease, Critical Care (Intensivists), Internal Medicine, Physician Assistant, being reported as members of the medical group. Medical taxonomies which are covered by Pensacola Lung Group, M.d.'s, P.a. include Critical Care Medicine, Medical, Internal Medicine, Pulmonary Disease and Sleep Medicine.

The reviewer notes that the area physician letters of support are complimentary of the HealthSouth Rehabilitation Hospital in Panama City (HealthSouth Emerald Coast Rehabilitation Hospital in Bay County, District 2) and the rehabilitative therapeutic results there. However, these area physicians state that referral options are limited and that distance to HealthSouth's Panama City facility is a challenge for their patients. The reviewer also notes that none of the area physician letters indicate referral to either of the existing CMR providers in District 1 (West Florida Hospital in Escambia County and Fort Walton Beach Medical Center's The Rehabilitation Institute of Northwest Florida in Okaloosa County). Additionally, the reviewer notes that none of the area physician letters indicate an estimate of the approximate number of their patients (or other patients of whom they are aware), past or present, who have experienced or are experiencing poor, delayed or substandard health care outcomes as a result of the current arrangement of CMR providers that serve the residents of District 1. The reviewer also notes that these same physicians do not offer an estimate or approximation of the number of their patients that they anticipate they would refer to the proposed project, if approved.

The remaining seven support letters not excerpted by the applicant are:

- Sacred Heart Health System – Chief Strategy Officer, Roger A. Poitras, D.H.A.
- Homestead Village Florida, LLC[4] – Administrator, Deidre Reis, LPN-CLTC
- University of West Florida - Chair and Associate Professor, School of Nursing, Randy Johnson, PhD, RN
- Pensacola State College – Dean, Warrington Campus, Dusti Sluder, DNP, RN
- Florida West[5] – Chief Executive Officer, Scott Luth
- Brain Injury Association of Florida, Inc. – President and CEO, Djenaba A. Burns
- Hanger Clinic[6] – Clinic Manager, Adrianne Parker, LCPO

The reviewer notes that a lack of choice in CMR options is a recurring theme in many of these support letters.

[4] According to the Agency's FloridaHealthFinder.gov website at http://www.floridahealthfinder.gov/facilitylocator/FacilityProfilePage.aspx?id=1588, Homestead Village Retirement Community (Homestead Village Florida, LLC) is a 180-bed not-for-profit assisted living facility (ALF) with a specialty license to provide extended congregate care.
[5] According to their website https://www.floridawesteda.com/about, the FloridaWest Economic Development Alliance is the region's economic development organization with the mission of building, growing and sustaining the economic potential and prosperity of Northwest Florida.
[6] According to their website http://www.hangerclinic.com/about/Pages/default.aspx, the Hanger Clinic is a business unit of Hanger, Inc. specializes in orthotic and prosthetic services and products with one goal in mind: *Empowering Human Potential.*

C. PROJECT SUMMARY

Encompass Health Rehabilitation Hospital of Escambia County, LLC (CON application #10495), also referenced as Encompass Escambia (EE), a newly formed Florida for-profit limited liability company and an affiliate of HealthSouth Corporation[7] (HSC), the parent, proposes to establish and operate a new 50-bed CMR hospital in District 1, Escambia County, Florida. A more precise site location is unidentified. The proposed project would add a freestanding CMR hospital in District 1. HSC is stated to operate in 36 states and Puerto Rico, with 125 rehabilitation hospitals in 31 states and is also stated to be the nation's largest rehabilitation hospital company. Encompass Health is further stated to operate 12 CMR hospitals and 17 home health agencies in Florida.

The project involves 52,110 gross square feet (GSF) of new construction. The construction cost is $14,800,000. Total project cost is $27,894,485. Project costs include land, building, equipment, project development and start-up costs. The applicant anticipates issuance of the license in November 2020 and initiation of service in January 2021.

The applicant proposes the following conditions to CON approval on CON application #10495's Schedule C:

- Medicaid, Medicaid Managed Care, charity care and self-pay patients will represent a minimum of 2.25 percent of patient days. Encompass Health will report its compliance with this condition in a report to the Agency for Health Care Administration (AHCA) providing payer mix by patient days. This will also be included as part of the certified hospital utilization data provided to AHCA.
- The following rehabilitative equipment will be purchased and used at the hospital:
  - Bioness BITS
  - Bioness L300
  - Bioness H200
  - Biodex Freestep SAS
  - ACP Synchrony

  If technological changes lead to improved equipment available at the time of purchase, the hospital may substitute a newer model that serves the same function. Encompass Health will report its compliance with this condition by submitting the purchase orders for the equipment to AHCA as part of its first report.
- Implementation and use of an electronic medical record (EMR) within the facility to document patient care, including pharmacy and functional improvements. Encompass Health will report its

[7] According to CON application #10495, page 1-1, HealthSouth Corporation changes its name to Encompass Health January 1, 2018.

compliance with this condition by submitting information about the number of EMR computer stations/tablets operating with the EMR software within the facility. This will be included in the as part of the first report to AHCA.
- Training site for clinical rotations provided to nursing and physical therapy students. Encompass Health will report its compliance with this condition by listing the schools with which the hospital has an agreement to serve as a clinical rotation site, along with the number and type of students served on an annual basis. This information will be incorporated into a report to AHCA.

The applicant acknowledges that the Agency may impose additional conditions based on statements made within this proposal. Furthermore, the applicant understands that for conditions imposed, an annual report to the Agency must be submitted addressing the provisions of Rule 59C-1.013, *Monitoring Procedures*, Florida Administrative Code with respect to compliance with conditions. Failure to comply with conditions may result in a fine as set out in Rule 59C-1.021, Florida Administrative Code.

NOTE: Should the proposed project be approved, the applicant's conditions would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code. The Agency will not impose conditions on already mandated reporting requirements.

Total GSF and Project Costs of Applicant

Applicant	CON App. #	Project	GSF	Total Costs $	Cost Per Bed
EE	10495	New 50-Bed CMR Hospital	52,110	$27,894,485	$557,890

Source: CON application #10495, Schedule 1 and 9

D. REVIEW PROCEDURE

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

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

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

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

As part of the fact-finding, the consultant, Steve Love, analyzed the application with consultation from the financial analyst, Eric West of the Bureau of Central Services, who reviewed the financial data and Scott Waltz of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? ss. 408.035(1) (a), Florida Statutes. Rule 59C-1.008(2), Florida Administrative Code and Rule 59C-1.039(5), Florida Administrative Code.

In Volume 43, Number 141 of the Florida Administrative Register, dated July 21, 2017, a fixed need pool of zero beds was published for CMR beds for District 1 for the January 2023 planning horizon. Therefore, the proposed project is outside the fixed need pool.

As of July 21, 2017, District 1 had 78 licensed CMR beds and one approved CMR project through exemption (#E160024) to add 10 CMR beds at Fort Walton Beach Medical Center's The Rehabilitation Institute of Northwest Florida, in Okaloosa County. During the 12-month period ending December 31, 2016, District 1's 78 licensed CMR beds experienced 57.32 percent utilization. The reviewer notes that for this same 12-month period, this CMR bed utilization rate was the lowest of

any district in Florida, with a statewide average utilization rate of 69.61 percent.

The reviewer further notes that for the 12-month period ending December 31, 2016, The Rehabilitation Institute of Northwest Florida, with 20 licensed CMR beds, experienced 78.87 percent utilization, which was greater than the District 1 average (57.32 percent) and the statewide average (69.61 percent) for the same time period.

b. According to Rule 59C-1.039 (5)(d) of the Florida Administrative Code, need for new comprehensive medical rehabilitation inpatient services shall not normally be made unless a bed need exists according to the numeric need methodology in paragraph (5)(c) of this rule. Regardless of whether bed need is shown under the need formula in paragraph (5)(c), no additional comprehensive medical rehabilitation inpatient beds shall normally be approved for a district unless the average annual occupancy rate of the licensed comprehensive medical rehabilitation inpatient beds in the district was at least 80 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.

As previously stated, District 1's 78 licensed CMR beds experienced an occupancy rate of 57.32 percent during the 12-month period ending December 31, 2016 – the lowest CMR bed occupancy rate of any district statewide for this 12-month period. The District 1 CMR percent utilization for the previous five calendar years (CYs), ending December 31, 2016 is shown in the table below.

District 1
Comprehensive Medical Rehabilitation Bed Utilization
Five-Year Period Ending December 31, 2016

Facility	Beds	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
West Florida Hospital	58	32.10%	35.38%	39.24%	34.78%	49.89%
The Rehabilitation Institute of NW Florida	20	58.01%	66.45%	62.58%	65.79%	78.87%
District 1 Total	**78**	**38.75%**	**43.35%**	**45.22%**	**42.73%**	**57.32%**

Source: Florida Hospital Bed Need Projections & Service Utilization by District, July (2013-2017) Batching Cycles

According to the source indicated above, District 1 maintained a constant 78-bed CMR inventory for the five years ending December 31, 2016. The applicant contends that District 1's 78-bed CMR inventory has not changed (what the applicant identifies as having been "stagnant") since 1996. A review of the table above indicates that for the five-year period ending December 31, 2016, District 1 experienced its highest utilization rate (57.32 percent) in CY 2016 and its lowest utilization rate (38.75 percent) in CY 2012, with utilization tending to trend upward for this period. The table further indicates that for each of the five years ending December 31, 2016, the most utilized CMR provider in District 1

(The Rehabilitation Institute of Northwest Florida) is located in Okaloosa County and conversely for this same timeframe, the least utilized CMR provider in District 1 (West Florida Hospital) is located in Escambia County.

MapQuest directions obtained September 18, 2017 indicate that existing CMR provider facilities are located within the following approximate driving miles/driving times (in hours/minutes) from each other. Since a precise or approximate site location was unidentified by the applicant for the proposed project, those distances are marked “Not Known”.

Driving Distance in Miles and Minutes-Existing Facilities and Proposed Site

Facility	EHRHEC CON app. #10495	West Florida Hospital	The Rehabilitation Institute of Northwest Florida
EE CON app. #10495		Not Known	Not Known
West Florida Hospital	Not Known		57.6 miles /1 hour and 22 min.
The Rehabilitation Institute of Northwest Florida	Non Known	57.6 miles /1 hour and 22 min.	

Source: Mapquest

The proposed project, if approved, would share the same county as West Florida Hospital (Escambia). West Florida Hospital’s CMR unit utilization history was shown in the prior table.

The table below shows the total number of Escambia County adult residents discharged from a Florida CMR provider (regardless of whether a CMR freestanding or an in-hospital CMR distinct unit) in the 12-month period ending December 31, 2016.

Escambia County Adult Residents Discharged from CMR Providers
12 Months Ending December 31, 2016

Facility Name	Facility District/County	Total Discharges	Percent Total Discharges	Total Patient Days	Percent Patient Days
West Florida Hospital	1/Escambia	196	75.38%	2,606	73.89%
The Rehabilitation Institute of NW Florida	1/Okaloosa	2	0.77%	32	0.91%
Other Non-CMR District 1 Facilities	1	52	20.00%	747	21.18%
Total District 1 Facilities		**250**	96.15%	**3,385**	95.97%
Other Florida Facilities (Non-District 1)		**10**	3.85%	**142**	4.03%
Total		**260**	100.0%	**3,527**	100.0%

Source: Florida Center for Health Information and Transparency database—CMR. MS-DRGs 559-560, 945-946 and 949-950

The reviewer notes that, in the 12-month period ending December 31, 2016, according to data from the Florida Center for Health Information and Transparency:

- Of the 260 adult Escambia County residents discharged from CMR providers, 260 (96.15 percent) were discharged from a District 1 provider and 10 (3.85 percent) were discharged from a non-District 1 CMR providers.
- Of the 260 adult Escambia County residents discharged from a District 1 CMR provider, a 196 (75.38 percent) were discharged from District 1's sole Escambia County CMR provider – West Florida Hospital.
- As shown above, adult Escambia County residents substantially did not out-migrate from District 1 to receive services from a CMR freestanding facility or an in-hospital CMR distinct unit. However, 20.00 percent adult Escambia residents who received a CMR discharge in CY 2016 received this discharge from a District 1 facility that is not CON approved and licensed as a CMR provider.

c. Other Special or Not Normal Circumstances

CON application #10495 seeks to establish a new 50-bed freestanding CMR hospital in District 1, the district with the lowest CMR utilization rate of any district statewide, as of CY 2016. EE contends that there is a lack of access, availability and choice for District 1 residents to CMR services and that each of these services becomes an impediment that the applicable rule does not foresee. EE asserts that impediments include an institutional bias for nursing homes, fewer CMR beds per capita impeding both access and availability to hospital level care, low occupancy in the 58 CMR beds at West Florida Hospital that suppresses the bed need methodology, along with the district's CMR bed supply stagnant at 78 (since 1996). According to the applicant, these factors undermine uniform health planning with the result that District 1 lags in assuring residents of reasonable access to CMR.

EE contends that access and availability issues include:
- A lower bed supply inhibits access
- When the bed supply expands, CMR admissions increase
- Referral patterns demonstrate limited access to existing CMR beds

The applicant contends further that impediments impact resident choice:
- Low numbers of CMR beds relative to skilled nursing facility (SNF) beds coupled with HCA's two facilities having all the CMR beds limits[8] choice
- West Florida Hospital with the larger bed supply affects the future calculation of need and suppressing market entry

[8] According to the Agency's FloridaHealhtFinder.gov website, West Florida Regional Medical Center, Inc., or WFRMC has controlling interest of West Florida Hospital and Fort Walton Beach Medical Center, Inc., or FWBMC has controlling interest of The Rehabilitation Center of Northwest Florida. The reviewer notes that according to the Hospital Corporation of America, Inc. (HCA) website https://hcahealthcare.com/locations/browse.dot, both WFRMC and FWBMC are owned by HCA.

EE states the use of the Agency publication *Florida Nursing Home Utilization by District and Subdistrict* for the years referenced below and the Agency's publication *Population Estimates*, issued February 2015, to show an age 65+ population growth rate of 60.2 percent and a corresponding skilled nursing facility (SNF) bed growth rate of 15.8 percent but a 0.0 percent CMR bed growth rate, in District 1, from CY 1996 to CY 2016. Per EE, this results in a SNF-to-CMR ratio of 36:1 (in 1996) which increases to 42:1 (in 2016). See the table below.

Ten-Year Elderly Population Growth (Age 65+) and Corresponding Growth in SNF Beds and CMR Beds in District 1 CY 1996 - CY 2016

Factor District 1	CY 1996	CY 2016	Growth 1996-2016
65+	71,256	114,136	60.2%
SNF Beds	2,827	3,274	15.8%
CMR Beds	78	78	0.0%
SNF/CMR Ratio	36:1	42:1	

Source: CON application 10495, page 1-5, Table 1-1

EE states the use of the Agency Hospital Inpatient Data File for CY 2016 as the source for cases and also indicates that use of Agency publication *Florida Nursing Home Utilization by District and Subdistrict* and *Florida Hospital Bed Need Projections & Service Utilization by District* (CY 2016) to indicate that CMR bed supply determines availability. The applicant maintains that higher numbers of CMR beds shows an improvement in access and that fewer CMR beds fuels an institutional bias for nursing homes over rehabilitation providers. EE asserts that the statewide average rate of SNF beds to CMR beds is 31:1, but that in District 1, this ratio is 42:1, the third highest such ratio statewide. See the table below.

Hospital Districts' Discharges to SNF and CMR Facilities and Numbers of Beds by Type with Corresponding Ratios Ranked from Highest to Lowest CY 2016

District	Discharges to SNFs	Discharges to Rehab	Ratio of SNF/CMR Cases	Number of SNF Beds	Number of CMR Beds	Ratio of SNF/CMR Beds
6	32,009	4,086	8:1	8,808	173	51:1
5	28,766	4,276	7:1	9,617	210	46:1
1	8,894	1,323	7:1	3,274	78	42:1
4	28,059	4,830	6:1	7,632	260	36:1
3	25,985	4,541	6:1	9,096	202	38:1
7	27,867	5,305	5:1	9,442	245	37:1
8	25,886	5,164	5:1	7,052	274	26:1
9	31,156	6,794	5:1	8,608	344	24:1
11	24,284	6,624	4:1	3,709	315	24:1
10	16,515	5,444	3:1	8,696	358	14:1
2	7,221	2,460	3:1	4,501	151	25:1
Total	**256,647**	**50,847**	**5:1**	**80,435**	**2,610**	**31:1**

Source: CON application #10495, page 1-6, Table 1-2

The reviewer notes that the discharge total columns and the number of beds total columns above are arithmetically correct with the exception that the "Discharges to SNFs" total is 256,642.

EE emphasizes that drawing from the same pool of adult discharges does not result in a conclusion that the patients are interchangeable between SNFs and rehabilitation hospitals – they are not. EE maintains that for elderly patients within the same Major Diagnostic Category (MDC) and Diagnosis-Related Groups (DRGs), appropriateness of admission criteria differs substantially between SNFs and rehabilitation hospitals based upon an assessment of each patient at time of discharge from acute care hospitals. The applicant references CON application #10495, Exhibit 1-1. The reviewer notes that the first part of this exhibit is 16 pages in length and the second part is 14 pages in length. The reviewer collapses each discreet referenced DRG and corresponding columns into the totals provided at the end of each of the two parts. See the table below.

Supplemental Tables Comparing Matched Discharges by DRGs to Rehabilitation Provers and Nursing Homes for the State and District 1 Hospitals

DRGs	Percent of State Cases Discharged to Rehab in DRG of Total CMR+SNF			Percent D 1 Cases Discharged to Rehab in DRG of Total CMR+SNF		
All Referenced DRGs	**16.7%**			**12.6%**		
Comparison of District 1 Discharges to Rehab with State on Same DRGs	**State**			**District 1**		
DRGs	**Cases 03-DC to Medicare SNF**	**Cases 62-DC to Inpatient Rehab Facility**	**Total Cases**	**Cases 03-DC to Medicare SNF**	**Cases 62-DC to Inpatient Rehab Facility**	**Total Cases**
All Referenced DRGs	**245,475**	**49,157**	**294,632**	**7,872**	**1,140**	**9,012**

Source: CON application #10495, page 1-30, Exhibit 1-1 (sum totals only)

EE notes that the ratio of SNF beds to CMR beds provides a measure of access to services within the districts. The applicant indicates that the totals shown for each district (the applicant's Table 1-2 above) include hospital discharges for residents of the respective district as well as hospital discharges for non-residents of the respective district. EE explains that the statewide ratio shows that five adults are discharged to nursing homes for every one adult discharged to inpatient rehabilitation facilities (the applicant's Table 1-2 above).

The applicant asserts that when its analysis considers the ratio of SNF-to-CMR beds along with the SNF-to-CMR cases, the result shows that the bed supply affects discharge placement. The applicant further asserts that higher ratios of SNF beds to CMR beds produce an institutional bias for nursing home placement. EE points out that competitive pressures arise from the higher cost per patient days associated with empty beds.

EE states the Medicaid per diem rates generally fall below Medicare rates and as a result, nursing homes actively seek out Medicare patients requesting post-acute, short-term rehabilitation.

EE contends that when more CMR beds exist, more discharges occur to CMR. EE offers discussion about CMR ratios in Districts 11, 10 and 2 (page 1-8 of the application). The applicant offers a comparison of the discharge behaviors among hospitals in District 1, stating that variations emerge when calculating the ratio of (adult) SNF discharges to (adult) CMR discharges. EE states the use of the Agency Hospital Inpatient Data File for CY 2016 as the source for this comparison. See the table below.

District 1 Resident Discharges of Adult (Age 18+) to Nursing Homes and Rehabilitation Facilities from District 1 Hospitals CY 2016

Hospital	Discharge SNF	Discharge Rehab	Ratio SNF/CMR
Baptist Hospital	1,533	149	10:1
Fort Walton Beach Medical Center	1,234	421	3:1
Gulf Breeze Hospital	539	30	18:1
North Okaloosa Medical Center	603	15	40:1
Sacred Heart Hospital	2,007	283	7:1
Sacred Heart Hospital on the Emerald Coast	365	104	4:1
Santa Rosa Medical Center	387	5	77:1
Select Specialty Hospital Pensacola	308	39	8:1
Twin Cities Hospital	206	14	15:1
West Florida Hospital	1,501	262	6:1
Subtotal	**8,683**	**1,322**	**7:1**
Healthmark Regional Medical Center	121	0	0
Jay Hospital	90	1	90:1
Total	**8,894**	**1,323**	**7:1**

Source: CON application #10495, page 1-8, Table 1-3

The applicant reiterates that the statewide ratio for SNF/CMR cases is 5:1. EE maintains that when fewer CMR beds exist, nursing homes provide the alternative post-acute short-term rehabilitation. EE points out that in CY 2016, West Florida Hospital discharged fewer adults to CMR (262) than (Fort Walton Beach Medical Center's) The Rehabilitation Institute of Northwest Florida (421). The applicant contends choice and access to both SNF and CMR services for patients at facilities such as Fort Walton Beach Medical Center, Sacred Heart Hospital on the Emerald Coast and West Florida Hospital but limited access for the remaining hospitals. Regarding Healthmark Regional Medical Center and Jay Hospital, EE asserts that these hospitals, with lower case mix indices (zero and one, respectively) reflect lower acuity of patients with fewer patients requiring inpatient care.

The reviewer notes that per the applicant's Table 1-3 above, when Jay Hospital is excluded, the next highest stated SNF/CMR ratios are Class 1 hospitals Santa Rosa Medical Center (77:1) and then North Okaloosa Medical Center (40:1) and all other hospitals indicate lower ratios. See item B of this report for letters of support from senior executive staff at each of these two Class 1 hospitals (Santa Rosa Medical Center and North Okaloosa Medical Center).

EE asserts that the ratio of SNF to CMR adult discharges correlates with the ratio of SNF/CMR beds attaining a correlation coefficient R of 94 percent. The applicant indicates that squaring the coefficient R(2), produces the coefficient of determination that reveals how well a linear progression fits the information. According to EE, the result shows strength at 88 percent confirming that lower ratio values of SNF/CMR cases correspond with lower ratio values of SNF/CMR beds. EE emphasizes that improvement in choice as well as access results from expanding the bed supply (consistent with the proposed project). The applicant indicates that, in other words, the more CMR beds a district has relative to the numbers of SNF beds, the lower ratio of SNF to CMR cases result. The applicant also indicates that choice exists and CMR cases grow with higher numbers of CMR beds. See the table below.

Correlation between the Ratio of SNF/CMR Cases and Ratio of SNF/CMR Beds

Hospital District	Ratio SNF/CMR Cases	Ratio SNF/CMR Beds
1	6.72	42.00
2	2.94	24.60
3	5.72	37.80
4	5.81	36.30
5	6.73	45.80
6	7.83	50.91
7	5.25	37.13
8	5.01	25.74
9	4.59	24.30
10	3.03	13.80
11	3.67	24.29
Correlation Coefficient, R		**0.94**
Coefficient of Determination, R(2)		**0.88**

Source: CON application #10495, page 1-10, Table 1-4

The applicant indicates that CMR bed supply triggers more choice resulting in higher admission rates to CMR and that more choice does not reduce demand at other CMR providers. EE explains that this scenario heightens the selection of CMR with the result that the impact of EE's proposed program does not jeopardize HCA's CMR programs. The applicant contends that the EE proposal captures fewer existing CMR cases and more new cases that emerge with the availability of a freestanding rehabilitation hospital.

The reviewer notes that pursuant to Rule 59C-1.004(41), Florida Administrative Code, CMR is a tertiary health service, which is defined,

in part, as a service that, "…due to its high level of intensity, complexity, specialized or limited applicability, and cost, should be limited to, and concentrated in, a limited number of hospitals to ensure the quality, availability, and cost effectiveness of such service."

EE states the use of the Agency Hospital Inpatient Data File for CY 2016 to capture adult CMR patients discharged from freestanding CMR providers and acute care providers with CMR units, in District 1 and statewide, to indicate that only 17.4 percent (65 cases) were transferred from hospitals to The Rehabilitation Institute of Northwest Florida and to further indicate that only 0.5 percent (three cases) were transferred from hospitals to West Florida Hospital, in CY 2016. Using this same source and time frame, EHRHEC contends that statewide, all rehabilitation hospitals in Florida averaged 93.8 percent (24,693 cases) that were transferred from hospitals and that all acute care hospitals in Florida with CMR units averaged 31.1 percent (6,732 cases) that were transferred from hospitals. See the table below.

District 1 and Statewide CMR Admission Source
CY 2016

	District 1 Adult CMR Cases		Statewide CMR Cases (All Hospitals)		Distribution of CMR Cases by Admission Source			
					District 1		Florida	
Admission Source	Fort Walton Beach Medical Center	West Florida Hospital	All Rehab. Hospitals	Acute Care CMR Units	Fort Walton Beach Medical Center	West Florida Hospital	All Rehab. Hospitals	Acute Care CMR Units
Clinic/Physician Office	**119**	**555**	**827**	**2,879**	**31.9%**	**91.9%**	**3.1%**	**13.3%**
Court/ Law Enforcement	0	0	0	1	0.0%	0.0%	0.0%	0.0%
Information Not Available	6	0	142	24	1.6%	0.0%	0.5%	0.1%
Non-Health Care Facility	39	23	319	4,996	10.5%	3.8%	1.2%	23.1%
Transfer from ASC	1	0	1	0	0.3%	0.0%	0.0%	0.0%
Transfer from Hospital	**65**	**3**	**24,693**	**6,732**	**17.4%**	**0.5%**	**93.8%**	**31.1%**
Transfer from Other	32	21	82	966	8.6%	3.5%	0.3%	4.5%
Transfer from SNF/ICF	1	0	132	52	0.3%	0.0%	0.5%	0.2%
Transfer within Same Hospital	**110**	**2**	**116**	**5,981**	**29.5%**	**0.3%**	**0.4%**	**27.7%**
Grand Total	**373**	**604**	**26,312**	**21,631**	**100.0%**	**100.00%**	**100%**	**100%**

Source: CON application #10495, page 1-12, Table 1-5

The applicant notes that less than 20 percent of the combined admissions to the two CMR providers in District 1 come from other acute care hospitals, underscoring impediments to CMR services for patients in need of hospital-level rehabilitation services and showing the institutional bias for SNF placement for short-term rehabilitation services. EE emphasizes that the independence from a hospital system improves access and availability of necessary CMR services.

EE offers more discussion concerning stated nursing home bias as an access issue on page 1-13 of the application. The applicant states that District 1's hospitals and the corresponding SNF to CMR ratios show variability within the same MDC across the acute care hospitals and that higher ratios show a bias for nursing homes as a post-acute placement. EE states the use of the Agency Hospital Inpatient Data File for CY 2016 to indicate that matching common MDC categories indicates that The Rehabilitation Institute of Northwest Florida has a SNF/CMR ratio of 2.9, West Florida Hospital's SNF/CMR ratio was 5.6 and all District 1 hospitals' SNF/CMR ratio was 6.8. The applicant indicates that when

The Rehabilitation Institute of Northwest Florida and West Florida Hospital data are removed from the calculation, the ratio is 9.9. The reviewer collapses each of the 12 common MDCs (MDCs 00, 01, 04, 05, 06, 08, 09, 10, 11, 17, 18 and 19) to show the SNF/CMR ratios. See the table below.

SNF to CMR Adult Discharges from District 1 Hospitals on Common MDCs
CY 2016

HCA Fort Walton Beach Medical Center Ratio SNF/CMR	HCA West Florida Hospital Ratio SNF/CMR	All District 1 Hospitals Ratio SNF/CMR	Ratio SNF/CMR Removing Fort Walton Beach Medical Center and West Florida Hospital
2.9	5.6	6.8	9.9

Source: CON application #10495, page 1-15, Table 1-7

EE comments that the comparisons above are on MDCs that all District 1 hospitals had in common and that discharged to either SNF or CMR providers for post-acute rehabilitation (therefore being a subset of all MDCs). The applicant explains that the lower SNF/CMR ratios (2.9 and 5.6) indicate higher referral to CMR services and the higher SNF/CMR ratios (6.8 and 9.9) indicate lower referral to CMR services. EE asserts that the higher ratios indicate that these District 1 patients do not have similar access to CMR services.

The applicant reiterates the occupancy rates over the five-year period ending December 31, 2016 of District 1 CMR providers stating that with 58 CMR beds (or 74 percent of the total CMR bed supply in the district), West Florida Hospital dominates the market but that influences or deterrents exist that cause underutilization. According to the applicant, West Florida Hospital's dominance gives the hospital unintended control on future bed need or market entry.

EE asserts that low occupancy rates (in District 1) reflect admitting practices, of credentialed physicians, location of the facility, eligibility criteria, payer requirements and many other factors. The applicant also asserts that the conclusion that no additional beds are needed is spurious. EE states that in part, due to the "60% Rule", what may

appear as an available bed depends on the types and numbers of cases already within the facility as to whether or not an admission may occur.

The applicant states and the reviewer confirms through a review of Agency records that District 1's CMR occupancy rate has been the lowest of any district, statewide, for each of the five years ending December 31, 2016.

EE contends that all districts display a bias for SNF placement given the similarities in age and health status of the placements coupled with the constraint on CMR capacity. However the applicant maintains that Districts 1, 5 and 6 illustrate distinct institutional bias for SNF placements over the other districts indicative of reduced access to CMR services (CON application #10495, page 1-20, Figure 1-1.

In presenting a forecast of demand, EE states the use of the Agency Hospital Inpatient Data File for CY 2016 and adult population growth (age 18+) from Claritas by ZIP Code for the 2016-2021 projection period. The applicant provides year one (CY 2021), year two (CY 2022) and year three (CY 2023) CMR case, SNF case and new case estimates, using a compound annual growth rate (CAGR) of 1.3 percent. See the table below.

Growth of CMR and SNF Discharges from Hospitals in District 1
First Three Years of Encompass Escambia

	D1 CMR Cases CY 2016	D1 SNF Cases CY 2016	Adult Population CAGR
Baseline Cases	***977***	***8,066***	***1.3%***
Growth in D1 Discharges	**CMR Cases**	**SNF Cases**	**New Cases**
CY 2021	1,042	8,604	1,434
CY 2022	1,056	8,716	1,453
CY 2033	1,069	8,829	1,472

Source: CON application #10495, page 1-21, Table 1-10

EE expects in CY 2021, 99 CMR cases of the total 494 cases from the new cases' pool and by CY 2023, 183 CMR cases of the total 913 new cases' pool. The applicant also provides market share estimates for each of the three years. See the table below.

Encompass Escambia Expected Adult Admissions and Market Share of Forecasted District CMR and SNF Cases (New Cases by Project Year)

Project Year	CMR Cases	New Cases	MS CMR Cases	MS New Cases	Total Cases
CY 2021	99	494	8.0%	34.5%	593
CY 2022	140	701	11.3%	48.2%	841
CY 2023	183	913	14.6%	62.0%	1,095

Source: CON application #10495, page 1-22, Table 1-11

The applicant indicates that the above scenario leaves opportunities for both HCA's facilities to grow. See the table below.

Remaining CMR and New Cases in Future Years
Assuming Encompass Escambia's Market Share

Project Year	CMR Cases	New Cases
CY 2021	1,042	1,434
CY 2022	1,056	1,453
CY 2023	1,069	1,472
Remaining Cases After Encompass Escambia		
CY 2021	943	940
CY 2022	916	752
CY 2023	887	559

Source: CON application #10495, page 1-22, Table 1-12

The applicant presents the forecast of cases and patient days by payer for the first three years, with occupancy rates going from 40.9 percent in year one (CY 2021), to 58.1 percent in year two (CY 2022), to 75.6 percent in year three (CY 2023). See the table below.

Encompass Escambia Cases and Patient Days by Payer
First Three Years of Operations
CY 2021 to CY 2023

Payer	CY 2021 Cases	CY 2022 Cases	CY 2023 Cases	CY 2021 Days	CY 2022 Days	CY 2023 Days	Percent Days
Self-Pay	6	8	10	73	104	135	0.98%
Medicaid	2	3	4	27	38	50	0.36%
Medicaid Managed Care	3	4	5	68	96	126	0.91%
Medicare	429	609	793	5,407	7,668	9,987	72.36%
Medicare Managed Care	46	66	85	666	945	1,230	8.91%
Commercial Insurance	0	0	0	0	0	0	0.00%
Other Managed Care	87	124	161	976	1,384	1,803	13.06%
Other Payers	20	28	37	255	362	471	3.41%
Total	**593**	**841**	**1,095**	**7,472**	**10,597**	**13,802**	**100.0%**
				40.9%	**58.1%**	**75.6%**	

CON application #10495, page PS-iii, PS-1, page 1-23, Table 1-13, page 2-23, Table 2-5 and page 9-1, Table 9-1

EE states the use of the Agency Hospital Inpatient Data File for CY 2016 to explain District 1's current CMR cases and patient days. The applicant comments that cases arising from within the district represent 86.9 percent of total cases for the two providers. EE also comments that with the forecast focus of District 1 residents, in-migration, currently represents 13.1 percent of all CMR cases. See the table below.

CMR Adult Cases and Days by CMR Provider, District 1
CY 2016

CMR Provider	District 1 Patient Days	District 1 Cases	Total CMR Cases	District 1 Percent of Cases
West Florida Hospital	8,827	604	709	85.2%
The Rehabilitation Institute of Northwest Florida	5,069	373	415	89.9%
Total	**13,896**	**977**	**1,124**	**86.9%**

Source: CON application #10495, page 1-24, Table 1-14

The applicant offers an estimated impact if the approved project is approved and draws cases from the forecast for both CMR and new cases at a constant, conservative ratio of 6:1. See the tables below.

Forecasted and Remaining CMR Cases in District 1 in Future Years

Project Year	CMR Cases Forecasted to Future Years	Cases Remain After Removing Encompass Escambia Cases
CY 2021	1,042	943
CY 2022	1,056	916
CY 2023	1,069	887

Source: CON application #10495, page 1-24, Table 1-15

Encompass Escambia's Caseload for the Hospital's Frist Three Years
Impact on the Two CMR Providers
Assuming No Growth Above CMR Cases at Baseline CY 2016

Encompass Escambia's Forecasted Caseload				
Project Year	**CMR Cases**	**New Cases**	**Total Cases**	**Percent of New Cases**
CY 2021	99	494	593	34.1%
CY 2022	140	701	841	47.7%
CY 2023	183	913	1,095	61.3%
Impact on Existing Providers Assuming No Growth				
Project Year	**Remaining CMR Cases**	**CY 2016 Baseline CMR Cases**	**Difference from Baseline**	**Percent**
CY 2021	943	997	-34	-3.4%
CY 2022	916	997	-61	-6.3%
CY 2023	887	997	-90	-9.2%

Source: CON application #10495, page 1-25, Table 1-16

EE points out that a no growth estimate is a *worst case* scenario. The applicant also points out that the proposed project, if approved, would likely draw more new cases, rather than take cases away from the two existing CMR providers with established programs and referral patterns.

In the table below, the applicant presents estimates based on an assumption of growth as indicated previously.

Encompass Escambia's Caseload for the Hospital's Frist Three Years
Impact on the Two CMR Providers
Assuming Growth Above CMR Cases at Baseline CY 2016

Impact 2: Encompass Escambia Captures More New Cases				
Project Year	**CMR Cases**	**New Cases**	**Total Cases**	**Percent of New Cases**
CY 2021	19	574	595	40.0%
CY 2022	42	799	841	55.0%
CY 2023	65	1,030	1,095	70.0%
Encompass Escambia Captures New Cases on Existing Providers				
Project Year	**Remaining CMR Cases**	**CY 2016 Baseline CMR Cases**	**Difference from Baseline**	**Percent**
CY 2021	1,023	997	46	4.5%
CY 2022	1,014	997	37	3.6%
CY 2023	1,004	997	27	2.7%

Source: CON application #10495, page 1-26, Table 1-17.

The applicant references back to CON application #10495, Table 1-5 and reiterates a relative lack of transfers from acute care hospitals to West Florida Hospital's CMR unit (less than 1.0 percent of cases) and to The Rehabilitation Institute of Northwest Florida CMR facility (at 17.4 percent of cases).

The applicant discusses the parent's (HSC) experience in establishing a freestanding rehabilitation hospital increases the number of cases and patient days within the district. The applicant states the use of the Agency's *Florida Hospital Bed Need Projects & Service Utilization by District* publications for CY 2013 to CY 2016, regarding District 7 and CY 2012 to CY 2014, regarding District 3, to support this contention. See the table below.

Increases to CMR Patient Days in District 3 and District 7 with the Introduction of Encompass Hospitals

District 7		**District 3**	
Prior Year		**Prior Year**	
CMR Beds	186	CMR Beds	158
Patient Days Before Opening	41,421	Patient Days Before Opening	41,228
Occupancy Rate	61.0%	Occupancy Rate	71.5%
Year One: CY 2013		**Year One: CY 2012**	
New Encompass Beds	**50**	**New Encompass Beds**	**40**
Total CMR Beds	236	Total CMR Beds	198
Patient Days	41,813	Patient Days	44,253
Occupancy Rate	48.5%	Occupancy Rate	61.2%
Year Two: CY 2014		**Year Two: CY 2013**	
Total CMR Beds	236	Total CMR Beds	198
Patient Days	44,253	Patient Days	55,233
Occupancy Rate	51.4%	Occupancy Rate	76.4%
Year Three: CY 2015		**Year Three: CY 2014**	
Total CMR Beds	236	Total CMR Beds	208
Patient Days	55,233	Patient Days	60,014
Occupancy Rate	64.1%	Occupancy Rate	79.0%
Year Four: CY 2016		**Overall Increase In Days**	**18,786**
Total CMR Beds	236		
Occupancy Rate	71.7%		
Patient Days	61,750		
Overall Increase In Days	**20,329**		

Source: CON application #10495, page 1-27, Table 1-18

The reviewer notes some discrepancies between the CMR beds totals, patient days and occupancy rates as indicated in CON application #10495, Table 1-18 (above) and the Agency's records of licensed CMR beds, total patient days and occupancy rates as of December 31, 2012 through December 31, 2016, concerning Districts 7 and 3. The reviewer generates the table below and where Agency records differ from CON application #10495, Table 1-18, the Agency record is italicized. If the Agency record and the applicant's total are consistent, then, the applicable box is left blank in the table below.

Differing Licensed CMR Bed Totals, Patient Days and Occupancy Rates Between CON application #10495, Table 1-18 and Agency Records as of Year End CY 2012 to CY 2016

District 7		District 3	
Prior Year		**Prior Year**	
CMR Beds	*173*	CMR Beds	
Patient Days	*39,983*	Patient Days	
Occupancy Rate	*63.15%*	Occupancy Rate	
Year One: CY 2013		**Year One: CY 2012**	
Total CMR Beds	*186*	Total CMR Beds	
Patient Days	*41,421*	Patient Days	
Occupancy Rate	*62.66%*	Occupancy Rate	*74.72%*
Year Two: CY 2014		**Year Two: CY 2013**	
Total CMR Beds		Total CMR Beds	
Patient Days	*41,813*	Patient Days	
Occupancy Rate	*59.83%*	Occupancy Rate	
Year Three: CY 2015		**Year Three: CY 2014**	
Total CMR Beds		Total CMR Beds	
Patient Days	*55,350*	Patient Days	
Occupancy Rate	*68.77%*	Occupancy Rate	*82.58%*
Year Four: CY 2016		**Overall Increase In Days**	
Total CMR Beds	*245*		
Occupancy Rate	*70.85%*		
Patient Days	*62,113*		
Overall Increase In Days	***22,130***		

Source: *Florida Hospital Bed Need Projections & Service Utilization by District,* published July 2013 – July 2017

The applicant states and the reviewer confirms that need was published for additional CMR beds in the current batching cycle for District 3. The applicant contends that the published need clearly reflects the positive impact on utilization as more providers offer choice that benefits patients. EE comments that the Agency received both applications for new rehabilitation hospitals in District 7 and District 3 in batching cycles showing no need, similar to the present circumstances in District 1.

EE asserts that with HCA as the sole provider of CMR (in District 1), competition that benefits residents fails to emerge with choice restricted. The applicant maintains that the proposed project effectively introduces CMR services that promote competition to benefit patients, providers, payers and patients with choice and balances access to rehabilitation services among nursing homes and CMR facilities.

2. Agency Rule Criteria:

Please indicate how each applicable preference for the type of service proposed is met. Refer to Chapter 59C-1.039, Florida Administrative Code, for applicable preferences.

a. General Provisions:

The reviewer notes that CON application #10495 does not respond directly to any of the General Provisions below (item E.2.a.(1) through (4) below). However, each response below is reflected elsewhere in the application.

(1) Service Location. The CMR inpatient services regulated under this rule may be provided in a hospital licensed as a general hospital or licensed as a specialty hospital.

EE states intent to operate the proposed CMR program as a specialty hospital, a freestanding CMR hospital to be located in Escambia County.

(2) Separately Organized Units. CMR inpatient services shall be provided in one or more separately organized unit within a general hospital or specialty hospital.

EE states that the proposed project will operate as a freestanding specialty (Class 2) hospital.

(3) Minimum Number of Beds. A general hospital providing comprehensive medical rehabilitation inpatient services should normally have a minimum of 20 comprehensive rehabilitation inpatient beds. A specialty hospital providing CMR inpatient services shall have a minimum of 60 CMR inpatient beds. Hospitals with licensed or approved comprehensive medical rehabilitation inpatient beds are exempt from meeting the requirements for a minimum number of beds.

The applicant proposes to establish a new 50-bed CMR hospital.

(4) Medicare and Medicaid Participation. An applicant proposing to increase the number of licensed comprehensive medical rehabilitation inpatient beds at its facility shall participate in the Medicare and Medicaid programs. Applicants proposing to establish a new comprehensive medical rehabilitation service shall state in their application that they will participate in the Medicare and Medicaid programs.

EE indicates that the parent participates in both the Medicare and Medicaid programs and that the proposed project will as well.

A table of the applicant's payer mix, by total discharges and percentage discharges, for years one, two and three of operations, is shown in item E.3.g of this report. Cases and patient days for Medicaid/Medicaid Managed Care, as well as for Medicare/ Medicare Managed Care are shown for each year of the first three years (see item E.3.g of this report).

b. Required Staffing and Services.

(1) Director of Rehabilitation. CMR inpatient services must be provided under the medical director of rehabilitation who is a board-certified or board-eligible physiatrist and has had at least two years of experience in the medical management of inpatients requiring rehabilitation services.

The applicant states that as an affiliate of Encompass Health Corporation, EE benefits from the leadership the corporation provides in rehabilitation medicine. The applicant contends that the corporation experiences a successful track record recruiting medical directors for rehabilitation facilities that meet board certification standards and have the requisite experience.

EE discusses that medical directors receive a variety of tools and opportunities from Encompass Health in support of their role. The reviewer notes that the applicant does not affirmatively state that this criterion will be met by a board-certified or board-eligible physiatrist who has had at least two years of experience in the medical management of inpatients requiring rehabilitation services.

(2) Other Required Services. In addition to the physician services, CMR inpatients services shall include at least the following services provided by qualified personnel:

1. **Rehabilitation nursing**
2. **Physical therapy**
3. **Occupational therapy**
4. **Speech pathology and audiology**
5. **Social services**
6. **Psychological services**
7. **Orthotic and prosthetic services**

EE indicates that the specialties listed above represent the major professional categories that Encompass staffs at its hospitals and further indicates that care provided by these professionals aim to increase functional independence of Encompass patients.

The applicant provides a brief narrative description of each of the following staff and services (pages 2-2 to 2-5 of the application):

- Chief nursing officer
- Director of therapy operations (physical therapy)
- Occupational therapists
- Speech therapy (licensed speech language pathologists)
- Social services
- Psychological services (licensed psychologists)
- Orthotics and prosthetic services
- Respiratory therapy services

c. Criteria for Determination of Need:

(1) Bed Need. A favorable need determination for proposed new or expanded comprehensive medical rehabilitation inpatient services shall not normally be made unless a bed need exists according to the numeric need methodology in 59C-1.039(5)(c), Florida Administrative Code.

As previously stated in item E.1.a of this report, the applicant's proposed project is outside the fixed need pool.

(2) Most Recent Average Annual District Occupancy Rate. Regardless of whether bed need is shown under the need formula in paragraph (5) (c), no additional comprehensive medical rehabilitation inpatient beds shall normally be approved for a district unless the average annual occupancy rate of the licensed comprehensive medical rehabilitation inpatient beds in the district was at least 80 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.

The reviewer notes that for the most recent reporting period (12 months ending December 31, 2016), the average annual District 1 occupancy rate for the 78 CMR beds was 57.32 percent. For this same 12-month period, District 1's CMR bed utilization rate was the lowest of any district in Florida, with a statewide average utilization rate of 69.61 percent.

EE does not respond directly to this criterion but does state in the application that the project is based on not normal circumstances.

(3) Priority Considerations for Comprehensive Medical Rehabilitation Inpatient Services Applicants. In weighing and balancing statutory and rule review criteria, the Agency will give priority consideration to:

(a) An applicant that is a disproportionate share hospital as determined consistent with the provisions of section 409.911, Florida Statutes.

As a newly formed entity, the applicant has no operating history. However, the parent's HSC facilities are not disproportionate share hospital providers.

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

EE contends that Medicaid and Medicaid managed care recipients find acceptance at the parent's affiliates and that further, all affiliates participate as providers in the Medicare and Medicaid programs. The applicant indicates that information in the application notes the degree to which the parent, as well as the applicant proposal, serve a variety of payers.

Both item C and item E.3.g. of this report show that the applicant conditions such that the proposed project's

Medicaid, Medicaid Managed Care, charity care and self-pay patients will represent a minimum of 2.25 percent of patient days.

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

As a newly formed entity, the applicant has no operating history. Additionally, none of the parent's HSC facilities are designated trauma centers, neither Level I or Level II or provisional, according to the Florida DOH website at http://www.floridahealth.gov/%5C/licensing-and-regulation/trauma-system/_documents/traumacenterlisting2016.pdf, last updated May 5, 2017.

d. Access Standard. Comprehensive medical rehabilitation inpatient services should be available within a maximum ground travel time of two hours, under average travel conditions, for at least 90 percent of the district's total population.

The applicant provides a map (CON application #10495, page 2-7, Figure 2-2) to indicate that the proposed project conforms to the two-hour drive time standard.

The reviewer notes that the access standard is currently met for District 1 CMR services.

e. Quality of Care.

(1) Compliance with Agency Standards. Comprehensive medical rehabilitation inpatient series shall comply with the Agency standards for program licensure described in section 59A-3, Florida Administrative Code. Applicants who submit an application that is consistent with the Agency licensure standards are deemed to be in compliance with this provision.

EE maintains that the parent and affiliates possess the capability to obtain license and certifications, understanding the scope and breadth of them. The applicant provides an italicized excerpt proving the Agency with assurance of having the competency and capability to license the project.

The applicant briefly discusses affiliated facility HealthSouth Emerald Coast Rehabilitation Hospital (District 2) indicating that this facility is a proxy for the proposal under review. Part of this discussion is HealthSouth Emerald Coast Rehabilitation Hospital's

stated summary of Agency inspections from April 10, 2014 through March 1, 2017 (CON application #10495, page 2-9, Table 2-1). For a review of the parent's total substantiated compliant history in its Florida facilities for the three-year period ending September 6, 2017, see item E.3.b. of this report.

f. Services Description. An applicant for comprehensive medical rehabilitation inpatient services shall provide a detailed program description in its certificate of need application including:

(1) Age group to be served.

The applicant indicates that the proposed project addresses the CMR needs of adults (age 18+).

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

EE states that the proposed project will provide the programs and services required to comply with all local, state and federal regulations, as well as accreditation standards of The Joint Commission. The applicant assures that if approved, the proposed project, within three years of opening, will pursue Joint Commission certification for its stroke program and that as operations mature, other certifications may be pursued, such as hip fracture or brain injury, depending on the needs of residents served in District 1.

The applicant's stated stroke program is indicated to be an integrated approach that includes the primary care physician or the patient's specialist as necessary and that the objectives of the stroke program include:

- Improve cognitive functioning
- Learn skills to compensate for deficits
- Rehabilitate body areas that the stroke effects, such as balance, coordination and mobility
- Improve range of motion, strength and stamina
- Provide psycho-social services as necessary for the patient to adjust the trauma of disability

The applicant also indicates that daily activities, exercises and treatments address the holistic needs of stroke patients, who benefit from participation as follows:

- Stroke adjustment groups with leadership from psychologists and case managers
- Spasticity management
- Dysphagia treatment
- Four week follow-up

EHRHEC stresses that within the scope of its Stroke Rehabilitation Program, patients with Parkinson's disease, multiple sclerosis, neurological disorders as well as brain injuries receive benefit from the program participation. EHRHEC provides a Stroke Rehabilitation Program brochure from HealthSouth Rehabilitation Hospital of Spring Hill (Tab 10 of the application). The reviewer notes that the totality of this stated brochure is a cover page and one additional page.

EHRHEC discusses its ACE IT Electronic Medical Records System (page 2-14 of the application) and the Health Information Exchange (HIE) Platform (pages 2-14 and 2-15 of the application).

The reviewer notes that the applicant provides a brief narrative description of rehabilitation equipment items of which the applicant conditions (pages 2-15 to 2-17 of the application. For convenience, these conditioned items are reiterated below:

- Bioness BITS
- Bioness L300
- Bioness H200
- Biodex Freestep SAS
- ACP Synchrony

The reviewer reiterates that the applicant does not condition a target date for when the conditioned items will be purchased and used.

(3) Proposed staffing, including qualifications of the medical director, a description of staffing appropriate for any specialty program, and a discussion of the training and experience requirements for all staff who will provide comprehensive medical rehabilitation inpatient services.

EE proposes 81.4 total FTEs in year one (ending December 31, 2021), increasing to 99.1 total FTEs in year two (ending December 31, 2022) and again increasing to 124.6 total FTEs in year three (ending December 31, 2023). The reviewer notes that there is no change in the FTE count for years one through three for the

following FTE categories: physician and laundry. The reviewer also notes that there is no change in the FTE count for years one and two for the following categories: ancillary, social services and plant maintenance. However, for all other categories (administration, nursing, dietary and housekeeping) and for all remaining years of one through three, there are incremental FTE increases for each of these categories. See the table below.

Encompass Health Rehabilitation Hospital of Escambia County, LLC (CON application #10495) Projected Year One (Ending 12/31/2021), Year Two (Ending 12/31/2022) and Year Three (Ending 12/31/2023) Staffing Pattern			
	Year One Ending 12/31/2021	**Year Two Ending 12/31/2022**	**Year Three Ending 12/31/2023**
Administration			
Administrator	1.0	1.0	1.0
Director of Nursing	1.0	1.0	1.0
Admissions Director	2.0	4.0	4.0
Bookkeeper	2.0	3.0	3.0
Administrative Assistant	2.0	2.0	2.0
Medical Records Clerk	2.4	2.4	3.0
Other: Utilization Review	--	4.2	4.2
Physicians			
Medical Director	1.0	1.0	1.0
Nursing			
RN	4.2	5.6	7.0
LPN	7.0	10.0	14.0
Nurse's Aide	14.0	16.0	20.0
Other Nursing Administration	5.0	5.0	6.0
Ancillary			
Physical Therapist	7.0	7.0	9.0
Respiratory Therapy	2.1	2.1	3.0
Other: Rehabilitative Services	7.0	7.0	10.0
Other: Pharmacist/Lab/Central Supply	7.3	7.3	10.0
Dietary			
Dietary Supervisor	1.4	1.4	1.4
Cooks	5.6	8.2	10.0
Social Services			
Social Worker	1.4	1.4	2.8
Housekeeping			
Housekeepers	4.2	5.7	7.0
Plant Maintenance			
Maintenance Supervisor	1.0	1.0	1.0
Maintenance Assistance	2.8	2.8	4.2
TOTAL	**81.4**	**99.1**	**124.6**

Source: CON application #10495, Schedule 6

Notes to Schedule 6A indicate that the proposed staffing levels reflect the applicant's experience operating inpatient rehabilitation hospitals in Florida and that the medical director position will operate in a contractual position. These notes also state that Schedule 6 lacks administrative support positions for the following professionals: human resources, comptroller, marketing, data

entry, rehabilitation liaison and switchboard operator. These same notes further state that Schedule 8 provides sufficient funds for administration and other professionals employed at the hospital.

The reviewer notes that though Schedule 6 lists the following positions, there are no FTEs indicated for any of the first three years: dietary aides, activity director, activities assistant, housekeeping supervision, laundry supervisor, laundry aides and security.

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

The applicant indicates that recruiting takes many forms and includes website listings of vacancies with position descriptions, advertisements in publications targeting professionals where vacancies exist, internal publications, social media and other formats all of which reflect the clinical services and the program's needs. EE notes other avenues to reach qualified candidates for vacant positions, including:

- Corporate recruiters
- Employee open house
- External professional recruiters
- Participation in local job fairs
- Newspaper job postings
- Job postings at universities with specialty programs
- Clinical affiliation programs with schools for allied health professionals
- Participation of professional conferences and educational events
- Clinical travelers program
- Postings in specialty journals and publications

EE discusses support and recruitment resources for area post-secondary school executives (for a review of letters of support from area post-secondary school executives, see item B of this report). The applicant notes retention efforts (pages 5-5 and 5-6 of the application) and "Educational Resources Build Health Manpower" (pages 5-6 to 5-8 of the application).

(2) Expected sources of patient referrals.

EE states the use of the Agency Hospital Inpatient Data File for CY 2016 to consider the source of adult admissions (age 18+) to CMR hospitals in Florida, with corresponding length of stay (CON application #10495, page 2-21, Table 2-2) and the comparison of source of adult admissions to CMR in District 1 and the State (CON application #10495, page 2-21, Table 2-3). Based on the

results of these two tables, the applicant expects (most as transfers from hospitals but also from some other sources) 618 admissions in year one, 876 admissions in year two and 1,141 admissions in year three. See the table below.

Expected Sources of Adult Admissions
Encompass of Escambia, First Three Years of Operation

Admission Source	Year One	Year Two	Year Three
Clinic/Physician Office	19	28	36
Information Not Available	3	5	6
Non-Health Care Facility	4	11	14
Transfer from ACS	0	0	0
Transfer from Hospital	**583**	**826**	**1,076**
Transfer from other	2	3	4
Transfer from SNF/ICF	3	4	6
Total	**618**	**876**	**1,141**

Source: CON application #10495, page 2-22, Table 2-4

The reviewer notes that these three-year admission estimates differ from the applicant's forecasted estimates found elsewhere in the application. According to the applicant, admission estimates are 593 cases in year one, 841 cases in year two and 1,095 cases in year three according to the following CON application #10495 sources:

- page PS-iii, PS-1
- page 1-22, Table 1-11
- page 1-23, Table 1-13
- page 1-25, Table 1-16
- page 2-23, Table 2-5
- page 9-1, Table 9-1

Therefore, based on the applicant's other six tables, the applicant's Table 2-4 indicates slightly higher admission estimates for years one through three.

(3) Projected number of comprehensive medical rehabilitation inpatient services patient days by payer type, including Medicare, Medicaid, private insurance, self-pay and charity care patient days for the first two years of operation after completion of the proposed project.

The applicant responds to this criterion as follows:

Encompass Escambia Cases and Patient Days by Payer
First Three Years of Operations
CY 2021 to CY 2023

Payer	CY 2021 Cases	CY 2022 Cases	CY 2023 Cases	CY 2021 Days	CY 2022 Days	CY 2023 Days	Percent Days
Self-Pay	6	8	10	73	104	135	0.98%
Medicaid	2	3	4	27	38	50	0.36%
Medicaid Managed Care	3	4	5	68	96	126	0.91%
Medicare	429	609	793	5,407	7,668	9,987	72.36%
Medicare Managed Care	46	66	85	666	945	1,230	8.91%
Commercial Insurance	0	0	0	0	0	0	0.00%
Other Managed Care	87	124	161	976	1,384	1,803	13.06%
Other Payers	20	28	37	255	362	471	3.41%
Total	**593**	**841**	**1,095**	**7,472**	**10,597**	**13,802**	**100.0%**
				40.9%	**58.1%**	**75.6%**	

CON application #10495, page PS-iii, PS-1, page 1-23, Table 1-13, page 2-23, Table 2-5 and page 9-1, Table 9-1

The applicant indicates that Medicaid, Medicaid Managed Care and self-pay (including charity care) represent 2.25 percent of patient days, with Medicare and Medicare Managed Care plans representing 81.27 percent of total patient days. The reviewer confirms that the 81.27 percent sum is arithmetically correct. EHRHEC also points out that government payers represent 82.55 percent of total patient days. The reviewer notes that this sum is arithmetically 82.54 percent.

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

EE explains that its patient payment policies present how the proposed project addresses charity and self-payment patients with the recognition that all persons require access to necessary services, particularly when disability arises. The applicant references its Patient Payment Policies (CON application #10495, page 2-29, Exhibit 2-2). The reviewer notes that a review of this exhibit indicates the following policies:

Policy Name	Policy ID	Effective Date
Financial Assistance	OPS-437	2/26/2017

Policy Name	Policy ID	Effective Date
No Insurance Discount	OPS-102	8/18/2014

The reviewer notes that according to the No Insurance Discount Policy, the inpatient prompt-pay discount is 40 percent and the outpatient prompt-pay discount is 50 percent. This policy further

indicates that discounts greater than 40 percent for inpatients and 50 percent for outpatients will not be given. This same policy also indicates that discounts given for uninsured patients should not be claimed as bad debt or charity care.

(g) Utilization Reports. Facilities providing licensed comprehensive medical rehabilitation inpatient services shall provide utilization reports to the Agency or its designee, as follows:

(1) Within 45 days after the end of each calendar quarter, facilities shall provide a report of the number of comprehensive medical rehabilitation inpatient services discharges and patient days which occurred during the quarter.

EE contends that all 12 of the parent's Florida hospitals provide the required reports to their respective local health councils and to the Agency, as required. The applicant states that it will provide full accountability of its services to patients.

3. Statutory Review Criteria

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

As stated previously in item E.1.a and b of this report, District 1 had 78 licensed CMR beds which experienced an average 57.32 percent occupancy rate for the 12-month period ended December 31, 2016. Also as previously indicated, for this same 12-month period, District 1 experienced the lowest CMR utilization rate of any district statewide.

The applicant notes that District 1 has the fewest SNF beds (3,274), the fewest CMR beds (78) and the lowest CMR occupancy rate (57.30 percent) of any district statewide, with a 42:1 SNF-to-CMR bed ratio, the third highest SNF-to-CMR ratio of any district statewide (exceeded by District 6 at a 51:1 ratio and District 5 at a 45:1 ratio). EE contends that the higher SNF-to-CMR ratios in Districts 6, 5 and 1 indicate that limited choice exists and discharge planners direct patients to SNFs, reflecting an institutional bias. The applicant indicates District 1's low CMR bed supply and low CMR bed occupancy rates CY 2012 through CY 2016 (CON application #10495, page 3-9, Table 3-4).

EE states that occupancy rates do not necessarily reflect availability, rather, they reflect utilization and that low utilization can be attributed to a variety of factors including: the providers' relationship which

physicians who admit to post-acute placements, the scope of services, the location of the program, leadership within the program and structure of the market. The applicant notes that the CMR market in District 1 has been "stagnant" since 1996.

EE notes that discrepancies among the 11 districts displays a functional interaction between beds and occupancy, contending that the more CMR beds, that is, greater availability of CMR beds produces higher occupancy rates (and again commenting that HealthSouth's new CMR facility in District 3 is reflective of higher occupancy rates when there is an increase in the bed supply). The applicant reproduces the District 3 portion of CON application #10493, Table 1-18 (see item E.1.b. of this report), to reflect rising CMR bed occupancy rates from CY 2011 to CY 2014.

Regarding quality of care, the applicant provides a bar graph to indicate that, nationally, for each year from 2008 through 2016, Functional Independence Measure (FIM®) scores at HSC facilities exceed national Uniform Data System for Medical Rehabilitation (UDSMR®) scores (CON application #10495, page 3-4, Figure 3-1). EE indicates that this demonstrates that quality of service characterizes the proposed project.

Regarding access, the applicant provides a map of nine acute care hospitals within 41 miles around the Pensacola area (CON application #10495, page 3-5, Figure 3-2). The reviewer notes that seven of the nine facilities are located in District 1 and two are located in the State of Alabama. Also regarding access, the applicant provides another map of three other acute care hospitals in District 1 that are more distant from the Pensacola area (CON application #10945, page 3-6, Figure 3-3). The reviewer notes that item E.2.d. of this report previously confirmed that the access standard is currently met for District 1 CMR services.

EE maintains that the table below illustrates that the current CMR providers in District 1 are experiencing a lack of ability to receive discharges from acute care hospitals within the service area for post-acute rehabilitation and that these facilities eschew transfers in preference for nursing homes given that the two providers are HCA facilities. The applicant maintains HSC providers operate independent of any acute care hospital system and provide no competition for services or patients.

Comparison of Source of Admission to CMR Providers in District 1 to Encompass Health Corporation's Hospitals in Florida

Admission Source	Fort Walton Beach Medical Center	West Florida Hospital	Emerald Coast	Florida Encompass	Fort Walton Beach Medical Center	West Florida Hospital	Emerald Coast	Florida Encompass
Clinic/Physician Office	**119**	**555**	17	687	**31.9%**	**91.9%**	1.0%	3.6%
Information Not Available	6			135	1.6%			0.7%
Non-Health Care Facility	39	23	8	210	10.5%	3.8%	0.5%	1.1%
Transfer from ASC	1				0.3%			
Transfer from Hospital	**65**	**3**	**1,611**	**17,941**	**17.4%**	**0.5%**	**98.3%**	**94.0%**
Transfer from Other	32	21			8.6%	3.5%		
Transfer from SNF/ICF	1		3	107	0.3%		0.2%	0.6%
Transfer within Same Hospital	**110**	**2**			**29.5%**	**0.3%**		
Grand Total	**373**	**604**	1,639	19,080	**100.0%**	**100.0%**	100.0%	100.0%

Source: CON application #10495, page 3-7, Table 3-3

The applicant states that District 1 has the next to lowest CMR patient days per 1,000 adult population (age 18+) of any district stateside. EE points out that in CY 2016, District 1 had 29 CMR patient days per 1,000 adult population (with a 42.1 SNF-to-CMR bed ratio), compared to adjacent District 2 having 59 CMR patient days per 1,000 adult population (with a 25.1 SNF-to-CMR bed ratio). This is expressed in CON application #10495, page 3-10, Table 3-5. The applicant asserts that this points to the impact of the institutional bias for nursing home use and that the low use of CMR in District 1 and the direct correlation to an undersupply of CMR beds. According to the applicant, the results of the undersupply creates a lack of access, low availability and restriction of choice to CMR services.

EE provides discussion and tables regarding the Health Care Access Criteria on pages 3-12 to 3-15 of the application.

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

As a newly formed entity, EE has no current operations or operating history. However, the parent, HSC has a long history of operations in Florida.

EE states that quality arises from the mission, vision and values of the corporation. The applicant provides its mission and values with a brief description on page 4-1 of the application. According to the applicant's values statement, the entity places primary value on:

- Quality
- Integrity
- Cost-effectiveness
- Respect

The applicant indicates that the parent (and all its affiliate hospitals) focuses on patient-centered care, safety and technology in the following ways:

- *Patient-centered care*
  - Patient experience surveys
  - Patient feedback calls
  - Focus groups comprised of patients
  - Community outreach support through participation of advocacy groups and foundations such as the Arthritis Foundation, MS Society, Stroke Association and others
- *Safety*
  - Safe patient mobility
  - Infection control
  - Incidents and sentinel event report
  - Environmental safety
  - Medication management
  - Wound management
- *Technology*
  - Risk management reporting system
  - Equipment (with embedded technology)
  - Rehabilitation technologies (e.g. Free-Step Supported Ambulance System)
  - Automated medical records system
  - Computerized order entry system
  - Clinical education

EE discusses a proprietary EMR system and the reviewer notes that the implementation of an EMR system is conditioned in the application (see item C of this report). The applicant discusses a HealthSouth news release of a new partnership with Cerner Corporation[9] to create a

[9] According to the website https://www.cerner.com/about, Cerner Corporation, headquartered in North Kansas City, MO, is continuously building on its foundation of intelligent solutions for the health care industry. Its technologies connect people and systems at more than 27,000 facilities worldwide, and its wide range of services support the clinical, financial and operational needs of organizations of every size.

post-acute innovation center, using health information and data analytics to develop evidence-based solutions for post-acute patient care management. The reviewer notes that this three-page news release was dated 8/31/2017.

The applicant notes the UDSMR® benchmark scores and FIM® scores discussed in item E.3.a. of this report. In addition to 2008 to 2016 higher FIM® gains (nationally) when compared to UDSMR® benchmarks, EHRHEC also discusses the parent's Performance Evaluation Model (PEM) scores, stated to represent a case-mix and severity-adjusted metrics composite performance score. The applicant provides a bar graph to indicate that HealthSouth hospital PEM scores are higher than national PEM scores (CON application #10495, page 4-6, Figure 4-2). EE also provides bar graphs, from 2009 to 2016, to show that according to PEM score results, HealthSouth hospitals return patients home or to a less intensive setting sooner than the UDSMR® expected length of stay (CON application #10495, page 4-7, Figure 4-3) and HealthSouth hospitals return a higher percent of patients discharged to the community than the UDSMR® expected discharge to the community (CON application #10495, page 4-8, Figure 4-4).

The applicant comments about its Clinical Leadership Council (pages 4-8 and 4-9 of the application) and about its Utilization Management Program (pages 4-9 and 4-10 of the application). EE lists the parent's 12 HealthSouth CMR hospitals in Florida, each facility's Joint Commission specialty certification and each facility's number of beds. The reviewer notes that CON application #10495 does not include a model or sample quality performance or quality assurance improvement plan.

The parent, HSC, had four substantiated complaints among a total of 917 licensed beds, spread among its 12 facilities, for the 36-month period ending September 6, 2017. A single complaint can encompass multiple complaint categories. The substantiated complaint categories, for the parent, listed below:

HSC Substantiated Complaint Categories 36 Months Ending September 6, 2017	
Complaint Category	**Number Substantiated**
Nursing Services	2
Dietary Services	1
Life Safety Code	1
Quality of Care/Treatment	1
Resident/Patient/Client Assessment	1
Resident/Patient/Client Rights	1

Source: Florida Agency for Healthcare Administration Complaint Records

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

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

Historically we have compared all applicant financial ratios regardless of type to bench marks established from financial ratios collected from Florida acute care hospitals. While not always a perfect match to a particular CON project it is a reasonable proxy for health care related entities. The below is an analysis of the audited financial statements of HealthSouth Corporation and Subsidiaries (Parent) where the short-term and long-term measures fall on the scale (highlighted in gray) for the most recent year.

HealthSouth Corporation and Subsidiaries (in millions)		
	Dec-16	**Dec-15**
Current Assets	$654.5	$598.7
Total Assets	$4,681.9	$4,606.1
Current Liabilities	$475.6	$426.4
Total Liabilities	$3,614.9	$3,705.7
Net Assets	$1,067.0	$900.4
Total Revenues	$3,707.2	$3,162.9
Excess of Revenues Over Expenses	$318.1	$252.8
Cash Flow from Operations	$605.5	$484.8
Short-Term Analysis		
Current Ratio (CA/CL)	1.4	1.4
Cash Flow to Current Liabilities (CFO/CL)	127.31%	113.70%
Long-Term Analysis		
Long-Term Debt to Net Assets (TL-CL/NA)	294.2%	364.2%
Total Margin (ER/TR)	8.58%	7.99%
Measure of Available Funding		
Working Capital	$179	$172

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

Capital Requirements and Funding:
The applicant indicates on Schedule 2 capital projects totaling $27,894,485, which consists solely of this CON. Funding for this project will be provided by cash on hand. The applicant provided a copy of the Parent's December 31, 2016 and 2015 Form 10-K. These statements were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project.

Conclusion:
Funding for this project should be available as needed.

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

Analysis:
Our comparison was done in relation to other rehabilitation hospitals currently in operation.

Inflation adjustments were based on the new CMS Market Basket, 1st Quarter, 2017.

	PROJECTIONS PER APPLICANT		**COMPARATIVE GROUP VALUES PPD**		
	Total	**PPD**	**Highest**	**Median**	**Lowest**
Net Revenues	17,476,860	1,649	2,348	1,938	1,752
Total Expenses	14,602,117	1,378	1,802	1,525	1,336
Operating Income	2,874,743	271	377	287	285
Operating Margin	16.45%		**Comparative Group Values**		
	Days	**Percent**	**Highest**	**Median**	**Lowest**
Occupancy	10,597	58.07%	98.76%	75.42%	53.74%
Medicaid/MDCD HMO	134	1.26%	12.24%	1.23%	0.24%
Medicare	8,613	81.28%	91.15%	83.28%	72.62%

NRPD, CPD and profitability or operating margin that fall within the control group range are considered reasonable.

The projected CPD and operating income fall within the control group. The NRPD falls slightly below the control group range.

Conclusion:
This project appears to be financially feasible and the projected NRPD, CPD and profitability appear to be attainable.

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

Strictly from a financial perspective, the type of competition that would result in increased efficiencies, service, and quality is limited in health care. Cost-effectiveness through competition is typically achieved via a combination of competitive pricing that forces more efficient cost to remain profitable and offering higher quality and additional services to attract patients from competitors. In addition, competitive forces truly do not begin to take shape until existing business' market share is threatened. The existing health care system's barrier to price-based competition via fixed price payers limits any significant gains in cost-effectiveness and quality that would be generated from competition.

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

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

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

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

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

As a newly formed entity, EE has no current operations or operating history. However, the parent, HSC, has a long history of operations in Florida. The table below illustrates the Medicaid/Medicaid HMO days and percentages, as well as charity care percentages, provided by HSC's Florida facilities for FY 2016, according to the Florida Hospital Uniform Reporting System (FHURS). Per FHURS, statewide, for FY 2016, HSC provided 1.26 percent of patient days to Medicaid/Medicaid HMO and 0.89 percent of patient days to charity care. See the table below.

HealthSouth Corporation
Statewide
Medicaid/Medicaid HMO and Charity Care Data
FY 2016

Applicant's Parent	Medicaid and Medicaid HMO Days	Medicaid and Medicaid HMO Percentage	Percent of Charity Care	Percent Combined Medicaid, Medicaid HMO and Charity Care
HealthSouth Corp.	3,159	1.26%	0.89%	2.16%*

Source: FHURS data for FY 2016
* The arithmetic calculation is 2.157 percent and therefore rounding will result in 2.16 percent.

EE forecasts the following cases and patient days by payer for the first three years of planned operations (CY 2021 – CY 2023). The applicant expects 593 cases in year one (CY 2021) rising to 1,095 cases in year three (CY 2023) and correspondingly, 7,472 patient days in year one rising to 13,802 patient days in year three. See the figure below.

Encompass Escambia Cases and Patient Days by Payer
First Three Years of Operations
CY 2021 to CY 2023

Payer	CY 2021 Cases	CY 2022 Cases	CY 2023 Cases	CY 2021 Days	CY 2022 Days	CY 2023 Days	Percent Days
Self-Pay	6	8	10	73	104	135	0.98%
Medicaid	2	3	4	27	38	50	0.36%
Medicaid Managed Care	3	4	5	68	96	126	0.91%
Medicare	429	609	793	5,407	7,668	9,987	72.36%
Medicare Managed Care	46	66	85	666	945	1,230	8.91%
Commercial Insurance	0	0	0	0	0	0	0.00%
Other Managed Care	87	124	161	976	1,384	1,803	13.06%
Other Payers	20	28	37	255	362	471	3.41%
Total	**593**	**841**	**1,095**	**7,472**	**10,597**	**13,802**	**100.0%**
				40.9%	**58.1%**	**75.6%**	

CON application #10495, page PS-iii, PS-1, page 1-23, Table 1-13, page 2-23, Table 2-5 and page 9-1, Table 9-1

The applicant's Schedule 7B indicates for years one through three (ending December 31, 2021, December 31, 2022 and December 31, 2023, respectively), 1.3 percent Medicaid/Medicaid Managed Care and 1.0 percent self-pay, total annual patient days, respectively, for each of the three years. Also, the reviewer notes that the applicant's Schedule 7B is consistent with the applicant's CY 2021, CY 2022 and CY 2023 days totals, as shown in the table above. Notes to Schedule 7B indicate that estimates are based on payor-specific historical experience of the applicant in its existing Florida rehabilitation hospitals. The reviewer notes that as previously stated, the applicant is a newly formed entity with no current operations or operating history. However, again, the parent, HSC, has a long history of operations in Florida.

EE agrees by condition that the proposed project's Medicaid, Medicaid Managed Care, charity care and self-pay patients will represent a minimum of 2.25 percent of patient days. The reviewer notes that the EE Schedule 7B indicates that Medicaid, Medicaid Managed Care and self-pay will account for 2.3 percent total annual patient days, for each of the first three years of planned operations.

F. SUMMARY

Encompass Health Rehabilitation Hospital of Escambia County, LLC (CON application #10495), a newly formed Florida for-profit limited liability company and an affiliate of HSC, proposes to establish and operate a new 50-bed CMR hospital in District 1, Escambia County, Florida. A more precise site location is unidentified. The proposed project would add another freestanding CMR hospital in District 1.

The project involves 52,110 GSF of new construction. The construction cost is $14,800,000. Total project cost is $27,894,485. Project costs include land, building, equipment, project development and start-up costs.

The applicant proposes four bulleted conditions to CON approval on the application's Schedule C (see item C-Project Summary).

Need:

In Volume 43, Number 141 of the Florida Administrative Register, dated July 21, 2017, a fixed need pool of zero beds was published for CMR beds for District 1 for the January 2023 planning horizon. Therefore, the proposed project is outside the fixed need pool.

As of July 21, 2017, District 1 had 78 licensed and one approved project (to add 10 CMR beds). During the 12-month period ending December 31, 2016, District 1's 78 licensed CMR beds experienced 57.32 percent utilization - this CMR bed utilization rate was the lowest of any district in Florida, with a statewide average utilization rate of 69.61 percent. The sole approved exemption project is: Fort Walton Beach Medical Center d/b/a The Rehabilitation Institute of Northwest Florida (E160024) to add 10 CMR beds. The reviewer further notes that for the 12-month period ending December 31, 2016, The Rehabilitation Institute of Northwest Florida, with 20 licensed CMR beds, experienced 78.87 percent utilization, which was greater than the District 1 average (57.32 percent) and the statewide average (69.61 percent) for the same time period.

Florida Center for Health Information and Transparency data for the 12 months ending December 31, 2016 indicates no substantial out-migration for CMR services is occurring within Escambia County. However, the reviewer notes that questions arise from the data as some DRGs point to residents seeking and receiving care at non-CON approved CMR facilities. Other questions regarding data arose at the public hearing as to referral sources of the existing CMR providers. At this time, no statistical evidence from existing hospitals demonstrated availability, accessibility or quality issues of the two current providers of CMR (HCA facilities) to outweigh the absence of published need. In addition, no evidence was provided specifically noting that the existing CMR facilities refused appropriate admissions from non-HCA health systems and thereby left residents of District 1 without an option for CMR care (limiting CMR services to only one health system instead of the entire district). Furthermore, no instance of financial inaccessibility to services was established by the applicant.

EHRHEC contends that "not normal" circumstances justify approval of the proposed project, due to a lack of access, availability and choice for District 1 residents to CMR services and that each of these services becomes an impediment that the applicable rule does not foresee, such that:

- A low bed supply inhibits access
- When the bed supply expands—CMR admissions increase
- Referral patterns demonstrate limited access to existing CMR beds
- Low numbers of CMR beds relative to SNF beds, coupled with HCA's two facilities having all the CMR beds, limits choice
- West Florida Hospital, with the largest bed supply, affects the future calculation of need, suppressing market entry
- What may appear as an available bed at an existing CMR provider's program depends, in part, on the types and number of cases already within the facility as to whether or not an admission may occur
- No increase in CMR beds over the past 10 years but increases in SNF beds fuels an institutional bias in the area for discharges to SNFs rather than CMR, for post-acute rehabilitation services
- The statewide average SNF-to-CMR ratio is 31:1 but in District 1, the ratio is 42:1 – the third highest such ratio in Florida
- The area has the second lowest CMR beds per capita of any district statewide
- The district's bed supply has been stagnant since 1996 while the adult population has grown
- The district lags in assuring residents of reasonable access to CMR
- The proposal balances access to rehabilitation services among nursing homes and CMR facilities

The applicant indicates that its data supports that the proposed project would likely realize a range of admissions for each year in the first three years of operation:

- Year One (2021) – 593 to 618 cases/admissions
- Year Two (2022) – 841 to 876 cases/admissions
- Year Three (2023) – 1,095 to 1,141 cases/admissions

The applicant applied under "not normal" circumstances and presented arguments outside of the need formula. Pursuant to 59C-1.039 (5), Florida Administrative Code, "Criteria for Determination of Need", a favorable need determination for proposed new or expanded CMR services shall not normally be made unless a bed need exists according to the numeric need formula and additionally, unless the applicant meets the applicable review criteria in Section 408.035, Florida Statutes and the standards and need determination set forth by 59C-1.039 Florida Administrative Code. Based on the application, not normal circumstances were not established to outweigh the absence of published numeric need.

Quality of Care:

EE demonstrated the ability to provide quality of care. In addition, the applicant did not indicate that there were perceived or actual quality issues at existing CMR providers in District 1.

HSC had four substantiated complaints among a total of 917 licensed beds, spread among its 12 Florida facilities, for the 36-month period ending September 6, 2017.

Cost/Financial Analysis:

- Funding for this project should be available as needed
- This project appears to be financially feasible and the projected NRPD, CPD and profitability appear to be attainable
- This project is not likely to have a material impact on competition to promote quality and cost-effectiveness

Medicaid/Indigent Care:

- The applicant conditions the proposed project such that Medicaid, Medicaid Managed Care, charity care and self-pay patients will represent a minimum of 2.25 percent of patient days
- The percent of patient days does not affirmatively state annual total patient days in the condition, leaving it unspecified to what time frame the patient day percentage is to apply
- Schedule 7B indicates that for years one through three (December 31, 2021, December 31, 2022 and December 31, 2023, respectively), 1.3 percent Medicaid/Medicaid Managed Care and 1.0 percent self-pay, total annual patient days, respectively, for each of the three years

Architectural Analysis:

The applicant has submitted all information and documentation necessary to demonstrate compliance with the architectural review criteria. The cost estimate for the proposed project and the project completion schedule appear to be reasonable.

G. RECOMMENDATION

Deny CON #10495.

CON Action Number: 10495

AUTHORIZATION FOR AGENCY ACTION

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

DATE: ______________________

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Marisol Fitch
Health Administration Services Manager
Certificate of Need