

STATE AGENCY ACTION REPORT
ON APPLICATIONS FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number:

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital/CON #10500

1700 South Tamiami Trail
Sarasota, Florida 34239

Authorized Representative: David Verinder
President and CEO
(941) 917-9000

North Port Hospital, LLC/CON #10501

1424 Laurel Road
Faber, Virginia 22938

Authorized Representative: Thomas Davidson
(434) 263-5107

2. Service District/Subdistrict

District 8/Subdistrict 8-6 (Sarasota County)

B. PUBLIC HEARING

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

Letters of Support

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) submitted letters of support from members of the state legislature and local government, health providers across a number of professions, area residents, health organizations, professional groups and local businesses. Form letters were present among the letters of support. Major themes expressed in the support of the proposed project include:

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- The proposed facility's location facilitating greater access to residents of south Sarasota County
- The historical performance of Sarasota Memorial Hospital as a quality provider and the capacity for the provider to enhance local health outcomes by improving residents' access to high quality health care, in addition to the provider's community outreach and health education programs
- The capacity for the proposed project's ability to meet the needs of a rapidly expanding population in south Sarasota County
- The availability of services that will be accessible to service area residents upon implementation of the proposed project
- Traffic congestion surrounding the existing campus which impairs geographic access to the existing facility, especially for seniors
- The provision of obstetric care to south Sarasota County residents
- The provider's historical experience as a safety-net provider
- The need to decompress the existing facility's beds, providing the opportunity to add vital new programs and expand the service offerings and capacity at the main SMH campus
- The economic growth anticipated from the introduction of the proposed hospital to the area
- The opportunity for learning opportunities for rising students in health professions
- The proposed facility would allow residents the ability to access Sarasota Memorial's services, facilities, and technology in addition to patient benefits derived from community partnerships with health providers and academic institutions

Letters of support are noted from the following individuals:

- Bruce Berg, MD, Dean, FSU College of Medicine - Sarasota Campus
- John Holic, Mayor, City of Venice
- Jim Boyd, Florida House of Representatives, District 71
- Kevin Cooper, President/CEO, Sarasota Chamber of Commerce
- James Jester, President, Osprey/Nokomis Chamber of Commerce
- Mark Huey, President/CEO, Economic Development Corp. of Sarasota County

North Port Hospital, LLC (CON application #10501) submitted letters of support from community members and a representative of the North Port Area Chamber of Commerce. A letter of support was also provided by a representative of the Atlanta Braves Baseball Club. Form letters were present among the letters of support.

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The letters of support discussed the growth of the North Port population, the availability of acute care services in North Port, travel distances to acute care services within North Port and lastly employment and financial gains within the district that are expected to result from the addition of a new hospital within the North Port area.

Letters of support are noted from the following individuals:

- William J. Gunnin, Executive Director, North Port Area Chamber of Commerce

C. PROJECT SUMMARY

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) also referenced as SCPHD is an independent taxing district and owner/operator of Sarasota Memorial Hospital, SMH, or the applicant. SCPHD proposes to establish a new 90-bed acute care hospital consisting of: 80 adult medical/surgical beds and 10 obstetric (LDRP) beds. The proposed facility will also include a 20-bed observation unit and 25 emergency care treatment rooms. The applicant specifies that the intended location of the proposed facility will be: “the southwest corner of Laurel Road and Interstate 75” in Venice/Nokomis Zip Code 34275. The applicant states that the proposed facility will serve as a companion, “sister facility”, to its main SMH campus. The applicant states that services rendered from the proposed facility will reflect the existing matrix of services offered through the Sarasota Memorial Health Care System (SMHCS). The applicant states that the proposed Laurel Road site is approximately 19 miles from the existing SMH campus site via road travel and approximately 16 miles from the North Port City Hall complex. In light of the distance from the existing campus to the North Port City Hall complex (16 miles), the applicant states that it is evident that the proposed new Laurel Road facility will provide a significant enhancement in access to SMHCS care and a significant reduction in the travel distance required to reach SMHCS facilities for those from the southern portions of the county. The applicant notes that the location of the CON project (CON application #10458), approved to Venice HMA, LLC, is approximately 19 miles from the North Port City Hall complex.

SMH is a Class I government-owned general hospital and Level II Trauma Center with 829 licensed beds consisting of: 666 acute care beds, 20 Level II neonatal intensive care unit (NICU) beds, 13 Level III NICU beds, 49 adult psychiatric beds, 37 child/adolescent psychiatric beds and 44 comprehensive medical rehabilitation (CMR) beds. SMH is also a comprehensive stroke center and provides Level II adult cardiovascular services.¹

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

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The applicant notes that during the second AHCA Hospital Beds and Facilities batching cycle of 2016, CON application #10457 was preliminarily approved (SCPHD) and CON application #10458 was preliminarily approved (Venice HMA, LLC). Both applications were litigated and the hearing was completed on September 22, 2017. Neither a Recommended Order by the Administrative Law Judge nor a Final Order by the Agency have been issued. The applicant states that this application is submitted in the event that its previous application is ultimately denied or protracted litigation continues. The applicant states that the present application CON application #10500 will be withdrawn in the event that a Final Order is issued approving CON application #10457.

Sarasota County Public Hospital District attributes the following factors to need for the proposed project:

- There is a growing need for health care services in Subdistrict 8-6, in particular the medically underserved, elderly, and maternity population in south Sarasota County.
- Capacity constraints at SMH prevent additional expansion resulting in lack of availability and accessibility for inpatient services to residents of the proposed PSA/SSA.
- Over 50 percent of SMH's licensed 666 acute care beds are housed in semi-private rooms, no longer considered the standard of care for efficient and appropriate health care delivery.
- The proposed project (SMH at Laurel Road) will foster competition and promote quality and cost-effectiveness for residents, not just of the PSA/SSA, but all residents of Sarasota County (Subdistrict 8-6).
- The need to continue to provide care pursuant to the district's mandated mission.

SCPHD outlines the following anticipated community benefits and expected outcomes arising from implementation of the project which are summarized below:

- Enhance access to care for the entire service area with its convenient location on the I-75 corridor
- Offer a reasonably priced service alternative to existing competitors
- Provide local residents access to a high-quality, patient focused acute care operation noticeably distinct from other providers
- Give Sarasota Memorial's current facilities and operations the ability to decompress, reduce volume levels, and begin to mitigate capacity constraints
- The proposed facility at Laurel Road and I-75 will provide enhanced access to care not just for SMHCS but for all residents of south Sarasota County
- The proposed new hospital will improve access to care regardless of payer class or financial resources and offer a lower charge alternative, ensuring patient charge levels are reasonable

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- The proposed new hospital at Laurel Road and I-75 will ensure that high quality patient care services are available within the local market
- Enhanced quality will extend beyond just patient care to public safety as well--elevated above the flood plain and able to withstand Category 4 sustained winds of 156 mph with sufficient food, supplies and emergency generator capacity to operate for 10 – 14 days while being adjacent access to I-75 to greatly assist evacuees
- The proposed project will allow decompression of Sarasota Memorial's existing facility, thereby enhancing the efficiency and timeliness of care provided at the current main campus site
- The new SMH at Laurel Road and subsequent decompression of the main campus also addresses growth resulting from:
 - Level II Trauma Center demand for specialized critical care and surgical caseload
 - Development of a regional cancer center
 - Impact of the recently initiated FSU College of Medicine internal medicine residency program and the future emergency medical residency program
- Decompression of the main campus will help to ensure continued availability and accessibility of the main campus to residents of the entire district who rely upon the main campus for tertiary services and other services that are only available at the SMH main campus
- The proposed project was planned and approved by staff and elected representatives of the community to be served and not subject to the corporate whims of a distant board responding to quarterly reports, dividends and earnings per share

CON application #10500, Project Summary, Page 4-8-4-11

The applicant provides the following set of conditions of approval for CON application #10500 in its Schedule C:

- The proposed new hospital will be located at the southwest corner of the intersection of Laurel Road and Interstate 75
- The proposed new hospital will provide needed medical care to all patients in need, regardless of ability to pay
- The proposed new hospital will provide at least 13 percent of its patient volume to Medicaid, Medicaid Managed Care, non-payment, self-pay, and charity patients
- A new Community Medical Clinic operation will be established at the proposed new hospital, with a minimum of \$100,000 per year committed to support this important community health initiative

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- A minimum of \$100,000 per year will be provided by Sarasota Memorial Hospital to enhance the ability of the existing local transportation networks to access the new hospital and to enhance access to health care facilities and services in south Sarasota County. A total of 90 acute care beds will be delicensed from the Sarasota Memorial Hospital main campus and transferred to the new facility upon licensure of the new hospital

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

North Port Hospital, LLC (CON application #10501) also referenced as NPH or the applicant, is a newly-formed entity and wholly owned subsidiary of Universal Health Services (UHS) a regional not-for-profit health care service seeking to establish a new, Class I general acute care hospital in North Port, Florida. The applicant states that the proposed hospital will be supported by the financial and administrative resources of its parent company. NPH describes UHS as a publicly traded health care services provider with headquarters in King of Prussia, Pennsylvania, organized in 1979. UHS' current operational history includes 319 inpatient facilities, 33 outpatient facilities and other facilities in 37 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, and the United Kingdom. The applicant notes, in 2016 UHS acute care hospitals were licensed to operate 5,934 beds and delivered over 1.25 million patient days of care while UHS behavioral health centers operated 21,829 licensed beds in behavioral health centers and delivered over six million days of care.²

UHS currently operates three acute care hospitals in Florida:

Manatee County (District 6-3)

- Manatee Memorial Hospital³
 - Acute Care: 289, NICU-II: 6, Licensed Beds: 295
- Lakewood Ranch Medical Center⁴
 - Acute Care: 120

Palm Beach County (District 9-5)

- Wellington Regional Medical Center⁵
 - Acute Care: 208, NICU-II: 10, NICU-III: 15 Licensed Beds: 233

² The applicant includes an article from Boss Magazine discussing the history and management philosophy of UHS in Appendix 1 of CON application #10501

³ <http://www.floridahealthfinder.gov/facilitylocator/FacilityProfilePage.aspx?id=9856>

⁴ <http://www.floridahealthfinder.gov/facilitylocator/FacilityProfilePage.aspx?id=165492>

⁵ <http://www.floridahealthfinder.gov/facilitylocator/FacilityProfilePage.aspx?id=10077>

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The applicant notes that OB services and diagnostic catheterization services are provided at all of UHS' Florida acute care hospitals. UHS indicates that Manatee Memorial Hospital is also noted for its provision of open heart surgery services. UHS additionally operates 13 behavioral health hospitals in Florida. The applicant provides a list of awards, recognitions, certifications, accreditations and distinctions for Manatee Memorial Hospital and Lakewood Ranch Medical Center on pages 2 – 3 of CON application #10501.

NPH states that the proposed hospital will be located in the city of North Port in Zip Code 34287 and conditions approval of CON application #10501 to this zip code and location. The applicant indicates that the proposed hospital will have 120 acute care beds and the proposed licensed inventory of these beds will consist of: 86 medical surgical beds, 22 ICU/PCU beds and 12 obstetric beds. The applicant anticipates that the proposed project will offer 24-hour emergency care services and a full array of ancillary services including laboratory, medical imaging, pharmacy, outpatient rehabilitation, cardiac rehabilitation, GI laboratory, radiation therapy, respiratory therapy and perinatal services. NPH states that plans for the proposed project involve implementing diagnostic catheterization services as soon as feasible which will require hiring and training necessary staff and establishing programmatic prerequisites to perform rescue interventional procedures. The applicant asserts that the proposed hospital will ultimately be accredited by the Joint Commission as a Stroke Treatment Center and in this way become a resource to service area residents who require time-sensitive interventions for acute cardiac and cardiovascular emergencies. NPH intends for the proposed project to provide quality care to all patients regardless of their ability to pay.

NPH provides the following set of conditions of approval for CON application #10501 in its Schedule C:

- Specific site within the subdistrict. The parcel or address is as follows:
 - The proposed North Port Hospital will be located in Zip Code 34287
- Percent of a particular population subgroup to be served. The population subgroup, along with the percent to be served, is as follows:
 - North Port Hospital will provide Medicaid and self-pay/charity services at least equal to 11.8 and 4.2 percent of total inpatient discharges, respectively. These levels approximate the weighted average Medicaid and self-pay/charity inpatient discharge percentages reported in the hospital's proposed service area for calendar year 2016.

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- Special programs, listed as:
 - The proposed North Port Hospital will provide obstetric and related gynecological services to the residents of its service area
 - The hospital will also provide diagnostic cardiac catheterization services as soon as licensing requirements can be fulfilled. It will initiate the process to obtain Level I Cardiac status as soon as it reaches statutory volume thresholds.
 - The hospital will seek and obtain JCAHO accreditation as a stroke patient receiving facility.
 - The hospital will report its clinical offerings and accreditations to the Agency annually.
- Other, specified:
 - North Port Hospital, in cooperation with its parent, UHS, will undertake to recruit needed physicians into the North Port area. Consistent with its recruiting strategies in other service areas, North Port and UHS will offer salary support, moving cost allowances, and other financial incentives to physicians in targeted specialties. The applicant commits to devote up to \$3 million annually during the final year of the project's construction period and in each of its first three years of operations in pursuit of this goal. The hospital will provide AHCA with annual reports documenting these expenditures and the number of physicians recruited each year.
 - The hospital will also provide positions for residents wishing to train at North Port Hospital, consistent with its training missions at Manatee Memorial Hospital and other UHS hospitals. The hospital will report its filled residency positions to the Agency annually.

Note: Section 408.043(4), Florida Statutes, prohibits accreditation by any private organization as a requirement for the issuance or maintenance of a certificate of need, so accreditation will not be cited as conditions to approval. Should the proposed project(s) be approved, the applicants' conditions would be reported in the annual condition compliance report, as required by Rule 59C-1.013 (3) Florida Administrative Code.

D. REVIEW PROCEDURE

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

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

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

As part of the fact-finding, the consultant, Bianca Eugene, analyzed the application in its entirety.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

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The reviewer presents the following analysis and review of CON applications #10500 and #10501 with reference to the identified statutory criteria of Section 408.035, Florida Statutes.

1. Statutory Review Criteria

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

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

The existence of unmet need is not determined solely on the absence of a health service, health care facility, or beds in the district, subdistrict, region or proposed service area. Current and likely future levels of utilization are better indicators of need than bed-to-population ratios or similar measures, and, as such, the following table illustrates bed utilization levels in District 8, Subdistrict 8-6, and the state for the 12-month period ending December 31, 2016.

Acute Care Hospital Utilization District 8/Subdistrict 8-6/Statewide 12-Month Period Ending December 31, 2016				
Hospital/Area	Beds	Bed Days	Patient Days	Utilization
Doctors Hospital of Sarasota	139	50,874	27,890	54.82%
Englewood Community Hospital	100	36,600	11,069	30.24%
Sarasota Memorial Hospital	666	243,756	130,410	53.50%
Venice Regional Bayfront Health	312	114,192	31,366	27.47%
Subdistrict 8-6 Total	1,217	445,422	200,735	45.07%
District 8 Total	4,120	1,507,920	818,082	54.25%
Statewide	51,096	18,739,935	10,667,771	57.99%

Source: Florida Hospital Bed and Service Utilization by District, published July 21, 2017

For the 12-month period ending on December 31, 2016 District 8, Subdistrict 8-6 had 1,217 licensed acute care beds and a utilization rate of 45.07 percent. The subdistrict (8-6) utilization rate was lower than the total utilization rate for District 8, 54.25 percent and the statewide utilization rate, 57.99 percent. Doctors Hospital of Sarasota was the only hospital within Subdistrict 8-6 with a utilization rate that exceeded the utilization rates of District 8.

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CON application #10457 was preliminarily approved for Sarasota Public Hospital District to establish a new general acute care hospital of 90 beds and CON application #10458 was preliminary approved for Venice HMA, LLC to establish a Class I acute care replacement hospital of 210 beds in District 8, Subdistrict 8-6 on December 2, 2016. Neither a Recommended Order nor Final Order have been issued regarding either project.

Acute care utilization in Subdistrict 8-6 is depicted for the three-year period from 2014 to 2016 in the chart below.

District 8, Subdistrict 8-6 Acute Care Hospital Utilization: Three Years Ending December 31, 2016			
	JAN 2014 - DEC 2014	JAN 2015 - DEC 2015	JAN 2016 - DEC 2016
Number of Acute Care Beds	1,217	1,217	1,217
Percentage Occupancy	42.60%	44.63%	45.07%

Source: Florida Bed Need Projections and Services Utilization, published July 2015-July 2017

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

A 2.47 percent increase in acute care bed utilization occurred between the 12-month period ending on December 31, 2014 and the 12-month period ending on December 31, 2016. The acute care bed count from January – December 2014 to January – December 2016 remained constant, while acute care patient days increased by 6.08 percent within this three-year period.

The following is a chart depicting District 8 population estimates for January 2017 and July 2023.

District 8 Total Population Estimates and Percent Change by County: January 2017 to July 2023						
County	Total Population January 2017	Total Population July 2023	Percent Change	Age 65+ January 2017	Age 65+ July 2023	Age 65+ Percent Change
Charlotte	169,382	178,642	5.47%	61,112	68,310	11.78%
Collier	357,137	400,294	12.08%	99,861	118,852	19.02%
Desoto	34,694	35,293	1.73%	6,659	7,343	10.27%
Glades	13,126	13,826	5.33%	3,143	3,533	12.41%
Hendry	38,516	39,506	2.57%	5,079	5,918	16.52%
Lee	705,609	810,491	14.86%	174,717	215,735	23.48%
Sarasota	402,462	432,083	7.36%	134,175	154,960	15.49%
District 8 Total	1,720,926	1,910,135	10.99%	484,746	574,651	18.55%
State Total	20,240,503	22,006,184	8.72%	3,879,874	4,692,210	20.94%

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

As shown above, Sarasota County, the proposed co-batched project locations, has the second largest total population and the second largest 65+ population in District 8. The total population in Sarasota County is projected to increase by 7.36 percent and the 65+ population in Sarasota County is projected to increase by 15.49 percent, from January 2017 to July 2023. The estimated population increases for the subdistrict do not

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exceed projected population increases for District 8 and the state, overall.

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) describes its history of providing high-quality health care services to the residents of District 8 and notes being one of 14 safety net hospitals in Florida. The applicant describes how SMH is a regional referral center that includes the SMH campus and a complete continuum of outpatient services including a freestanding emergency room, urgent care facilities, laboratory and diagnostic imaging centers, physician groups, home health and skilled nursing services and rehabilitation care. SMH describes the facility's historical performance on *US News and World Report Rankings* and CMS quality reviews. The applicant distinguishes SMH as the only hospital in Sarasota County that provides obstetrical services, Level II and III NICU services, pediatric services, psychiatric care for patients of all ages and 24/7 ER specialty services as a Level II Trauma Center. SMH also operates a Community Specialty Clinic which provides specialty care for uninsured and underinsured residents. SMH fosters community partnerships with health and academic institutions which provide teaching, research and advanced treatments to the Sarasota area community.

The applicant discusses SMH's inclusion of a south county location in its long-term strategic plan, including the acquisition of 65 acres of land at the intersection of Laurel Road and I-75 in 2005. The address for the proposed site is identified as 2600 Laurel Road. SMH also identifies an additional location at 4900 N. Sumter Boulevard in North Port adjacent to the intersection of Sumter Boulevard and Interstate 75 in anticipation of continued population growth in North Port which is expected to develop into an acute care hospital once demand for an additional facility is established.

A historical overview of the planning for the proposed project is included on pages 5-2 – 5-4 of CON application #10500. The applicant discusses facilities and services that the applicant enumerates in attestation of its commitment to provide health services in the southern region of Sarasota County which include: Sarasota Memorial Health Care Center at Blackburn Point, Sarasota Memorial Freestanding Emergency Room (ER) and Health Care Center in North Port and Sarasota Memorial Venice Health Care Center.

The applicant details the growth in the rate utilization of outpatient or ambulatory care among its affiliate SMHCS facilities over a four-year period encompassing four fiscal years: FY 2014, FY 2015, FY 2016 and FY 2017 in demonstration of need for its proposed project. The applicant notes that utilization for FY 2017 has been: "annualized based on seasonal adjustment to six months actual data" (CON application

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#10500, Page 5-5). Ambulatory volume was included from five sources, attributed in the application as follows: North Port Outpatient, North Port Emergency Room, Venice Urgent Care, Venice Outpatient and Blackburn Outpatient. The applicant accounts for ambulatory volume at these sites through: emergency room and urgent care visits, outpatient services and office visits to SMHCS First Physicians Group, radiology/imaging procedures, laboratory tests, and other ancillary diagnostic and treatment services. The graph depicting this data has not been reproduced in this report due to ambiguity in data points. From this analysis the applicant determines that for two decades SMHCS outpatient facilities have responded to demands from the growing population for ambulatory and emergent healthcare needs in addition to establishing a solid referral base for south county residents requiring inpatient care. The applicant concludes for the time-period included in the analysis, SMHCS south county ambulatory volumes have grown by nearly 30 percent from 211,451 in FY 2014 to an annualized volume of 272,096 in FY 2017.

SMH also illustrates the outpatient services’ effect on acute care demand by providing the market share of existing providers within the SMH at Laurel Road Service Area in 2016. The table is reproduced below.

Market Share Within SMH/LR Service Area, 2016				
Hospital	All Discharges¹		Adult Non-Tertiary²	
	Volume	Percent	Volume	Percent
Venice Regional Bayfront Health	7,461	32.6%	6,975	37.9%
Sarasota Memorial Hospital	6,416	28.0%	3,945	21.4%
Fawcett Memorial Hospital	2,148	9.4%	1,931	10.5%
Englewood Community Hospital	2,012	8.8%	1,984	10.8%
Bayfront Health Port Charlotte	1,463	6.4%	1,114	6.1%
Doctors Hospital of Sarasota	1,314	5.7%	1,146	6.2%
Bayfront Health Punta Gorda	310	1.4%	115	0.6%
Tampa General Hospital	265	1.2%	189	1.0%
H. Lee Moffitt Cancer Center	227	1.0%	186	1.0%
Johns Hopkins All Children's Hospital	224	1.0%	61	0.3%
Lakewood Ranch Medical Center	176	0.8%	154	0.8%
Blake Medical Center	126	0.6%	78	0.4%
All Other	758	3.3%	518	2.8%
Total	22,900	100.0%	18,396	100.0%

¹Excluding normal newborns (DRG 795),²Adults 15+, non-tertiary, non-OB, excluding CMR and trauma alerts

Source: CON application #10500, page 5-6

The applicant notes how nearly 30 percent of all south county residents in the service area projected for the new SMH at Laurel Road facility already seek inpatient care at SMH’s main campus. SMH states that a

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significant number of south county residents seek care at SMHCS over existing proprietary hospitals and closer more accessible alternatives. SMH notes that it currently assumes 21.4 percent of adult non-tertiary inpatient services and that its market share has demonstrated considerable growth in recent years. SMH indicates that while all inpatients may not be appropriate patients for the services offered at the new Laurel Road campus, the established referral base assures success and will aid in the decompression of inpatient volumes at the SMH campus. Letters of support from the Mayor of the City of Venice, John Holic and an area physician, Christopher Jefferson are referenced in attestation of these sentiments.

SMH describes the inclusion of obstetrical services at the proposed project which will bring inpatient maternity care to south Sarasota County. The applicant provides a chart depicting the discharge volume of obstetric and pediatric care in the SMH/LR service area in 2016. In particular, the applicant indicates that different obstetric and pediatric cases would be triaged to the SMH at Laurel Road campus and existing campus. The chart reproduced below depicts the distribution of volume by provider which is reproduced below:

Discharge Volume for Residents of SMH/LR Service Area, 2016				
Hospital	Obstetrics		Pediatric*	
	Volume	Percent	Volume	Percent
Sarasota Memorial Hospital	870	74.1%	441	59.3%
Bayfront Health Port Charlotte	242	20.6%	57	7.7%
Lakewood Ranch Medical Center	19	1.6%	3	0.4%
Healthpark Medical Center	12	1.0%	40	5.4%
Tampa General Hospital	9	0.8%	9	1.2%
Bayfront Health St. Petersburg	7	0.6%	6	0.8%
Cape Coral Hospital	5	0.4%	2	0.3%
Johns Hopkins All Children's Hospital	0	0.0%	163	21.9%
Brandon Regional Hospital	0	0.0%	4	0.5%
UF Health Shands Hospital	0	0.0%	4	0.5%
St. Joseph's Hospital	0	0.0%	3	0.4%
All Other	10	0.9%	12	1.6%
Total	1,174	100.0%	744	100.0%

*Includes all patients 0-14 except normal newborns (DRG 795).

Source: CON application #10500, page 5-7

The applicant outlines the following justifications of need for the proposed project:

- Population growth, especially among those 65+ in this area is placing additional demands on health care services in the area.
- Seniors who live in the area experience heavy traffic volumes and resultant driving difficulties when driving to the SMH main campus.

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- SMH is experiencing severe capacity issues at the main campus. A south county location would help to mitigate these issues thereby enhancing accessibility and availability of the specialty services offered at the SMH main campus. It would also give south county residents a more convenient inpatient option to the main campus, which significantly enhances accessibility and availability of community hospital services of the nature that will be offered at the Laurel Road Hospital.
- SMH is unable to meet demands for single-patient rooms which is the standard of care in contemporary acute care facilities.
- The Level II Trauma service at SMH has placed additional demands for both specialty critical care services and increased caseload on the surgical suite – further escalating the need to decompress the main campus by transferring both beds and surgical caseload to SMH at Laurel Road.
- Impact of the recently initiated FSU College of Medicine – internal medicine graduate medical education program is yet to be felt – but will result in additional demand for inpatient services at SMH.
- Finally, the development of the regional Cancer Center will only add demands or professional ancillary services – SMH at Laurel Road will be a critical component in decompression of the main campus allowing for the continued development of these vital services.

In demonstration of need for the proposed project, the applicant evaluates how the geographic location of Sarasota County compares to the acute care hospital cluster. The applicant contends that Sarasota County is geographically isolated from other populations located south of Sarasota County within District 8 and that travel throughout the county is restricted by north-south roadways US Highway 41, Interstate 75 and the Peace River. The distribution of acute care hospitals within the district and subdistrict is geographically depicted on page 5-11 of CON application #10500.

The anticipation of population growth in the 65+ demographic within Sarasota County is also a factor attributed to need for the applicant's proposed project. Using Agency population projections for Sarasota County, the applicant evaluates population growth across three time references: 2017, 2022 and 2027. Mid-year (July 1) population estimates are evaluated for Sarasota County, District 8, and Florida within 0-14, 15-64, 65+ age cohorts. The applicant uses the July 1, 2017 Agency population size projection (404,859) for Sarasota County in its analysis. Based on this data, the applicant projects a 5.6 percent increase in population size across Sarasota County from 2017 to 2022 and a 5.1 percent increase in the total population size from the five-year period from 2022 to 2027. An increase of nearly 25 (24.37) percent in the age 65+ population is predicted within Sarasota County from 2017 to 2027.

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The applicant provides the following table which delineates its primary service area (PSA) and secondary service area (SSA) as well as projected discharge volumes in 2022 which is reproduced on the following page.

Primary and Secondary Service Areas for SMH/LR				
Zip Code	Projected Discharge Volume 2022			Percent of Total
	Med/Surg	OB	Total	
PSA				
34287 North Port	845	153	997	17%
34293 Venice	609	154	763	13%
34286 North Port	609	144	753	13%
34275 Nokomis	430	54	484	8%
34292 Venice	385	53	438	8%
34288 North Port	317	84	401	7%
34285 Venice	331	34	365	6%
34291 North Port	232	62	294	5%
Total	3,758	738	4,495	77%
SSA				
34223 Englewood	246	42	288	5%
34229 Osprey	237	10	247	4%
34224 Englewood	154	40	194	3%
34289 North Port	68	19	87	1%
Total	704	111	816	14%
Total Service Area	4,462	849	5,311	91%
In-migration	496	0	496	9%
Total	4,958	849	5,807	100%

Source: CON Application #10500, page 5-14)
 *The reviewer has shaded incorrect totals.

The applicant additionally provides maps outlining the PSA and SSA prof the proposed project in relation to the proposed site of the project and the existing campus on pages 5-15 – 5-16 of CON application #10500.

The applicant identifies 12 Zip Codes within its targeted service area and indicates that the Zip Code of its proposed project is 34275 in Nokomis. The applicant accounts for inclusion of these Zip Codes as a result of estimated demographic changes in the 12 Zip Code service area. Environics (formerly Nielsen/Claritas) data is used to predict demographic changes in the PSA and SSA. Based on population data obtained from Environics, the applicant estimates that approximately 40.0 percent of the population within its PSA and SSA is aged 65+ and that by 2022 the population of the 65+ age cohort will increase to 43.0 percent.

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The applicant notes that the proportion of elderly aged 65+ comprised by the applicant's targeted service area (40 percent) is greater than the proportion of elderly aged 65+ within the subdistrict Sarasota County (34 percent), the district (28 percent) and the state (19 percent). The applicant anticipates the largest population growth within the service area to occur among seniors, specifically, an increase of 15.1 percent from 2017-2022. Increases in the senior population are expected to account for 79 percent of the service area's population growth. The pace of growth in the senior population within this service area is presented as a factor contributing to the location of the proposed facility and an opportunity to increase access to senior demographics. Charts and a map depicting population changes in the service area are provided on pages 5-17 – 5-22 of the application.

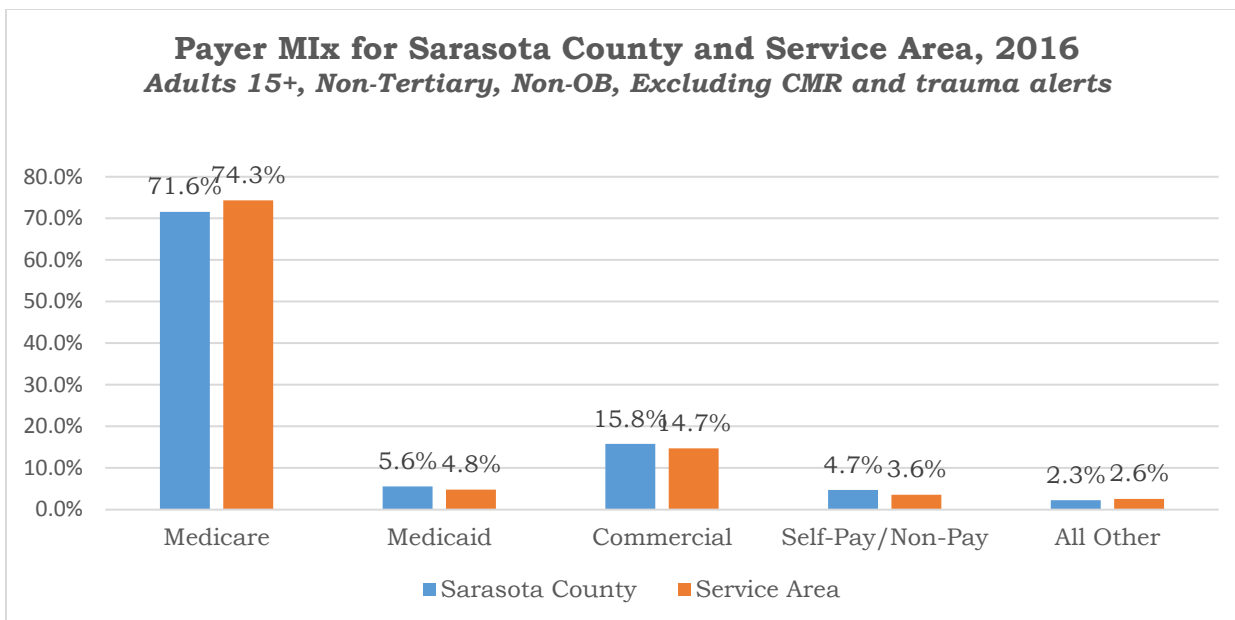
Service area discharge trends are also evaluated within the twelve Zip Code PSA from: 2013, 2014, 2015 and 2016. Using inpatient discharge volume derived from the AHCA inpatient database, the applicant notes that there was a 2.5 percent increase in adult non-tertiary discharges from 2013-2016. In the same period, the applicant states that adult non-tertiary discharges from the 12 Zip Code service area accounted for 54 percent of Sarasota County resident discharges from short-term acute care hospitals.

In evaluation of the volume of discharges for non-tertiary services across the service area by Zip Code and age groups 15-64 and 65+, the applicant notes that individuals aged 65+ represented 69.8 percent of non-tertiary discharges when comparing the volume of non-tertiary contributed by the 15-64 and 65 and older cohorts. The applicant expects that growth in the 65+ population will drive healthcare demand in the service area in the future. SMH states that implementation of its proposed facility will facilitate high-quality health care delivery for elderly with diminished driving skills

The existing market share of current acute care providers within the district is also evaluated across the applicant's proposed 12 Zip Code service area. The applicant accounts for 21.4 percent of the market share for adult non-tertiary services, based on 2016 inpatient market share data for adult non-tertiary services acquired from the Agency's inpatient database which the applicant advances as evidence to the strength of its market share in the service area.

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

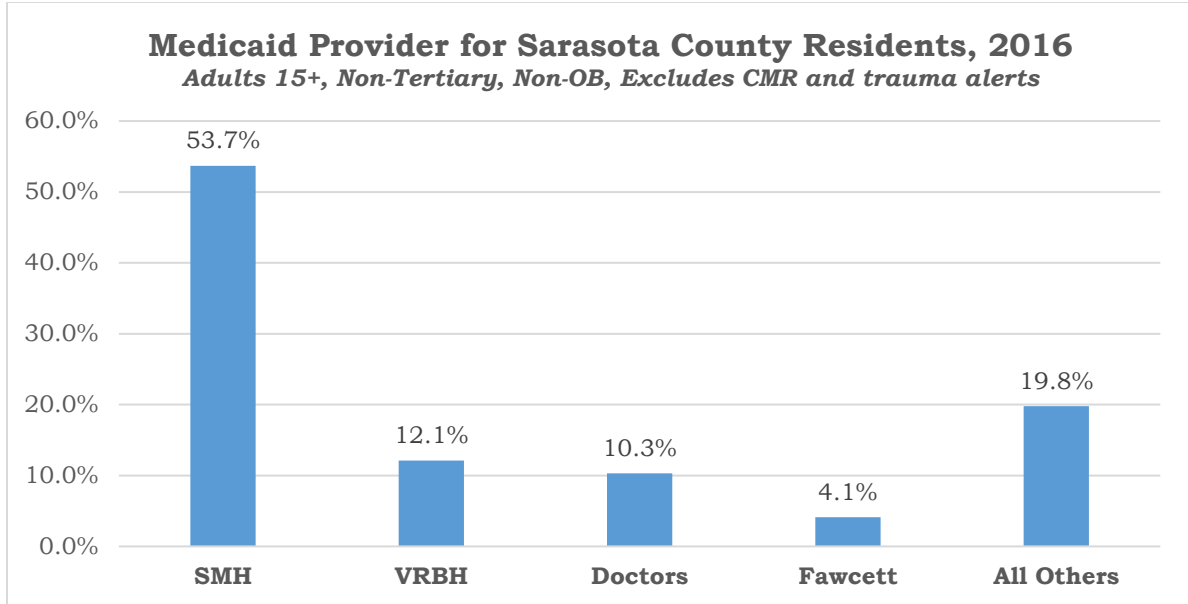
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CON application #10500, page 5-25. Source: AHCA inpatient database and Legacy Consulting Group analysis

The applicant finds similarity between the payer mix of the targeted service area and Sarasota County. In addition to payer mix comparisons, the applicant also presents its historical provision of Medicaid care in explanation of need for the proposed project. In this analysis the applicant compares the proportion of Medicaid care provided by SMH, Doctors Hospital of Sarasota, Venice Regional Bayfront Health, Fawcett Memorial Hospital and all others from short-term acute care hospitals for which Medicaid is the payer for adult non-tertiary and non-OB discharges. Based on Medicaid provider data obtained from the AHCA inpatient database, the applicant demonstrates its larger provision of Medicaid care in comparison to other providers in Sarasota County. The chart presented in CON application #10500 depicting the applicant's provision of Medicaid care is reproduced below.

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CON application #10500, page 5-26. Source: AHCA inpatient database and Legacy Consulting Group analysis

Changes in the extent of utilization across District 8 are summarized by the applicant as evidence of need for the proposed project for: 2013, 2014, 2015 and 2016. Utilization trends are obtained from Florida Hospital Bed Need Projections & Service Utilization by District published in July 2014, July 2015, July 2016 and July 2017. The applicant notes that occupancy rates across the district currently range from 16.8 percent in Hendry and Desoto Counties to 66.5 percent in Lee County. Overall, utilization in District 8 has increased by 3.1 percent, or, as the applicant notes—52.8 percent to 54.9 percent from 2013 to 2016.

The applicant notes that acute care utilization in Subdistrict 8-6 was lower than the overall acute care utilization rate in District 8. Acute care utilization in District 8 for the 12-month period ended on December 31, 2016 was 52.8 percent. In the same 12-month period, acute care utilization for Sarasota County (Subdistrict 8-6) was 45.1 percent. The applicant contends that despite differences in utilization between Subdistrict 8-6 and the acute care utilization rate in District 8 overall, Sarasota County experienced a 10.3 percent increase in patient days from 2013 to 2016. In comparison, statewide patient days increased by 5.6 percent.

Moreover, the applicant notes that patient days for SMH have increased by 33.9 percent (97,424 to 130,410 patient days) which exceeds growth rates for all other hospitals in the subdistrict (Sarasota County), district and state. The applicant explains how this growth puts severe limitations on hospital capacity and is a key driver for the need to decompress the main campus through the transfer of beds to the new hospital at Laurel Road. SMH expects for the transfer of beds associated

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with the proposed project to provide flexibility to convert semi-private rooms on the main campus to more efficient/contemporary single-patient rooms, which will increase the availability and accessibility of the services offered only in Sarasota County at the SMH main campus.

SCPHD contends that the actual occupancy rate of SMH is much greater than the utilization rate published in the most recent July 2017 Florida Hospital Bed Need Projections & Service Utilization report. The applicant describes how the occupancy rate reported and published by the Agency is derived from the total number of licensed beds, 666, whereas the applicant explains that the actual number of operational beds in utilization is lower than the total number of licensed beds.

The applicant comments on the practical limitations of the five-year planning horizon for acute care hospitals cited on pages 5-28 – 5-29 of CON application #10500. In evaluation of need for the proposed project the applicant examines the relationship between projected changes in population growth within its targeted 12 Zip Code service area and historical numbers of surgical volume from the 12 Zip Code service area. The applicant applies the average annual growth rate (AAGR) of populations (2017 – 2022) within each Zip Code to existing discharge volume for each Zip Code in order to project anticipated non-tertiary, non-OB volume from 2016 - 2022. The applicant anticipates that discharge volume will increase by 13.1 percent, from 18,396 discharges in 2016 to 20,151 in 2022 and 21,760 in 2027. The applicant's table demonstrating predicted changes in discharge volume is reproduced below.

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Projected Adult Non-Tertiary Service Area Demand, 2022 and 2027 (15+, non-tertiary, non-OB, excludes CMR, and trauma alerts)				
ZIP Code	2016 Volume	Population AAGR*	Projected Demand	
			2022	2027
PSA				
34275 Nokomis, FL	1,529	1.2%	1,646	1,751
34285 Venice, FL	2,078	1.0%	2,211	2,328
34286 North Port, FL	1,368	2.6%	1,598	1,819
34287 North Port, FL	2,853	1.6%	3,132	3,385
34288 North Port, FL	876	2.7%	1,029	1,176
34291 North Port, FL	445	2.3%	511	574
34292 Venice, FL	1,709	2.1%	1,939	2,154
34293 Venice, FL	3,351	1.2%	3,590	3,802
Total	14,209	1.7%	15,656	16,989
SSA				
34223 Englewood, FL	1,812	0.9%	1,915	2,005
34224 Englewood, FL	1,597	1.2%	1,720	1,830
34229 Osprey, FL	600	1.4%	651	697
34289 North Port, FL	178	2.7%	209	239
Total	4,187	1.2%	4,495	4,771
Total Service Area	18,396	1.6%	20,151	21,760

Source: CON application #10500, page 5-32

*Average Annual growth rate for 15+ population, 2017 – 2022

The applicant provides an analysis depicting the projected SMH Market Share at the proposed facility in 2022 and 2027. The applicant depicts SMH’s historical market share in each Zip Code of the service area from 2013 – 2016 and projects that future discharge volume in 2022 and 2027 will increase by half of the market-shares assumed from 2013 – 2016. In general, the applicant determines that the SMH market share has increased by 0.6 percentage points on average each quarter from 2013 – 2016 with forecasted market share projections characterized by the applicant as conservative. The applicant also forecasts that 28.0 percent of the SMHCS volume will be assumed at the existing campus and the proposed campus will assume 72.0 percent of the total SMH system volume. Charts summarizing the proportion of patient volume that will be allocated between the SMH main campus and SMH/Laurel Road campus in 2022 and 2027 data are provided on pages 5-35 through 5-36 of CON application #10500.

In 2022, the applicant expects that its proposed project will generate a total volume of 4,958 cases including 10.0 percent in-migration, 21,173 patient days in 2022 and an average daily census (ADC) of 58.0. In 2027

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the applicant forecasts that its proposed project will generate a total volume of 5,400 cases including 10.0 percent in-migration, 23,079 patient days and an ADC of 63.2. The applicant anticipates that the proposed facility will operate at 75.0 percent occupancy and forecasts a bed need of 78 beds from an ADC of 58.0 in 2022. The applicant predicts that with an acute care bed count of 80 and an ADC of 58.0, the applicant expects an occupancy rate of 72.5 percent in 2027. SMH provides a table demonstrating the forecasted discharge volume below.

SMH/LR Projected Volume, Patient Days, and Average Daily Census: 2022 and 2027 (Adults 15+, Non-Tertiary, Non-OB, excludes CMR and trauma alerts)							
Zip Code	Discharge Volume		ALOS*	Patient Days		Average Daily Census	
	2022	2027		2022	2027	2022	2027
PSA							
34275 Nokomis, FL	430	457	4.3	1,828	1,944	5.0	5.3
34285 Venice, FL	331	349	4.1	1,367	1,440	3.7	3.9
34286 North Port, FL	609	693	4.4	2,688	3,059	7.4	8.4
34287 North Port, FL	845	913	4.8	4,061	4,389	11.1	12.0
34288 North Port, FL	317	362	4.7	1,499	1,714	4.1	4.7
34291 North Port, FL	232	260	4.2	973	1,093	2.7	3.0
34292 Venice, FL	385	428	3.7	1,410	1,567	3.9	4.3
34293 Venice, FL	609	645	4.0	2,413	2,556	6.6	7.0
Total	3,758	4,108	4.3	16,240	17,762	44.5	48.7
SSA							
34223 Englewood, FL	246	257	4.0	972	1,018	2.7	2.8
34224 Englewood, FL	154	163	3.8	587	625	1.6	1.7
34229 Osprey, FL	237	254	4.1	962	1,030	2.6	2.8
34289 North Port, FL	68	78	4.4	296	338	0.8	0.9
Total	704	752	4.0	2,817	3,011	7.7	8.2
Total Service Area	4,462	4,860	4.3	19,057	20,772	52.2	56.9
In-Migration (@10%)	496	540	4.3	2,117	2,306	5.8	6.3
Total Volume	4,958	5,400	4.3	21,173	23,079	58.0	63.2

Source: CON application #10500, page 5-37

*Based on actual 2016 average length of stay, ALOS for PSA, SSA, and total computed from projected days

The applicant computes projected discharge volume for the proposed facility at Laurel Road based on a combination of volume shifted from the SMH main campus along with a 2.0 percent market share derived from other providers in the area. SMH concludes that given these assumptions, adverse impact on existing providers is anticipated to be small. The applicant states that if the proposed project draws from other facilities in proportion to their existing market share, the providers will

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lose about 2.0 percent of market share to the new Laurel Road facility. The applicant expects for adverse impact on other providers to be mitigated by the strong growth trends experienced by SMH in the service area.

The applicant notes that the proposed project will include obstetrical services and includes a comparative review of obstetrical discharges within the targeted service area between SMH, Bayfront Health Port Charlotte and other facilities. Based on this data, SMH accounts for the largest share of obstetrical discharge volume in the service area for all Zip Codes. The applicant underscores that its new proposed project will offer enhanced access for deliveries and other obstetrical services to residents of the service area with preferences for SMH. A table of the applicant’s market share for obstetrical services is reproduced below.

Obstetric Discharge Volume for Service Area Residents, 2016								
Zip Code	Total	ALOS	Volume			Market Share		
			SMH	BHPC	Other	SMH	BHPC	Other
PSA								
34275 Nokomis, FL	72	2.6	71	1	0	98.6%	1.4%	0.0%
34285 Venice, FL	39	2.4	37	0	2	94.9%	0.0%	5.1%
34286 North Port, FL	207	2.1	140	55	12	67.6%	26.6%	5.8%
34287 North Port, FL	205	2.4	148	48	9	72.2%	23.4%	4.4%
34288 North Port, FL	135	2.2	75	48	12	55.6%	35.6%	8.9%
34291 North Port, FL	79	2.2	62	14	3	78.5%	17.7%	3.8%
34292 Venice, FL	57	2.1	51	4	2	89.5%	7.0%	3.5%
34293 Venice, FL	177	2.2	167	3	7	94.4%	1.7%	4.0%
Total	971	2.2	751	173	47	77.3%	17.8%	4.8%
SSA								
34223 Englewood, FL	68	2.4	43	17	8	63.2%	25.0%	11.8%
34224 Englewood, FL	87	2.4	41	42	4	47.1%	48.3%	4.6%
34229 Osprey, FL	19	2.6	17	1	1	89.5%	5.3%	5.3%
34289 North Port, FL	29	2.1	18	9	2	62.1%	31.0%	6.9%
Total	203	2.3	119	69	15	58.6%	34.0%	7.4%
Total Service Area	1,174	2.3	870	242	62	74.1%	20.6%	5.3%

Source: CON application #10500, page 5-38

The applicant notes that the growth of the SMH obstetric program market share within the Laurel Road service area has grown by 0.9 percentage points per quarter from 2013 – 2016, while Bayfront Health Port Charlotte has lost on average 0.8 percentage points within the same period.

The applicant also makes note of the proportion of obstetric cases paid by Medicaid within District 8 (56.5 percent), the subdistrict or Sarasota County (47.8 percent) and service area (45.9 percent). SMH indicates that commercial payers accounted for 47.9 percent of obstetrical volume within the subdistrict in 2016. The applicant notes that Medicaid and

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charity care also account for 47.3 percent of obstetrical volume within the service area in 2016 which is similar to the county’s proportion (50.3 percent).

The applicant forecasts that increases in obstetrical volume will be dictated by the growth rate in females aged 15 to 44. Beginning with an initial volume of 1,174 obstetrical cases, the applicant anticipates that the obstetrical volume across the service area will increase by 9.5 percent between 2016 and 2022 (1,286 obstetrical cases) and by 7.9 percent from 2022 to 2027 (1,387 obstetrical cases). With the exception of Zip Codes 34229 Osprey and 34275 Nokomis, the applicant expects to split volume at a 15:85 ratio between both facilities. The applicant depicts forecasted obstetrical discharge volume at Laurel Road Campus in the years 2022 and 2027 in the table below.

Projected OB Discharge Volume at Laurel Road Campus					
Zip Code	SMH/LR Market Share	Projected Service Area Discharge Volume		Projected SMH/LR Discharge Volume	
		2022	2027	BHPC	Other
PSA					
34275 Nokomis, FL	69.0%	78	84	54	58
34285 Venice, FL	81.0%	42	44	34	36
34286 North Port, FL	64.0%	226	243	144	155
34287 North Port, FL	68.0%	225	243	153	165
34288 North Port, FL	55.0%	151	166	84	92
34291 North Port, FL	72.0%	86	92	62	67
34292 Venice, FL	81.0%	66	74	53	60
34293 Venice, FL	82.0%	188	199	154	162
Total	69.0%	1,063	1,146	738	795
SSA					
34223 Englewood, FL	57.0%	74	79	42	45
34224 Englewood, FL	43.0%	95	102	40	43
34229 Osprey, FL	45.0%	22	24	10	11
34289 North Port, FL	60.0%	32	35	19	21
Total	50.0%	223	241	111	120
Total Service Area	66.0%	1,286	1,387	849	915

Source: CON application #10500, page 5-43
 Values shaded are incorrect

The applicant expects that the future payer mix for obstetrical cases will likely mirror the existing payer mix over the next five to 10 years, specifically: 50.0 percent Medicaid, self-pay/non-pay OB cases and 50.0 percent commercial payer cases. SCPHD anticipates an average length of stay (ALOS) of 2.3 days, an ADC of 5.3 maternity patients per day and an assumed occupancy rate of 70 percent which would result in a

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required bed need of eight beds in 2022. SMH predicts that occupancy will likely be 60-65 percent. In 2027, the applicant anticipates an ADC of 5.8 and a bed need of nine beds. The applicant additionally qualifies that variations in occupancy are merited given the unpredictable nature of delivery timing. The applicant states that SMH will account for variation in the timing of deliveries, specifically, “situations where arrival is not scheduled” using the Poisson distribution formula:

$$\begin{aligned} \text{Beds Needed} &= \text{ADC} + \text{PF} * \sqrt{\text{ADC}} \\ \text{ADC} &= \text{Average Daily Census} \\ \text{PF} &= \text{Probability Factor (1.96 for 95\% confidence)}. \end{aligned}$$

The applicant expects that SMHCS will assume 849 obstetrical cases from the targeted service area in 2022. The resulting increase in obstetrical cases will increase the market share of SMH from 74 (2016) to 79 percent. The share of volume allocated between the proposed facility and existing facility will be: 66 percent (SMH/LR), 13 percent (existing SMH campus). The applicant expects that Bayfront Health Port Charlotte will experience a five percent reduction (21 to 16 percent or - 0.4 ADC) in 2022 and 2027 in maternity services as a result of implementation of its proposed new facility. The applicant attributes this reduction in maternity services from Bayfront Health Port Charlotte as a result of proximity to the SMH/LR site and improved access to maternity services and prenatal care at the new SMH/LR site. Letters of support from area residents, providers, and health coalitions are provided as evidence of the need for an obstetrics program in south Sarasota County. The applicant provides a testimonial from Jack Rodman, MD, Vice President and Chief Medical Officer of First Physicians group attesting to Sarasota Memorial’s role as an obstetric and maternity provider and the role of obstetric care and specialists intended to provide care at the proposed new facility. The applicant provides a table which summarizes changes in expected medical or surgical volume and obstetrics in 2022 and 2027 which is reproduced below.

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SMH at Laurel Road Volume Summary: 2022 and 2027		
Category	2022	2027
Adult Med/Surg		
Discharges	4,958	5,400
ALOS	4.3	4.3
Patient Days	21,175	23,079
Obstetrics		
Discharges	849	915
ALOS	2.3	2.3
Patient Days	1,953	2,105
Total		
Discharges	5,807	6,315
ALOS	4.0	4.0
Patient Days	23,128	25,184
ADC	63.4	69.0
Occupancy	70%	77%

Source: CON application #10500, page 5-48

Capacity and infrastructural limitations of the existing SMH campus are evaluated in an overview of past renovations and structural improvements from 1921 to April 2017. In evaluation of need for its proposed project, the applicant maintains that existing infrastructural changes cannot accommodate necessary improvements that would improve health care delivery, technology and/or code compliance.

The applicant provides a list of issues noted from site surveys of nursing units at SMH’s campus which included:

- Insufficient space in patient rooms to accommodate equipment, patient bed movement, EMR charting stations, families and furniture
- Lack of sufficient utilities in patient headwalls
- Ergonomic issues
- High proportions of semi-private rooms which impacts capacity
- Insufficient storage on units with other needed functional rooms being used for storage
- Lack of patient showers in rooms
- Lack of sinks in patient toilets
- No family waiting areas in certain units.
- Lack of ADA bathrooms sufficiently sized to allow staff to assist patients

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- Support functional located off the unit due to insufficient space on the unit
- Aged systems and utilities infrastructure for electrical, mechanical, medical gas and nurse call systems
- Of significant concern are floor-to-floor heights in the 11'-12' range—far below the typical current 14' (+/-) and do not allow for a patient care unit renovation due to insufficient space for above ceiling utilities (especially HVAC systems)

Photographs are provided of patient rooms with locations and issues on pages 5-53 – 5-58 of CON application #10500. In addition to infrastructural limitations of the existing SMH campus, the applicant also advances that the existing layout of SMH encumbers improvements such that renovations like the addition of bed towers would result in:

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

The applicant maintains that as a result of infrastructural constraints, operationally available beds range from 451 to 621 with an average of 568 beds operationally available, depending on staffing and clinical needs. The applicant determines that zoning restrictions, planned growth of new and replacement safety net services, disruption to existing services and project costs limit possible expansion zones where a replacement patient tower could be built on the main campus. SCPHD maintains that decompression of the main campus is essential to meet future demands for services. SMH also concludes that utilization demands at SMH have been exacerbated by the rapid growth in trauma cases following Level II Trauma Center designation in 2016. The applicant also describes how the addition of SMHCS Regional Cancer Center will impact long-term capacity at the facility.

SMH discusses how the introduction of a new facility in south Sarasota County established by transferring 90 acute care beds and developing a 20-bed observation unit with a full complement of hospital services will allow the existing facility to decompress and provide space to accommodate future growth needs of the main campus.

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

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The applicant maintains that occupancy is fluid as opposed to static. SMH estimates that 621 beds constitute actual operational capacity. With census utilization data from the 12-month period between April 2016 - March 2017, the applicant estimates an average annual occupancy rate of 61.8 percent of licensed acute care beds, 83.0 percent of licensed patient rooms, 66.3 percent occupancy of operational beds and 91.3 percent of actual patient rooms.

The applicant estimates that seasonal volume (January through March 2017) increases utilization at Sarasota Memorial Hospital to 71.5 percent of licensed acute care beds, 96.0 percent of licensed patient rooms, 76.6 percent of operational beds and 105.5 percent of actual patient rooms. Overflow capacity for weekday seasonal demand is projected to increase actual licensed acute care bed utilization to 73.1 percent—98.1 percent of licensed patient rooms, 78.4 percent of operational beds and 107.9 percent of actual patient rooms. The reviewer questions how patient rooms can be more than 100 percent occupied.

Factors attributed to the applicant's capacity constraints at the existing SMH are presented below:

- SMH currently has 55 percent of its operational acute care beds in semi-private rooms (339/621) with private rooms the accepted standard of care. SMH responds by utilizing operational semi-private rooms as private rooms whenever possible.
- Acute inpatient utilization continues to grow, further stressing available bed capacity particularly during the seasonal months.
- The Level II Trauma designation in 2016 resulted in additional demands for both critical care beds and surgical services capacity—stressing available capacity for specialized nursing units and ancillary support.
- It is anticipated that the SMHCS/FSU College of Medicine graduate medical education (GME) program initiated this year will result in additional demand for beds as the program matures and additional internal medicine residents matriculate through the Newtown program.
- Observation cases are an integral component of acute care delivery and must be factored in the hospital's occupancy reporting to accurately assess capacity.
- On an annual basis, SMH is already at near-capacity of its operational patient rooms (83 percent) when observation cases are factored, a finding not reflected in AHCA's annual acute care occupancy of licensed beds (53.5 percent).
- During seasonal months, SMH is stressed and operating at full capacity and will be unable to accommodate future demands for inpatient and observation volumes.

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- Under Florida regulations, SMH could simply notify AHCA that it was adding 100 or more acute care beds. Unfortunately, adding the required number of additional acute care beds is not an option:
 - The footprint of the main campus cannot be expanded and the proposed Cancer Center will occupy most of the last available expansion zone on the SMH campus and tap remaining capacity of the Central Energy Plant
 - Floor-to-ceiling heights in the older wings severely limit renovation alternatives
 - Zoning and building height restrictions are an impediment
 - Expansion of ancillary and supportive services, such as the main surgical suite and its attendant perioperative requirements would be cost-prohibitive and present significant functional challenges for ongoing operations during a phased construction/renovation process.

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

- Eases capacity constraints at main campus by shifting south county cases
- Improves access and responds to growing demand from south county, particularly the elderly patient population with a less complex, less intimidating new campus
- Designed for ease of expansion without costly disruption of on-going operations
- Brings obstetrical services to south county
- Compliments SMHCS commitment to patient-centric population health and its focus on the continuum of care-critical components
- Meets the interim needs of North Port until residential growth supports the planned SMH North Port Hospital

In addition to the factors cited above, the applicant discusses access issues of the elderly population residing in South Sarasota County. Elderly individuals with increased health utilization and driving impairments are a target population for the applicant's proposed project. The applicant provides data that projects the expansion of the elderly population within the service area and acute care utilization rate comparisons among the elderly within the service area, district and state. SCPHD provides the following table in illustration of the pace of population growth among the 65+ and 64 and under populations from 2015-2030 within Sarasota County.

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

Source: CON application #10500, page 5-79

Based on this data the applicant estimates that the population growth of individuals aged 65+ is projected to increase at a rate that is greater than the rate of increase of the total population from 2015 to 2030. The population aged 65+ in Sarasota County is estimated to increase by 41.0 percent from 2015 to 2030 while the total population in Sarasota County from 2015 to 2030 is expected to increase by 17.0 percent. Among individuals aged 65+ who are also identified as drivers, the population of elderly aged 65 to 74 is expected to increase by 35.4 percent and the population of elderly aged 75+ is expected to increase by 46.9 percent from 2015 to 2030. As a result of increases in the elderly population, the applicant states that health care providers in Sarasota County are tasked with developing delivery sites that will be accessible to the fastest growing segment of the community.

The aging of the Sarasota County population and proportion of individuals aged 75+ are expressed points of interest that the applicant expects to remedy with the proposed project. The applicant identifies that the 75+ population will be especially impacted by having to drive longer distances in heavy traffic congestion—the applicant contends that this a contemporary issue for elderly drivers.

Next, SMH identifies affiliate outpatient centers that it suggests have improved access to ambulatory care in the southern region of Sarasota County: Health Care Center at Tamiami Trail/Blackburn Point south of Osprey, Health Care Center at Venice including an urgent care component at U.S. 41 Bypass South and Health Care Center at North Port including a freestanding emergency care center at Bobcat Village Center off south Toledo Blade Boulevard. SMH discusses its mandate to provide health care services to the entirety of Sarasota County and identifies its proposed SMH at Laurel Road project and future plans for a North Port hospital in south county as south county growth continues. SMH concludes that SMHCS has currently fulfilled its mission through developing an extensive array of outpatient services in south county including a freestanding ER in North Port. The applicant notes that

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outpatient centers received 270,000 annual visits in 2017 and require an accessible acute care facility in the south county to continue to fulfill SCPHD’s mandate.

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

2016 Inpatient Discharge Rates: Elderly Use Rate Dynamics				
Age Group	Florida			Age 65+ Compared to Age 15-64
	Volume	Population	Acute Care Use Rate	
15-64	902,388	12,839,531	70.28	3.7X
65+	992,628	3,814,686	260.21	
Total	1,895,016	16,654,217	113.79	
Age Group	Sarasota County			3.7X
	Volume	Population	Rate	
15-64	12,362	219,492	56.32	3.7X
65+	27,700	132,229	209.49	
Total	40,062	351,721	113.90	
Age Group	Service Area			2.9X
	Volume	Population	Rate	
15-64	5,552	98,841	56.17	2.9X
65+	12,844	79,644	161.27	
Total	18,396	178,485	103.07	

Source: CON application #10500, page 5-81

Note: Non-tertiary, excludes CMR and trauma alerts

The applicant notes that acute care utilization among elderly aged 65+ is 2.9 times higher within the service area, 3.7 times higher in Sarasota County and 3.7 times higher within the State than individuals aged 15 to 64 in each respective geographic area. SMH anticipates that an increase in the elderly population aged 65+ coupled with impaired driving ability and high health care demand will pose challenges to elderly individuals seeking inpatient care from SMH’s main campus. The applicant expects for the location of SMH at Laurel Road to remedy some of the travel constraints posed by the current facility.

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

- There are over three million elderly (age 65+) drivers in Florida accounting for 22.3 percent of licensed drivers. This is higher than the national average of 18 percent of licensed drivers who are 65+ drivers.

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- Among the elderly in Florida, 86.3 percent maintain a license to drive. This is consistent with national averages of 85 to 90 percent.
- For Florida residents age 75+, 75.6 percent still maintain a license to drive.
- Based on state averages—
 - In 2017, Sarasota County has an estimated 117,500 drivers age 65+ and 49,600 drivers age 75+.
 - In 2017, the Laurel Road Service area had 67,770 age 65+⁶. More relevant access to health care services, there are an estimated 27,800 drivers 75+ in the proposed service area of the Laurel Road hospital.

Based on this data, the applicant estimates that elderly drivers will constitute 25 percent of licensed drivers by 2020 and over 60 percent of elderly drivers. A letter of support authored by Mary Anne McKay, Chair of the Senior Advisory Council describes the driving issues associated with elders in south Sarasota County and their access to care. The applicant notes that fatal crashes increase for individuals aged 70+ and are highest among those 85+. In light of the safety issues associated with the elderly demographic and access to care, the applicant highlights the following issues affecting elderly drivers that can be exacerbated by health issues that characteristically affect the elderly:

- Visual impairment
- Hearing
- Reaction time

A letter from an emergency room physician, Thomas A. Keith, is also provided as testimonial evidence of the access issues associated with elderly individuals driving to seek care. With respect to the impairments that affect elderly individuals, the applicant further contends that adaptations elderly individuals implement to account for senescent health issues place elderly at risk of not accessing needed care from the SMH main campus. The applicant evaluates approximate driving times within 30 minutes at posted speed limits, access to SMH within 30 minutes during heavy traffic and the effects of road conditions and traffic on elderly drivers. A chart summarizing the 30-minute diagram for ideal, off-season driving conditions using AAA Trip Planner run on August 29, 2016 and May 1, 2017 is provided in the application and reproduced below:

⁶ Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 2014 (September 2015); AAA Senior Driving, Facts & Research; AHCA, Florida Population Estimates (February 2015). Legacy Consulting, Nielsen/Claritas, Population estimates for 2017.

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Driving Distance/Time To/From Sarasota Memorial Hospital						
			Aug-16		May-17	
Location	City Center or Street Reference	Zip Code	Miles	Travel Time (minutes)	Miles	Travel Time (minutes)
Osprey		34229	9.4	17	9.5	18
Laurel		34275	14.6	25	15.4	27
Nokomis		34275	16.1	27	16.2	28
Venice	Tamiami Trail	34285	16.8	29	16.8	29
Venice Regional Bayfront Hospital		34285	17.5	30	17.6	31
New Hosp. Site	Laurel Rd. E & I-75/Co. Rd 762	34275	18.5	26	18.5	28
Laurel Road	I-75/Co. Rd 762	34275	18.5	26	18.5	28
Venice Gardens	421 Center Road	34285	19.7	34	19.9	36
North Port		34287	32.8	44	32.7	45
North Port	1299 Sumter Rd.	34291	33.9	39	34	41

Source: CON application #10500, page 5-88

Note: Time travel based on off-season traffic volumes

The applicant runs an analysis of commutes to the main SMH campus and identifies that under ideal conditions, residents in the northwest regions of the targeted PSA/SSA can reach the main SMH campus within 30 minutes at posted speed limits. During periods of heavy traffic, the applicant concludes that travel to the SMH main campus within 30 minutes is restricted to individuals living in the northwest regions of the targeted service area. The applicant notes that “peak traffic” conditions realistically capture the reality facing south county. The applicant notes that nearly 60 percent of Sarasota County drivers 65+ reside within the SMH at Laurel Road service area. SMH anticipates that seniors residing in the northwest regions of the SMH at Laurel Road area face other challenges in off-seasons that affect access to care.

The applicant provides a driving analysis for predicted volume for individuals driving to SMH based on a variety of routes and highlights key routes that facilitate traffic to the facility:

- I-75 to Fruitville Road (SR 780) to U.S. 301 merging into U.S. 41 (Tamiami Trail) and turning right into the SMH campus on Waldemere Street
- Travel all the way up U.S. 41 (Tamiami Trail) and turn left into the SMH campus on Waldemere Street
- Utilize SR 681 Venice Connector exit to I-75 in addition to alternative routes westbound from I-75 to SMH utilizing alternative arterial and side roads.

The applicant provides excerpts from letters of support which detail the obstacles of elderly drivers attempting to access care at the existing main campus—the letters are noted to be from residents and health providers.

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Grades of the routes selected are provided on pages 5-96 – 5-97 and a map of the route is included on page 5-95 of the application. The applicant also notes that while alternative means of transportation are available for impaired elderly drivers, there are limitations in transport, access and cost for these types of services.

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

- Personal preference based on historical referral relationships, past experience, actual or perceived quality of care concerns, stability and image perceptions as well as a commitment to not-for-profit delivery system/philosophy
- Need for specialized care unavailable at other hospitals in the area
- High volume, fast-moving highways with road conditions that can only strike fear in aging drivers
- Travel times well in excess of 30 minutes causing anxiety, fatigue, and stress for both the elderly driver and passengers
- Necessity to make the dangerous left turn at either one of the two busiest intersections in Sarasota County
- Entering the SMH main campus requires technical ramp driving skills or a willingness to valet park

SMH also provides a summary of the geographic access issues affecting South County elderly populations including:

- The population is increasing in numbers and growing as a percent of the total population
- Elderly are admitted to the hospital three times more frequently than the 15 – 64 age group
- Experience travel times to the SMH main campus well in excess of 30 minutes and approaching an hour during the seasonal months
- Must travel on either a high-speed interstate freeway or congested four-lane road that no longer meets minimum traffic planning standards
- Traffic volumes are increasing each year further complicating trips to the SMH main campus
- Upon arrival at SMH, the population is faced with a “mammoth hospital complex” and must either relinquish control of their care to a valet or attempt to navigate multiple ramps—intimidating to the elderly driver
- Would have to pay \$145 - \$180 for medi-van/wheelchair transport options, representing significant out-of-pocket expense for elderly on fixed incomes
- Want to maintain independence, autonomy and self-esteem of driving essential needs

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

North Port Hospital, LLC (CON application #10501): Based on CY 2016 acute care utilization of acute care hospitals within Subdistrict 8-6 of 45.07 percent, NPH determines that acute care facilities within Sarasota County are not utilized at capacity. The applicant also notes that during winter months (referenced as January – March 2016) the average occupancy within District 8-6 was 53.26 percent. Despite the underutilization of acute care services within Sarasota County, the applicant maintains that need for a new acute care facility in North Port exists due to the location of the subdistrict’s existing and approved acute facilities being too distant from North Port to offer reasonable access to acute services to the residents of North Port. NPH asserts that the existing facilities are insufficient in their capacity to provide services to more than a fraction of North Port residents. The applicant contends that these conditions are inappropriate given the demographic trends of North Port.

Using Claritas data, the applicant provides analyses of demographic trends by age from 2017 – 2022 of five North Port Zip Codes and Sarasota County for select geographic areas. The tables are reproduced on the following page.

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North Port and Sarasota County Population by Zip Code 2017							
Geographic Area	Age Groups						
North Port Zip Codes	Under 18	18-44	45 - 64	65 - 74	75 and Over	Total	Female 15-44
34286 North Port	5,693	7,271	6,094	2,110	1,095	22,263	4,163
34287 North Port	4,207	6,082	5,988	5,500	5,165	26,942	3,415
34288 North Port	3,344	4,375	3,361	1,545	765	13,390	2,531
34289 North Port	788	1,039	797	364	177	3,165	601
34291 North Port	1,961	2,579	2,250	833	497	8,120	1,484
Subtotal	15,993	21,346	18,490	10,352	7,699	73,880	12,194
Balance of Sarasota County	44,041	73,774	91,974	66,917	62,892	339,598	40,617
Total	60,034	95,120	110,464	77,269	70,591	413,478	52,811
North Port and Sarasota County Population by Zip Code 2022							
Geographic Area	Age Groups						
North Port Zip Codes	Under 18	18-44	45 - 64	65 - 74	75 and Over	Total	Female 15-44
34286 North Port	6,065	7,955	6,905	2,485	1,541	24,951	4,481
34287 North Port	4,513	6,680	5,899	6,343	5,628	29,063	3,686
34288 North Port	3,610	4,876	3,825	1,760	1,032	15,103	2,784
34289 North Port	848	1,153	904	416	249	3,570	657
34291 North Port	2,078	2,835	2,438	1,011	642	9,004	1,593
Subtotal	17,114	23,499	19,971	12,015	9,092	81,691	13,201
Balance of Sarasota County	44,289	77,660	86,607	80,447	68,362	357,365	42,372
Total	61,403	101,159	106,578	92,462	77,454	439,056	55,573
North Port and Sarasota County Population by Zip Code Percent Increase 2017 - 2022							
Geographic Area	Age Groups						
North Port Zip Codes	Under 18	18-44	45 - 64	65 - 74	75 and Over	Total	Female 15-44
34286 North Port	7%	9%	13%	18%	41%	12%	8%
34287 North Port	7%	10%	-1%	15%	9%	8%	8%
34288 North Port	8%	11%	14%	14%	35%	13%	10%
34289 North Port	8%	11%	13%	14%	41%	13%	9%
34291 North Port	6%	10%	8%	21%	29%	11%	7%
Subtotal	7%	10%	8%	16%	18%	11%	8%
Balance of Sarasota County	1%	5%	-6%	20%	9%	5%	4%
Total	2%	6%	-4%	20%	10%	6%	5%

Source: CON application #10501, page 8

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North Port and Sarasota County Population by Zip Code 2017							
Geographic Area	Age Groups						
North Port Zip Codes	Under 18	18-44	45 - 64	65 - 74	75 and Over	Total	Female 15-44
34286 North Port	25.6%	32.7%	27.4%	9.5%	4.9%	100.0%	18.7%
34287 North Port	15.6%	22.6%	22.2%	20.4%	19.2%	100.0%	12.7%
34288 North Port	25.0%	32.7%	25.1%	11.5%	5.7%	100.0%	18.9%
34289 North Port	24.9%	32.8%	25.2%	11.5%	5.6%	100.0%	19.0%
34291 North Port	24.2%	31.8%	27.7%	10.3%	6.1%	100.0%	18.3%
Subtotal	21.6%	28.9%	25.0%	14.0%	10.4%	100.0%	16.5%
Balance of Sarasota County	13.0%	21.7%	27.1%	19.7%	18.5%	100.0%	12.0%
Total	14.5%	23.0%	26.7%	18.7%	17.1%	100.0%	12.8%

North Port and Sarasota County Population by Zip Code 2022							
Geographic Area	Age Groups						
North Port Zip Codes	Under 18	18-44	45 - 64	65 - 74	75 and Over	Total	Female 15-44
34286 North Port	24.3%	31.9%	27.7%	10.0%	6.2%	100.0%	18.0%
34287 North Port	15.5%	23.0%	20.3%	21.8%	19.4%	100.0%	12.7%
34288 North Port	23.9%	32.3%	25.3%	11.7%	6.8%	100.0%	18.4%
34289 North Port	23.8%	32.3%	25.3%	11.7%	7.0%	100.0%	18.4%
34291 North Port	23.1%	31.5%	27.1%	11.2%	7.1%	100.0%	17.7%
Subtotal	20.9%	28.8%	24.4%	14.7%	11.1%	100.0%	16.2%
Balance of Sarasota County	12.4%	21.7%	24.2%	22.5%	19.1%	100.0%	11.9%
Total	14.0%	23.0%	24.3%	21.1%	17.6%	100.0%	12.7%

Source: CON application #10501, page 9

The applicant notes that the population of North Port, within five specified Zip Codes, is projected to exceed the overall forecasted population increase across Sarasota County. Based on Claritas population data referenced in the applicant’s population analyses, the population of North Port is expected to increase by 11.0 percent, while the population of Sarasota County is anticipated to increase by 5.0 percent. NPH also notes that across all age groups, except the 65-74 age cohort, projected population growth in North Port (for selected zip codes) is twice that of Sarasota County with the 65-74 age cohort predicted to have a 16.0 percent five-year increase from 2017 – 2022 within North Port. The applicant characterizes this growth as significant in consideration that the growth in the elderly population will serve as an indication of the intensity of demand *i.e.* “strong growth” for acute care services from North Port residents in the future.

The applicant notes that in 2017, individuals aged 65+ accounted for 24.4 percent of the North Port population and in 2022 the 65+ population is expected to account for 25.8 percent of the population. Using Claritas population data, the applicant also provides an analysis of population trends from 2017 – 2022 for seven subdivisions of Sarasota County referred to as the “Balance of Sarasota County” in aggregate on the tables presented on pages 8 and 9 of CON application #10501. The seven regions analyzed within Sarasota County is described by the applicant as follows:

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- North Port, Zip Codes: 34286,34287,34288,34289 and 34291
- Englewood, Zip Code: 34223
- Longboat Key, Zip Code: 34228
- Nokomis Zip Code: 34275
- Osprey, Zip Code: 34229
- Sarasota, Zip Codes: 34231, 34232, 34233, 34234, 34235, 34236, 34237, 34238, 34239, 34240, 34241 and 34242.
- Venice, Zip Codes: 34285, 34292, and 34293.

The applicant notes that North Port residents account for 17.9 percent of the total population of Sarasota County, 13.4 percent of elderly aged 65 – 74 in Sarasota County and 10.9 percent of elderly aged 75+ in Sarasota County. By 2022, the population of North Port is expected to account for 18.6 percent of Sarasota County’s total population and the 65+ population within North Port is expected to increase by 3,056 residents (16.9 percent). From these population analytics, the applicant determines that North Port is the second largest community within Sarasota County. NPH maintain that North Port is growing rapidly but is not served by an acute care hospital. Population analytics are also represented graphically with pie charts depicting demographic trend data on pages 11 – 12 of CON application #10501.

Maps depicting the population distribution of Sarasota County by Zip Code are provided on pages 13 – 15 of CON application #10501. In description of the geographic distribution of the population in proximity to existing health care facilities, the applicant determines that all of Sarasota County’s existing acute care hospitals are located on or near the coast. NPH also concludes that neither of the proposed projects approved in Sarasota County, CON application #10457 and CON application #10458, will materially improve the service area population’s access to acute care services.

In description of the population distribution of North Port, NPH states that “not all” of the residents of North Port Zip Codes live on or near I-75. The applicant also states that US 41 is the main road through the populated areas of North Port—connecting North Port to Venice on the west and to Port Charlotte on the south and east. The applicant indicates that US 41 is not a controlled access highway, has traffic signals and relatively heavy commercial traffic. NPH additionally states that Toledo Blade Boulevard and Sumter Boulevard are the only two roads that connect the population centers of North Port to I-75.

In addition to describing demographic trends and the geographic distribution of providers in relation to populations in Sarasota County by Zip Code, the applicant also discusses the distribution of physicians within Sarasota County by the seven geographic regions defined in the

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population analysis: North Port, Englewood, Longboat Key, Nokomis, Osprey, Sarasota and Venice. The applicant notes that 32 of 1,683 licensed Medical and Osteopathic physician offices in Sarasota County are currently located in North Port as referenced from 2017 Florida Department of Health data. The applicant provides the following table depicting the distribution of osteopathic (DO) and allopathic (MD) physicians by location within Sarasota County, the table is reproduced below:

Sarasota County MDs and DOs by Location		
Location	Sarasota County Licensed MDs and DOs	Percentage by County
Englewood	66	3.9%
Longboat Key	2	0.1%
Nokomis	34	2.0%
North Port	32	1.9%
Osprey	31	1.8%
Sarasota	1,236	73.4%
Venice	282	16.8%
Total	1,683	100.0%

Source: CON application #10501, page 16

The applicant notes a disparity between the proportion of Sarasota County residents who live in North Port (17.9 percent) and the proportion of licensed physician offices in North Port in comparison to Sarasota County (1.9 percent). The applicant determines that the absence of a “strong medical community” in North Port is cause and effect of the absence of an acute care hospital in North Port. NPH describes how an acute care hospital provides necessary medical resources for physicians whose practices routinely involve inpatient hospitalization, complex diagnostic procedures and/or therapeutic procedures. The applicant identifies the following specialties for recruitment that are also described as “medical staffing issues” that confront North Port:

- Gastroenterology
- General Surgery
- Internal Medicine
- OB/GYN
- Orthopedics
- Urology
- Cardiology

In Appendix 3 of CON application #10501, the applicant includes a needs assessment for physicians. A historical account of the recruitment measures used for underserved areas at Wellington Regional Medical Center and Lakewood Ranch Medical Center is provided. NPH notes that in implementation of these hospitals, UHS expended significant resources to attract medical professionals and considers the financial

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strength of UHS as an important factor that should be considered in review of the proposal.⁷ The applicant maintains that UHS has maintained an established record of investing in the medical staff enrichment of its communities and investing in physician resources as part of the UHS business model that will be followed in North Port.⁸

The applicant provides the following table which forecasts the projected recruiting budget for the proposed project. NPH expects that physicians will have to be recruited prior to the hospital's opening and that the recruitment efforts will require net financial support for the first three years of the hospital's operations.

North Port Hospital, LLC: Projected Physician Recruiting Budget					
Annual Cost Per Physician Year					
Project Year					
Specialty	Recruitment Target	Pre-Opening	One	Two	Three
Neurology	1	\$ 350,000	\$ 350,000	\$ 125,000	\$ 125,000
Cardiology	1	\$ 375,000	\$ 375,000	\$ 120,000	\$ 120,000
General Surgery	2	\$ 275,000	\$ 275,000	\$ 154,000	\$ 154,000
Gastroenterology	1	\$ 340,000	\$ 340,000	\$ 106,000	\$ 106,000
Urology	2	\$ 319,000	\$ 319,000	\$ 175,000	\$ 175,000
OB/GYN	2	\$ 337,000	\$ 337,000	\$ 285,000	\$ 285,000
Budgeted Recruiting Cost					
Project Year					
Specialty	Recruitment Target	Pre-Opening	One	Two	Three
Neurology	1	\$ 350,000	\$ 350,000	\$ 125,000	\$ 125,000
Cardiology	1	\$ 375,000	\$ 375,000	\$ 120,000	\$ 120,000
General Surgery	2	\$ 550,000	\$ 550,000	\$ 308,000	\$ 308,000
Gastroenterology	1	\$ 340,000	\$ 340,000	\$ 106,000	\$ 106,000
Urology	2	\$ 638,000	\$ 638,000	\$ 350,000	\$ 350,000
OB/GYN	2	\$ 674,000	\$ 674,000	\$ 570,000	\$ 570,000
Total		\$ 2,927,000	\$ 2,927,000	\$ 1,579,000	\$ 1,579,000

Source: CON application #10501, page 21

The applicant states that the staffing model assumes that the applicant will have to hire or recruit all new physicians and estimates that some costs can be foregone if local physicians relocate to North Port. Other cost considerations for the proposal include offering admitting privileges to physicians on staff or affiliated with other area hospitals and the rate at which subsidized practices actually achieve financial independence. UHS recruitment efforts for nurses and other allied health professionals is also discussed. Recruitment efforts are stated to involve a network of market recruiters across the United States, a national applicant tracking system connected to major social media outlets, social media,

⁷ The applicant notes that in CY 2016, UHS generated approximately \$1.3 billion in income from operations and as of December 31, 2016 UHS had approximately \$33.7 million in cash, \$1.7 billion in total current assets and \$400 million in net current assets.

⁸ The applicant notes that from 2014 – 2016 UHS' employed physician subsidiary in Manatee County, Manatee Physician Alliance has absorbed losses from operations of approximately \$15.3 million, used to attract primary care and specialist physicians to Manatee County.

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professional journals to advertise job openings and a short-form application to simplify the application process. The applicant also states that an RN residency program is also used to cross train and promote nurses internally by using past applicant records to fulfill vacancies. UHS states that it also offers internal transfers which allow for the parent company to staff nurse management and other positions with employees who are oriented to the UHS approach to patient care. The applicant notes that job opportunities are made available to national professional associations, recruitment fairs, walk-in candidates and military veterans. UHS describes the maintenance of a national recruitment team which fills executive management and physician management roles within the new hospital. A list of benefits provided to employees is provided on page 22 of CON application #10501.

NPH identifies the following programs used to attract residency graduates:⁹

- Training program outreach
- GME stipend program
- Annual conferences

NPH describes how physician need has been studied in North Port as part of the proposal and states that a preliminary plan has been developed to recruit the medical staff needed to operate the proposed hospital. The applicant states that the ultimate aim of the UHS Physician Recruitment Department is to recruit highly qualified physicians and allied health professionals who can provide outstanding medical care to the patients in its service areas. NPH indicates that the UHS physician recruitment team is located onsite throughout various service areas and manages every step of the recruitment process from screening/qualifying the providers, sharing information regarding UHS' "unique opportunities", scheduling onsite interviews, receiving feedback from appropriate parties after a site visit and managing the contract process. The applicant maintains that the physician recruitment team works closely with UHS' regional executive teams, independent physician management market managers and local physician groups to ensure that physicians have all of the necessary information to make informed decisions. The applicant states that on average the physician recruitment team oversees greater than 100 placements, 300 site visits and qualifies 1,100 physician applicants per year.

⁹ The applicant discusses recruitment efforts used in recruiting physicians to UHS Henderson Hospital in Henderson, Nevada in which over 10 physicians were placed and recruitment efforts in Florida in which over 35 physicians were recruited in the past 18 months to UHS hospitals across Florida

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The applicant attributes need for the proposed project to the following reasons:

- North Port is a large and rapidly growing area without an acute care hospital.
- Construction of a new acute care facility in North Port is strongly supported by the residents and governing authorities of North Port.
- Many North Port residents currently travel long distances in order to obtain acute care services. The situation for North Port OB patients is particularly difficult because SMH in Sarasota is the only Sarasota County hospital that provides OB services of any type.
- North Port is materially underserved with respect to physicians, in part, because of the absence of an acute care facility in the service area. The facility proposed by UHS in this application will provide a resource around which the physician community in the North Port area can grow. Moreover, UHS can and will expend the necessary resources to recruit a core medical staff for its new hospital, as it has in its other service areas
- The North Port EMS has provided evidence that the absence of an acute care hospital in North Port results in long travel times for patients in need of acute care services, and in particular for heart attack, stroke and trauma patients for whom the freestanding ER in North Port that is operated by SMH is not an appropriate care setting.
- The proposed SMH Laurel Road facility will not improve geographic access to acute care services for the residents of North Port. This hospital will not be constructed in North Port and will not be any closer to North Port residents than the existing Sarasota County and Charlotte County hospitals.¹⁰
- Approval of a new UHS facility will enhance competition in the service area.
- Approval of the proposed North Port Hospital will have a beneficial impact on patient charges.
- UHS has an excellent history of service to the indigent and other underserved populations that will be replicated at its North Port facility.
- The proposed North Port facility can achieve its utilization projections without material adverse impact to the other acute care providers in its proposed service area.

In justification of need for the proposed project, the applicant determines that North Port is a large and growing area that lacks an acute care hospital and is underserved even with respect to primary care and specialty physicians. The applicant also notes that the existing low

¹⁰ CON application #10457 was approved to Sarasota Public Hospital District on December 2, 2016; Sarasota Public Hospital District predicated approval of CON application #10457 on the following Schedule C condition: The proposed new hospital will be located at the southwest corner of the intersection of Laurel Road and Interstate 75.

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utilization rate of existing Sarasota County hospitals should not have an impact on the need for an acute care hospital in North Port. NPH expects the proposed project to address the community's need for access to acute care services in addition to serving as a catalyst to increase access to primary care and specialty physicians. UHS notes that its existing acute care hospitals provide health care services to their patients at lower charges than most with lower net collections than for all of the existing hospitals in Sarasota County. NPH maintains that the proposed facility will be governed by UHS policies, will contract with insurers and afford the residents of its service area access to lower cost care. The applicant maintains that UHS has a well-established record of providing care to Medicaid, indigent and other underserved populations that will be replicated at its North Port facility. The applicant indicates that existing UHS-acute care hospitals in Manatee County provide care to these populations at a level that exceeds (on a percentage basis) the provision of care provided by SMH, which is supported by taxes. The applicant concludes that North Port is large enough and growing rapidly enough to support the hospital proposed in this application without a materially adverse impact on the operations of other service area hospitals.

b. Will the proposed project foster competition to promote quality and cost-effectiveness? Please discuss the effect of the proposed project on any of the following:

- **applicant facility;**
 - **current patient care costs and charges (if an existing facility);**
 - **reduction in charges to patients; and**
 - **extent to which proposed services will enhance access to health care for the residents of the service district.**
- ss. 408.035(1)(e) and (g), Florida Statutes.**

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) maintains that the proposed project will present a competitive alternative to the proprietary hospitals currently located in South Sarasota County. The applicant indicates that the transfer of acute care beds from SMH, including the provision of obstetrical services, will provide a high quality and cost-effective competitive alternative to the existing providers.

SMH states that when its main campus is compared to other hospitals in Sarasota County and to UHS' two acute care facilities in Manatee County, SMH is clearly the higher quality and lower-charge provider, in compliance with its mandated mission to provide needed care to all area residents, regardless of financial status or resources.

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The applicant provides a list of anticipated positive impacts of the proposed project that are specific to SMH's operations below:

- Decompression of the SMH main campus to accommodate
 - Level II Trauma Center demand
 - Development of a regional oncology center
- Associated efficiency enhancements
 - Reduction of volume roadblocks (e.g. surgical services)
 - Flexibility to convert semi-private into single-patient rooms
 - Amortizing SMHCS overhead over larger base
- Expansion of SMHCS continuum of care initiatives into the south county
- Enhanced teaching and training opportunities in the new hospital

SMH expects no adverse impact from the proposed project expected as the proposed facility is forecasted to achieve a positive operational position if fixed costs are spread over a larger base volume. SCPHD indicates that the impact on facility charges is expected to be minimal as the proposed project is expected to be financially viable. SCPHD maintains that the proposed project is anticipated to have a positive impact on patient charges within the local market as managed care and commercial programs are expected to see market charges reduced in comparison to the existing proprietary hospital charge structure.

In addition to charge reductions, the proposed facility is anticipated to introduce non-price competitive pressure within the local market. The applicant also anticipates that residents of south Sarasota County will be able to access both outpatient and inpatient care without having to travel over 30 – 40 minutes to the downtown SMH campus.

Overall, SCPHD expects for the proposed project to have a significant positive impact on access to care for all residents of south Sarasota County. The applicant reiterates SMH's historical capacity to provide care to underserved patients, particularly in the south county area. SMH also states that the decompression of the main campus will enhance the availability and accessibility of services at the main campus, including for those who are medically underserved in Sarasota County. SMH states that medically underserved rely heavily on the existing campus for services. The applicant also expects for the proposed project to enhance access to service for medically underserved residents in south Sarasota County. The applicant expresses a commitment to the underserved through the development of an SMH at North Port Hospital and notes that the SCPHD Board had the foresight to acquire property south of I-75 and Sumter Boulevard in North Port for a future hospital over a decade ago.

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The applicant states that recent events have further cemented SCPHD’s identity as a leader in enhancing access to health care for residents of the service district which are noted below:

- Development of the joint SMHCS/FSU College of Medicine graduate medical education program at Newtown providing a new source of primary care physicians for the service district
- Standing strong during Hurricane Irma with both SMH and the Emergency Care Center in North Port remaining fully functional during the storm and caring for “People with Special Needs” while other facilities evacuated or went on diversion
 - The Laurel Road site was specifically handpicked because its location can be elevated to Zone ‘X’ outside the floodplain with critical access to I-75 allowing access from lower lying evacuation zones
 - SCPHD is committed to constructing SMH at Laurel Road to current post-Hurricane Andrew building code standards to withstand sustained Category 4 winds of up to 156 miles per hour

The applicant states that SMH has traditionally maintained the lowest charge structure among hospitals in Sarasota County and adjoining Manatee County. The applicant notes that increasing out-of-pocket expenses for patients are in part to high deductible health plans (HDHP) and tightening of managed care networks resulting in out-of-network charges being incurred. The applicant notes that there is now a greater focus on transparency of hospital charges. A table comparing charges for all conditions and procedures at hospitals in Sarasota County and Manatee County is reproduced below:

Florida Health Finder: Comparison of Charges Jan. - Dec. 2016		
Category: All Hospitalization & Conditions/Procedures		
Facility	Charges Low	Charges High
Sarasota Memorial Hospital	\$15,902	\$63,465
Doctors Hospital of Sarasota	\$35,676	\$99,213
Englewood Community Hospital	\$37,852	\$94,192
Venice Regional Bayfront Health	\$29,296	\$92,617
Lakewood Ranch Medical Center	\$16,308	\$78,920
Manatee Memorial Hospital	\$16,193	\$74,091
Statewide	\$18,015	\$67,507

Source: CON application #10500, page 6-4

The applicant states that SMH is clearly the lower charge provider, despite claims that the comparison is due to misleading service and case mix differences between the hospitals or the assertion that hospital charges are meaningless. SMH maintains that consumers desire

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transparency and with the growing presence of HDHPs there is meaning to hospital inpatient and outpatient charges. The reviewer notes that charges are not revenues and that FloridaHealthFinder.gov does not report what percentage of charges are being collected through negotiated rates nor does it show hospital operational costs associated with charges.

The applicant provides a summary of factors influencing charges and payments at hospitals on pages 6-4 – 6-6 of CON application #10500. The applicant provides a comparison of hospital charges for hospitals in Sarasota County and for Manatee County hospitals operated by UHS. The applicant states that hospital charges were compiled by major payer class and in order to adjust for any significant variation between hospitals in service-mix of patients, only the adult medical/surgical diagnostic categories that have been identified for the new SMH at Laurel Road hospital were included in this analysis. The applicant states that since SMH is the only obstetrical care provider in Sarasota County, all OB and neonatal volumes were also excluded for purposes of the comparison. The table is reproduced below.

Comparison of Charges by Payer Class - 2016 Adult General Acute Med/Surg Cases						
Payer Group	Sarasota County				UHS-Manatee Co.	
	Sarasota Memorial Hospital	Doctors Hospital of Sarasota	Englewood Community Hospital	Venice Regional Bayfront Health	Manatee Memorial Hospital	Lakewood Ranch Medical Center
	Ave. Chg.	Ave. Chg.	Ave. Chg.	Ave. Chg.	Ave. Chg.	Ave. Chg.
(A) Medicare	\$56,611	\$77,805	\$71,991	\$67,147	\$67,553	\$69,916
(B) Medicare Managed Care	\$59,739	\$83,979	\$74,737	\$66,771	\$71,513	\$73,563
(C) Medicaid	\$71,902	\$70,349	\$77,031	\$71,785	\$74,275	\$72,759
(D) Medicaid Managed Care	\$54,749	\$68,834	\$80,787	\$62,972	\$64,141	\$56,152
(E) Commercial Insurance	\$55,262	\$84,834	\$75,840	\$71,153	\$66,112	\$70,532
(J) VA	\$53,503	\$72,725	\$64,217	\$69,034	\$62,013	\$62,961
(L) Self Pay	\$49,791	\$67,235	\$65,354	\$54,494	\$48,551	\$42,439
Total Ave. Chg.	\$56,810	\$78,534	\$71,579	\$66,504	\$67,082	\$69,191

Source: CON application #10500, page 6-7

Note: Limited to adult general acute medical/surgical cases (MS-DRG's identified for new SMH at Laurel Road hospital) excluding obstetrics, neonatal services, comprehensive medical rehab, trauma alert patients and all tertiary care service lines. Includes only patients age 15 and over. Total average includes: Workers Comp, TriCare, Other state/gov't, Non-Pay, KidCare & Commercial liability.

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The applicant makes the following conclusions from the table for charges for general acute adult med/surg services:

- HCA Doctors Hospital of Sarasota – 38.2 percent higher
- HCA Englewood Community Hospital – 26.0 percent higher
- CHS Venice Regional Bayfront Health – 17.1 percent higher
- UHS Manatee Memorial Hospital – 18.1 percent higher
- UHS Lakewood Range Medical Center – 21.8 percent higher

SMH additionally provides a table for average charges for adult med/surg patients (adults 15+, non-tertiary, excluding CMR and trauma alerts) for the top 20 adult med/surg MS-DRGs by volume using the same facilities previously analyzed by payer group. According to the applicant for all 20 DRGs selected, SMH has lower charges than UHS facilities Manatee Memorial Hospital and Lakewood Ranch Medical Center. It is noted that data obtained for this analysis was obtained from AHCA data files and Legacy Consulting Group Analysis.

With respect to the analysis, the applicant determines that it is reasonable to assume the current charge structure at UHS-affiliated acute care hospitals in Manatee County will be replicated in the proposed project in CON application #10501. The applicant notes that SMH's charges were lower in all 20 DRG categories and often materially lower than UHS-affiliated Manatee County hospitals. The applicant states that SMHCS will continue to be well-positioned as a cost-effective provider in enhancing improved acute care access for south county residents. The applicant additionally notes:

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

SMH discusses the complexity of hospital charges and the importance of transparency in health care law, recently introduced in Florida to bring greater focus on extraordinary pricing variations. The applicant describes how the "Transparency in Health Care Act" was intended to promote health care price and quality transparency to enable consumers to make informed choices regarding health care treatment and improve competition in the health care market. SMH maintains that SMHCS is committed to continue to be a leader in complete transparency of both ambulatory and hospital billing practices and looks forward to

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continuing to work with the Agency on the implementation of the law as evidenced by participation in the State Consumer Health Information and Policy Advisory Council Meetings.

The applicant anticipates that access to acute inpatient services continues to be an issue for south county residents. SCPHD notes that stability of providers in the health care delivery system is a cornerstone and states that local residents are unsure of the future of Venice Regional Bayfront Health, which has multiple owners. SMH notes that North Port Hospital would also have proprietary ownership and references a letter of support from a resident expressing concern about access to health care services in South Sarasota County on page 6-10 of CON application #10500.

SMH states that SMH at Laurel Road will offer an alternative to residents of south county and in addition to improving access for south county residents to med/surg and obstetrical services the project will also enhance the delivery of services by providing a full continuum of care within the SMHCS system. SMH anticipates that as a result of the proposed project, the county will be placed in a position to advance contemporary patient-centered, customer-focused care essential to achieving the goal of population health.

In demonstration of the proposed project's capacity to foster competition to promote quality, the applicant provides a comparison of CMS-Overall Hospital Quality Star Rating, July & December 2016 Ratings for UHS-affiliated hospitals in Manatee County and Sarasota County Hospitals (CON application #10500, Page 6-11). The applicant additionally describes how SMH is the only five-star rated hospital of hospitals in Sarasota and Manatee County. SMH also discusses its historical CMS quality performance in comparison to local and national providers. SCPHD determines that SMH's CMS performance is a reflection of excellence in quality and consumer satisfaction despite its size, complexity and safety-net role.

Performance on HCAHPS survey measures provided on Florida Health Finder for Sarasota, Charlotte and UHS-affiliated Manatee County hospitals from October 2015 – September 2016 was presented by the applicant. The table provided on page 6-12 of CON application #10500 includes measures for: communication with nurses, pain management, care transition, cleanliness of hospital environment, overall hospital rating and recommend the hospital. The table reflects that SMH performed better across all measures in comparison to all other hospitals in Sarasota, Manatee and Charlotte Counties. SMH also performed better across all measures in comparison to state and national averages in all categories.

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The applicant determines that this also reflects that SMH is a leader in patient satisfaction scores despite its size and complexity. Letters of support from local physicians and a service area resident are provided as testimonial evidence of the applicant's capacity to provide quality care, patient preferences for SMH over other neighboring providers.

SMH's performance on *U.S. News and World Report* rankings is also leveraged as evidence of excellence of care provided by the applicant. Summaries of Sarasota Memorial Hospital's performance on *U.S. News and World Report* measures and Consumer Report rankings are also discussed on pages 6 – 14 through 6 -15 of the application.

Overall the applicant states that SMH's quality reputation is demonstrated in comparison to other hospitals in Sarasota, Manatee and Charlotte Counties. The applicant also states that quality will be replicated at the SMH at Laurel Road hospital. SMH states that the facility's quality track record, reputation and consumer choice must be factored into the equation of 'Need' for the proposed SMH at Laurel Road hospital. The applicant intends for the facility to also enhance access to health care for residents of the proposed service area by building the physician base in the community and caring for special needs patients in times of crisis like hurricane evacuation.

The applicant additionally discusses FSU College of Medicine and SMHCS GME Program as well as SMHCS First Physician Group which practices in the south county. SMH also provides a discussion of SMH's emergency management operations in North Port in its freestanding Emergency Care Center. SMH notes that once operational, SMH at Laurel Road will enhance public safety and access for special needs evacuees in their time of need. The applicant states that the campus was carefully selected to allow elevation above the floodplain while providing access to I-75. The applicant states that the facility will also be constructed to withstand Category 4 hurricane winds and also describes partnerships with local organizations to supply power during outages.

The applicant maintains that SCPHD commits to operating as a safety-net provider in good and bad weather.

North Port Hospital, LLC (CON application #10501) expects for the proposed hospital to enhance cost-effectiveness and promote reductions in patient charges within the service area. The applicant analyzes the Sarasota County resident market share of existing providers in light of this determination. The table provided to illustrate this analysis is reproduced below.

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Patient Destination Calendar Year 2016: Sarasota County Residents		
Hospital	2016 Discharges	Percent of 2016 Discharges
Sarasota Memorial Hospital	21,059	49.9%
Venice Regional Bayfront Hospital	7,253	17.2%
Doctors Hospital of Sarasota	5,595	13.2%
Fawcett Memorial Hospital	1,924	4.6%
Bayfront Health Port Charlotte	1,330	3.1%
Englewood Community Hospital	1,165	2.8%
Lakewood Ranch Medical Center	826	2.0%
Subtotal	39,152	92.7%
All Other	3,081	7.3%
Total	42,233	100.0%

Source: CON application #10501, page 23
Excludes Psychiatric and Substance Abuse MDCs and Normal Newborns

NPH underscores the market share that SMH assumes among Sarasota County residents and notes that SMH had the highest market share of Sarasota County residents of any hospital or hospital system in the county. Using AHCA Discharge Database CY 2016 Data (excluding psychiatric and substance abuse MDCs and normal newborns), the applicant identifies SMH as the hospital with nearly half (49.9 percent) of 2016 discharges. The applicant discusses the competitive impact of CON application #10457, the proposed project approved to Sarasota County Public Hospital District on December 2, 2016. NPH expects that implementation of the proposed project (CON application #10457) will result in SMH assuming enhanced competitive dominance in the southern portion of Sarasota County and diminish competition in Sarasota County.

The applicant provides an analysis of patient charges by existing providers which is reproduced on the following page:

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Comparison of Gross and Net Revenues Per Adjusted Patient Day (All Payers)						
Hospital	Patient Days	Inpatient and Outpatient Gross Patient Revenues	Adjusted Patient Days	Gross Revenues Per Adjusted Patient Day (\$)	Net Revenues (\$)	Net Revenues Per Adjusted Patient Day (\$)
Manatee County Hospitals						
Manatee Memorial Hospital	72,830	1,736,539,253	124,984	13,894	233,625,976	1,869
Lakewood Ranch Medical Center	19,031	654,711,577	36,869	17,758	98,566,220	2,673
Subtotal UHS Manatee County Hospitals	91,861	2,391,250,830	161,854	14,774	332,192,196	2,052
Sarasota County Hospitals						
Englewood Community Hospital	11,761	528,417,759	25,435	20,775	52,222,581	2,053
Doctors Hospital of Sarasota	32,910	930,844,067	51,631	18,029	120,146,419	2,327
Venice Regional	33,617	1,205,315,058	65,820	18,312	144,587,127	2,197
Sarasota Memorial Hospital	154,821	3,042,055,779	267,733	11,362	635,305,744	2,373
Subtotal Sarasota County Hospitals	233,109	5,706,632,663	410,619	13,898	952,261,871	2,319

Source: CON application #10501, page 24

Data for all hospitals except Sarasota Memorial Hospital reflect CY 2016. Data for Sarasota Memorial Hospital reflect the 12-month period ended September 30, 2016. The reviewer has consolidated the table by including total values for inpatient and outpatient gross revenues only. The value shaded is incorrect.

In review of data obtained for hospital for CY 2016, NPH provides a comparison of provider charges and describes how gross revenues per adjusted patient day are on average lower for UHS-affiliated hospitals in Manatee County than for any Sarasota County hospital with the exception of SMH. The applicant also notes that net revenues per adjusted patient day for UHS-affiliated hospitals in Manatee County are lower for all Sarasota County providers, including SMH. NPH identifies net revenues as the more important metric as net revenues, as operationalized by the applicant, determine the real cost of health care (CON application #10501, page 24).

The applicant additionally provides a comparative analysis of net revenues per adjusted patient day for commercial payers. The analysis of this data is reproduced below.

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Comparison of Gross and Net Revenues Per Adjusted Patient Day (Commercial Payers)						
Hospital	Patient Days	Inpatient and Outpatient Gross Patient Revenues	Adjusted Patient Days	Gross Revenues Per Adjusted Patient Day (\$)	Net Revenues (\$)	Net Revenues Per Adjusted Patient Day (\$)
Manatee County Hospitals						
Manatee Memorial Hospital	8,532	299,428,829	19,154	15,633	73,709,317	3,848
Lakewood Ranch Medical Center	4,799	205,362,817	11,203	18,331	52,104,380	4,651
Subtotal UHS Manatee County Hospitals	13,331	504,791,646	30,357	16,629	125,813,697	4,145
Sarasota County Hospitals						
Englewood Community Hospital	1,122	90,120,967	3,579	25,178	20,997,211	5,866
Doctors Hospital of Sarasota	4,135	174,046,876	8,492	20,494	48,070,390	5,660
Venice Regional	3,171	188,403,181	8,150	23,117	59,276,423	7,273
Sarasota Memorial Hospital	32,129	776,922,717	64,544	12,037	310,486,199	4,810
Subtotal Sarasota County Hospitals	40,557	1,229,493,741	84,766	14,505	438,830,223	5,177

Source: CON application #10501, page 25.

Data for all hospitals except Sarasota Memorial Hospital reflect CY 2016. Data for Sarasota Memorial Hospital reflect the 12-month period ended September 30, 2016. The reviewer has consolidated the table by including total values for inpatient and outpatient gross revenues only. The values shaded are incorrect.

Based on this analysis, the applicant determines that UHS-affiliated hospitals also have “materially” lower net revenues per adjusted patient day in comparison to Sarasota County hospitals. From these analyses, the applicant expects for gross and net patient charges to be favorably impacted by the approval of the proposed project.

An analysis of charges to non-government payers for the top 50 DRG levels by select providers is provided in order to account for case-mix differences among providers that affect gross and net revenues. The applicant summarizes the data in two tables on pages 27 – 28 of CON application #10501 referencing data from the AHCA Discharge Database for the 12 Months Ending December 31, 2016 (excluding psychiatric and substance abuse charges).

NPH states that non-government payers were selected because this payer-group’s reimbursement mechanisms are sensitive to published charges. In the tables provided on pages 27 – 28 of CON application #10501, the applicant compares UHS-affiliated hospitals: Manatee Memorial Hospital, Lakewood Ranch Medical Center, and Manatee County UHS Facilities to District 8 facilities: Fawcett Memorial Hospital, Bayfront Health Port Charlotte, SMH, Venice Regional Bayfront Health, Doctors Hospital of Sarasota and Englewood Hospital. From this analysis the applicant notes that “in most cases” average charges at UHS-affiliated hospitals in Manatee County are lower than the average for the existing providers included from District 8. The applicant notes

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that Fawcett Memorial Hospital (Charlotte County) does not have lower than average charges in any of the 50 DRG groups, Bayfront Health Port Charlotte is also noted to have charges that are lower than average in only four of the 50 DRG groups included in the analysis. The applicant states that Bayfront Health Port Charlotte and Fawcett Memorial Hospital are currently the most geographically accessible facilities for the residents of North Port.¹¹ For these reasons the applicant expects for the proposed project to have a positive and material impact on the cost of health care services to the residents of its proposed service area.

NPH includes an analysis of the proposed project's impact on geographic accessibility within the service area, specifically North Port residents. The applicant intends for the proposed project to enhance access to health care services to North Port residents by increasing access to physician care via the hospital's planned physician recruitment efforts. The applicant indicates that the project will increase financial access by establishing a hospital in the North Port service area whose UHS affiliates have a well-established record of providing care to indigent and other underserved populations within their existing service area. The applicant states that financial access will be enhanced through lower patient charges that will be established with the proposed project.

The applicant provides five maps depicting 30-minute drive time areas from the population centroids of Zip Codes: 34286, 34287, 34288, 34289 and 34291 within North Port. The applicant denotes outlined portions of the map in blue to depict areas that are estimated to be within 30 minutes driving time of the population centroid of each Zip Code under normal driving conditions.¹²

The applicant highlights the following points on each map:

- For Zip Code 34288, the centroid is roughly in the middle of the Zip Code
- In Zip Code 34286, the centroid lies near the intersection of West Price Boulevard and North Cranberry Boulevard near a major service road connecting to I-75
- The population centroid for Zip Code 34289 is on Plantation Boulevard, a divided highway with direct access to Toledo Blade Boulevard and, from there, to I-75

¹¹ The reviewer notes that the applicant does not provide an analysis of charges by providers to residents of North Port

¹² The applicant provides a definition of population centroid referenced from Wikipedia which defines population centroid as the point on which a rigid, weightless map would balance perfectly, if the population members are represented as points of equal mass. Mathematically, the centroid is the point to which the population has the smallest possible sum of squared distances. The population centroid is a single point in each zip code and blue lines on the maps indicate 30-minute drive times from that point.

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- The population centroid of Zip Code 34291 appears to be close to I-75, but is actually not in close driving range to that highway because of its considerable distance from the highways and roads that connect to I-75

The applicant states that a location of a centroid on or near a major highway tends to expand the scope of the geographic areas within 30 minutes driving time from that centroid because the traveler is assumed to begin their trip from a major highway. NPH states that the time required to access a highway or other service road from other points in the Zip Code is not accounted for.¹³ The applicant states that in general all Sarasota County hospitals depicted on the maps are described as being “well-outside” and “furthest from” the 30-minute travel bands delineated on the maps. NPH extends these comparisons to the locations of the projects approved in CON application #10457 and CON application #10458.

Fawcett Memorial Hospital and Bayfront Health Port Charlotte are identified as two major hospitals within the 30-minute travel time bands for all five North Port Zip Codes. While these facilities are identified as being geographically accessible, the applicant states that the occupancy of the facilities should also be evaluated in light of addressing access to care for North Port residents.

Fawcett Memorial Hospital and Bayfront Health Port Charlotte Utilization									
12 Months Ended December 31st									
	Patient Days			Licensed Beds			Percent Occupancy		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Fawcett Memorial Hospital	54,474	59,450	58,389	217	217	217	68.8%	75.1%	73.5%
Bayfront Health Port Charlotte	51,498	49,209	48,507	247	247	247	57.1%	54.6%	53.7%
Total	105,972	108,659	106,896	464	464	464	62.6%	64.2%	62.9%

Source: CON application #10501, page 35

The applicant states that Fawcett Memorial Hospital is at or near its functional capacity which accounts for the actual availability of beds. NPH determines that the functional capacity is constrained by bed type (ICU versus med/surg), demands on space resulting from observation cases, other short-stay patients and other issues. NPH states that though Bayfront Health Port Charlotte is not operating at capacity, the facility is not widely selected as a health care destination for the residents of the North Port service area. The applicant provides a table depicting the patient destination for the residents of North Port for the

¹³ The reviewer notes that maps on pages 30 – 34 of CON application #10501 all denote 2017 Zip Code Population Centroids, District 8-6 acute care hospitals and other acute care hospitals in District 8, and population gradients shaded for 2017 total population by Zip Code for population sizes 0 – 9,999, 10,000 – 19,999, 20,000 – 29,999, and 30,000 – 80,000.

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12-month period ended December 31, 2016, reported in the AHCA discharge database. The applicant states the set of DRGs used in this market share analysis were also used to forecast utilization for NPH.

Patient Destination: Residents of North Port, Florida CY 2016				
Hospital	Discharges	Patient Days	Percent of Discharges	Percent of Patient Days
Sarasota Memorial Hospital	2,012	8,101	31.9%	27.4%
Fawcett Memorial Hospital	1,539	7,655	24.4%	25.9%
Bayfront Health Port Charlotte	1,123	5,234	17.8%	17.7%
Venice Regional Bayfront Health	636	2,520	10.1%	8.5%
Englewood Community Hospital	185	685	2.9%	2.3%
Doctors Hospital of Sarasota	131	424	2.1%	1.4%
Bayfront Health Punta Gorda	87	326	1.4%	1.1%
Subtotal	5,713	24,945	90.5%	84.5%
All Other	602	4,580	9.5%	15.5%
Total	6,315	29,525	100.0%	100.0%

Source: CON application #10501, page 36

Excludes Normal Newborns. North Port Residents defined as residents of Zip Codes 34287, 34286, 34288, 34289, and 34291. DRGs include DRGS identified in Appendix 5, non-tertiary, non-specialty DRGs

The applicant indicates that the DRG set excludes tertiary and specialty DRGs such as open heart surgery, NICU and inpatient psychiatric/ substance abuse services. The applicant notes that as Bayfront Health Port Charlotte does not provide any of the specialty services, use of this data set provides a fairer picture of this hospital’s competitive strength in the Port Charlotte service area than would use of the full array of DRGS. If a full set of DRGs are assessed the applicant states that the total number of service area discharges would increase while leaving the volume of discharges from Bayfront Health Port Charlotte unchanged.

NPH states that Bayfront Health Port Charlotte accounted for 17.8 percent market share of North Port acute hospital utilization in 2016 with 17.7 percent patient days. The applicant states that despite Bayfront Health Port Charlotte’s proximity to North Port, other hospitals like SMH and Fawcett Memorial accounted for a larger share of patient discharges. NPH asserts that the differences in market shares demonstrate a health access issue in North Port with residents incurring burdens associated with seeking care from more geographically remote providers. The applicant does not expect for these health access issues to be remediated if patients and physicians elect to increase use of Bayfront Health Port Charlotte.

As part of its service area access analysis, the applicant evaluates the impact of the locations of the hospitals and service areas identified in CON applications #10457 and #10458. With the inclusion of maps identifying both service areas for the approved projects, the applicant restates the determination that neither site of the proposed hospitals will result in materially more geographic accessibility to acute care services

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for North Port residents as both sites are located in areas previously identified as being at or near the furthest 30-minute drive time for residents of the North Port service area. ¹⁴

In evaluation of the proposed site for CON application #10458, the applicant states that while the site will be more proximal to North Port residents, North Port Zip Codes are included only in the SSA. In this way, the applicant determines that it cannot be “reasonably argued” that the proposed Venice Hospital location will result in a material improvement in geographic access to the residents of North Port relative to their current health access situation. The applicant also does not expect that it can be “reasonably argued” that the Venice project was intended to serve this purpose.

In evaluation of the proposed site for CON application #10457, the applicant notes the following:

- The proposed hospital is to be located in the western section of Sarasota County
- Sarasota County Public Hospital District included three North Port Zip Codes in its PSA for the proposed project.
- North Port Zip Code 34287 is forecasted to account for the largest source of inpatient admissions for the proposed project in CON application #10457 and the second largest source of inpatient admissions is forecasted to be Venice Zip Code 34293
- The home Zip Code for the proposed facility is Zip Code 34275

Moreover, the applicant surmises that the high utilization forecasted for select North Port Zip Codes in the PSA identified in CON application #10457 may result from SCPHD using a freestanding ED operated by SCPHD as a conduit for patients to the proposed facility. The applicant does not expect for this referral process to enhance access for residents of North Port. NPH identifies an exception between the volume of North Port admissions identified in the PSA of CON application #10457 and the location of the proposed facility. The applicant maintains that the proposed facility will not improve geographic access to acute care services to North Port residents in any capacity. The applicant maintains that Fawcett Memorial Hospital,

¹⁴ The PSA identified in CON application #10457 includes Zip Codes: 34287 North Port, 34293 Venice, 34275 Nokomis, 34286 North Port, 34285 Venice, 34292 Venice and 34288 North Port. The SSA identified in CON application #10457 includes Zip Codes: 34223 Englewood, 34229 Osprey, 34224 Englewood, 34291 North Port and 34289 North Port. The PSA identified in CON application #10458 includes Zip Codes: 34293 Venice, 34285 Venice (PO BOX 34284), 34292 Venice, 34275 Nokomis (PO BOX 34274) and 34223 Englewood (PO BOX 34295). The SSA identified in CON application #10459 includes Zip Codes: 34287 North Port, 34224 Englewood, 33947 Rotonda West, 34286 North Port, 34229 Osprey, 33981 Port Charlotte, 34291 North Port, 33946 Placida, 34288 North Port and 34289 North Port.

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Bayfront Health Port Charlotte and the project approved in CON application #10458 are all identified as sites that are closer in proximity to North Port residents than the proposed SCPHD facility.

The applicant expects that the proposed North Port Hospital will provide genuine improvements in access to all health care services, including time-sensitive services like stroke and heart attack care. NPH also anticipates that these identified improvements in geographic access to improve clinical outcomes, reduce costs, reductions in the time for ambulance transport and costs associated with ambulance diversions. The applicant also expects for the proposed project to directly impact access to subacute services as a result of physician recruitment to the new hospital which is predicted to have a concurrent effect of improving access to an array of physicians and an ultimate improvement in resident access to primary and specialty care.

The applicant includes a summary of North Port Fire Rescue Department EMS dispatch chief complaints during the 12-month period ending August 31, 2017 using data obtained from North Port Fire Rescue, EMS Division. NPH notes that for select dispatches including traumatic injury (23.8 percent of cases), chest pain (5.5 percent of cases), syncope/fainting (3.1 percent of cases), strokes (1.3 percent of cases) and cardiac arrests (1.1 percent of cases) transport from an emergency to an acute care facility is required. North Port Florida EMS patient destination and transport times to destination facilities are included as supplemental analyses to chief complaint EMS dispatch data for the same period. The tables provided to illustrate this data are reproduced below.

North Port Florida EMS: Patient Destination September 1, 2016 to August 31, 2017		
Destination	Cases	Percent of Cases
SMH - North Port ER	2,714	63.1%
Fawcett Memorial Hospital	736	17.1%
Bayfront Port Charlotte	348	8.1%
Venice Regional Bayfront	276	6.4%
Sarasota Memorial Hospital - Sarasota	114	2.6%
Englewood Community Hospital	96	2.2%
Doctors Hospital of Sarasota	7	0.2%
All Childrens Hospital	5	0.1%
Lee Memorial Hospital	4	0.1%
Bayfront Medical Center	1	0.0%
Bayfront Punta Gorda	1	0.0%
Total	4,302	100.0%

Source: CON application #10501, page 42

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EMS Average Travel Times: Dispatch to Destination by Receiving Facility			
Destination	Dispatch to Depart Scene Subtotal Average	Travel Time from Scene to Destination Subtotal Average	Total
All Children Hospital	12.6	8.5	21.1
Bayfront Port Charlotte	22.9	30.8	53.7
Bayfront Punta Gorda	24.9	49.1	74.0
Doctors Hospital Of Sarasota	17.7	47.9	65.6
Englewood Community Hospital	22.8	28.5	51.4
Fawcett Memorial Hospital	23.3	31.6	54.9
Lee Memorial Hospital	32.9	12.1	45.0
Sarasota Memorial Hospital	23.4	35.7	59.1
SMH-North Port ER	26.4	22.1	48.5
Venice Regional Bayfront	22.9	35.0	57.8

Source: CON application #10501, page 42, but the table has been consolidated

In analysis of patient destination data, the applicant underscores SMH North Port ER as having the largest proportion of patient destinations for emergency transport cases (63.1 percent). Fawcett Memorial Hospital and Bayfront Health Port Charlotte accounted for the second and third largest proportions of patient destinations from North Port Florida EMS. In analysis of transport time data, the applicant describes how transport times are divided into two components. The first component accounts for the time from initial dispatch to arrival at the scene and departure from the scene and the second component accounts for the time required to transport the patient from the scene to the ultimate receiving facility. Based on this data, the applicant determines that North Port residents are typically greater than 30 minutes away from an acute care hospital (50-74 minutes total). Thus, the applicant finds significant access issues for the residents of North Port that the proposed project is expected to remediate.

NPH discusses how access issues are evidenced by the extent of community support for the proposed North Port Hospital. In addition to the provision of timely health services the applicant also identifies the benefit of attracting and retaining employers and businesses that a community hospital can provide. The applicant references a letter of support provided by the Atlanta Braves Baseball Club which is reproduced below.

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“The full Atlanta Braves organization...understands the importance of access to high-quality health care services for their players and staff. Manatee Memorial Hospital has provided such health care services to the [Pittsburgh] Pirates and we are confident that the UHS-affiliated hospital would provide a comparable level of care and services to our organization in North Port. In addition to being a provider of health care services, the proposed UHS North Port hospital would be an invaluable partner to the Braves organization in organizing and delivering community services to the service area...”

-Chip Moore, Chief Financial Officer, Atlanta Braves Baseball Club

The full letter is included in Appendix 4 of CON application #10501.

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

The table below documents the provision of Medicaid/Medicaid HMO and charity care provided by District 8 providers in FY 2016 from the Florida Hospital Uniform Reporting System (FHURS).

Medicaid, Medicaid HMO and Charity Data: District 8 Providers FY 2016					
Area	Medicaid/Medicaid HMO Patient Days	Charity Care Patient Days	Medicaid/Medicaid HMO (%)	Charity Care (%)	Total (%)
Sarasota Memorial Hospital	22,495	3,734	14.53%	2.41%	16.94%
Subdistrict 8-6	25,603	233,109	10.98%	1.90%	12.88%
District 8 Total	120,874	25,668	13.27%	2.82%	16.09%

Source: Agency for Health Care Administration Florida Hospital Uniform Reporting System, FY 2016 *Excludes NCH Healthcare System North Naples Hospital Campus and Physicians Regional Medical Center – Collier Blvd.

Among the 15 general acute care facilities in District 8 present on the FHURS FY 2016 report SMH provided:

- The second largest volume of Medicaid/HMO days and the third largest volume of Medicaid/HMO by percent
- The third largest volume of charity care patient days and the seventh largest volume of charity care by percent

Sarasota Memorial Hospital has a Disproportionate Share Hospital (DSH) allocation of \$3,261,880, none of the DSH allocation had been allocated as of 10/12/2017 2:19 PM.

The reviewer notes that the SCPHD is an independent taxing district, which was created by the Florida Legislature in 1949 and owns and operates SMH.

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The SCPHD Board derives its authority to levy ad valorem property taxes from enabling legislation passed by the Florida Legislature and approved at a referendum by Sarasota County voters. Per the Sarasota tax collector website, the millage rate for SMH for CY 2017 is 1.042 (\$1.042 per every \$1,000 in property value); the millage rate in 2016 was 1.0525 (\$1.0525 per every \$1,000 in property value).¹⁵

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) identifies SMH as the safety net provider of Sarasota County. The applicants states that SCPHD is mandated to ensure that all county residents—regardless of their ability—have access to needed health care services. The applicant states that SMH’s historical provision of care to underserved populations supports this mission when compared to other acute care hospitals in the county.

SCPHD indicates that the following points demonstrate the historical provision of care to Medicaid and low/no-income patients:

- As the only publicly-owned and operated hospital in the region, SMH provides the vast majority of Medicaid and charity care to hospital patients in Sarasota County.
- In 2016, SMH provides 88 percent of the Medicaid inpatient services, 86 percent of the charity care, and 87 percent of the combined Medicaid/charity care among all the Sarasota County hospitals.

SMH provides the following table to depict the provision of Medicaid and charity care of Sarasota County hospitals.

Provision of Medicaid and Charity Care: Sarasota County Hospitals - 2016						
Hospital	Medicaid & HMO Patient Days		Adjusted Charity Care Patient Days	Medicaid & HMO Patient Days (%)	Medicaid and Adjusted Charity Care Days	Adjusted Charity Care Days (%)
	Medicaid & HMO Patient Days	Medicaid & HMO Patient Days (%)				
SMH	22,495	87.9%	6,229	86.0%	28,724	87.4%
DHS	1,359	5.3%	683	9.4%	2,042	6.2%
VRBH	1,284	5.0%	144	2.0%	1,428	4.3%
ECH	465	1.8%	189	2.6%	654	2.0%
Total	25,603	100.0%	7,245	100.0%	32,848	100.0%

Source: CON application #10500, page 7-2

The applicant additionally notes that SMH provided 87.4 percent of Medicaid and charity care while accounting for 66.0 percent of total patient days for all payer classes. According to SMH, the historical provision of care to Medicaid/charity patients clearly document’s the applicant’s commitment to provide care to all residents of the county, including those with limited financial resources who are traditionally underserved. The applicant states that the SMHCS Charity Assistance

¹⁵ <https://www.sarasotataxcollector.com/services/tax-services/property-tax/millage-rates>

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Policy goes far beyond the statutory definition of charity care in providing financial assistance to individuals and families in need. The applicant states that its expressed commitment is recognized by community organizations dependent on SMHCS' support and services.

The applicant provides a quote from a letter of support attesting to this below:

SMH is the region's only public hospital and provides the majority of hospital care to uninsured and Medicaid eligible patients in Sarasota County. Our staff relies on SMH for tertiary and specialty care. Given our clients circumstances, this distance is more often than not a barrier to care. The new facility and its location will facility sorely needed accessibility.

-Linda Stone, PhD, CEO, Community Health Centers of Sarasota County (FQHC)

SCPHD states that the chart below, depicting a comparison of 2016 charity care by all Sarasota hospitals, demonstrates that SMH absorbed 86.5 percent of total charity care costs among all Sarasota County hospitals.

Comparison of the Provision of Charity Care at Cost Sarasota County Hospitals - 2016				
Analysis of Charity Care Costs	Cost to Charge Ratio (CCR)	Total Charity Care Charges	Total Charity Care Costs	Percent of Total Charity Care Costs
Sarasota Memorial Hospital	0.1989	\$ 70,775,196	\$14,077,482	86.5%
HCA-Doctors Hospital	0.1217	\$ 12,320,225	\$ 1,499,340	9.2%
CHS - Venice Regional Bayfront	0.1216	\$ 2,635,928	\$ 320,517	2.0%
HCA - Englewood Community	0.0954	\$ 3,917,527	\$ 373,655	2.3%
Total			\$16,270,994	100.0%

Source: CON application #10500, page 7-3

The applicant states that its commitment to provide care to Medicaid/charity/low-income patients is evident through its support to its Community Specialty Clinic and services provided for community benefit to the local population. SMH's Community Specialty Clinic is stated to provide a range of diagnostic, specialty and surgical care to uninsured or underinsured patients residing in Sarasota County with incomes at or below 200 percent the federal poverty level (FPL). According to SMH, in 2016, the Community Specialty Clinic provided more than 4,400 care visits. The applicant intends to expand the Community Specialty Clinic program will be expanded to SMH at Laurel Road in order to further enhance access to the underinsured and uninsured population to these needed specialty medical and surgical services in the southern sector of the county. The applicant also notes that SMH is the only publicly owned and operated hospital in Sarasota, accountable only to local citizens. The applicant maintains that it will

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continue to support essential programs and services that other local hospitals have eliminated or scaled back due to limited program profitability. A table summarizing SMHCS' provision of community benefit services is provided in the application and reproduced below.

Sarasota County Public Hospital District FY' 2015 and 2016 Community Benefit		
	FY 2015	FY 2016
Bad Debts	\$25,283,951	\$27,178,545
Traditional Charity Care	\$13,462,406	\$15,443,268
Medicare Losses	\$23,292,873	\$33,775,697
Medicaid Losses	\$9,746,069	\$19,147,397
Trauma and ED care call pay and subsidies	\$6,857,290	\$9,382,187
Anesthesiologist, hospitalist and psychiatric coverage	\$5,957,478	\$6,498,500
Clinic and Other Community Programs	\$4,739,263	\$3,415,996
Indigent Care Fund Payments	\$7,619,198	\$8,643,786
Total	\$96,958,528	\$123,485,376

Source: CON application #10500, page 7-5

The applicant discusses SMH's provision of \$123.5 million of community benefit services, at cost, in FY 15/16. The applicant states that this level of community benefit is associated with the provision of essential community services being provided to the local community at no charge or for which only partial payments are received. The applicant also describes how ad valorem taxes approved to support the hospital's mission totaled to \$46.8 million, which is less than the community-benefit costs incurred by SMHCS. SMH references the Florida Office of Economic and Demographic Research – Social Services estimating Conference (July 17, 2017) which reported that the Florida's Medicaid caseload had increased an average annual rate of 6.2 percent over the last five years. The applicant notes that Sarasota County September 2017 Medicaid program enrollment was 44,762 as reported by the Agency. The applicant additionally notes that a study published by Kaiser Family Foundation estimates that an additional 31,660 Sarasota County residents are enrolled in the Affordable Care Act Healthcare.Gov Marketplace plans and notes that there are only two insurers offering coverage under the ACA Marketplace plans.¹⁶ The applicant additionally notes that the Florida Office of Insurance Regulation anticipates a 45.0 percent rate increase for federal marketplace plans is expected over 2017, due to increased costs and uncertainty on the federal subsidies or cost sharing reductions which are anticipated to result in a decline in enrollees in the ACA marketplace.¹⁷ For these reasons, the applicant

¹⁶ CON application #10500, Page 7-5, Kaiser Family Foundation – Insurer Participation on ACA Marketplaces 2014 – 2017 – June 1, 2017. The reviewer notes that the average rate increase beginning January 1, 2018 was 44.7 percent—with the majority of the increase (31 percent) directly attributable to Silver plan offered on the exchange. Most consumers with Silver plans will not see an out-of-pocket change as the federal premium subsidy will increase to absorb the extra cost.

¹⁷ Florida Health News and Associated Press – September 27, 2017

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anticipates that SMH's safety net capacity will become increasingly important in future years. The applicant states that corporate interests will not be responsive to the needs of Sarasota County Medicaid and the medically indigent.

The applicant states that SCPHD intends to operate its proposed new hospital in the same manner as the organization's existing programs and services in providing care to all residents in need of health services regardless of their ability to pay. The applicant reiterates that CON approval of the proposed application is conditioned upon provision of care to all patients regardless of ability to pay and the provision of at least 13 percent of patient volume to Medicaid, Medicaid HMO, non-payment, self-pay and charity patients. From these conditions, SMH determines that the expressed commitment to provide access to care for all segments of the population, including those with limited financial resources, is demonstrated. The applicant also notes that the application is conditioned on the commitment of a minimum \$100,000 annually to establish a Community Medical Clinic operation at the proposed new hospital. Per SMH, the specialty clinic at Laurel Road will continue to offer a wide range of free diagnostic, specialty and surgical care to uninsured or underinsured patients and coordinate with SMHCS south-county Health Care Centers offering primary care, urgent care, emergency care and ambulatory diagnostic services.

The applicant notes that the application is also conditioned to the commitment of a minimum of \$100,000 per year to support existing south Sarasota County transportation networks in order to ensure that residents have access to the proposed hospital. The applicant expects for this investment to be especially important to the elderly with limited or absent driving capabilities and to the low income and indigent populations who do not have access to a vehicle or the ability to pay for transportation.

The applicant references a letter from a local civic organization as a testament to its historical record and capacity to provide Medicaid/charity/low-income populations within Sarasota County and the capacity for the proposed project to further facility access to needed health care for these underserved populations within the target south Sarasota County market. The excerpt reads:

"Sarasota Memorial is the safety net provider for the region...and has been a part of the Laurel Civic Association's efforts to improve...health and access to health information...The hospital's demonstrated commitment to the underserved will enhance the level of care provided to local residents."

-Sandra Terry, Executive Director, Laurel Civic Association, Inc.

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SMH describes how SMHCS has a major ambulatory/outpatient presence in south Sarasota County and discusses how the proposed project will enhance access to care for south county Medicaid beneficiaries, the uninsured and mothers seeking obstetrical care. SCPHD expects for the proposed hospital to improve access to acute inpatient services for Medicaid and underserved populations while allowing the SMHCS to continue its commitment to providing a full continuum of care. The applicant maintains that SMH is best positioned to continue to meet the healthcare needs of vulnerable populations.

North Port Hospital, LLC (CON application #10501) is a newly formed entity which does not have a history of providing care to Medicaid patients and the medically indigent. In response to this criterion, the applicant describes the historical provision of care to Medicaid and indigent patients of its parent company, UHS, in Manatee County. The applicant provides a comparative analysis in a table which compares the historical provision of Medicaid and indigent care across several payer groups by patient day and percentage from UHS-affiliated facilities Manatee Memorial Hospital and Lakewood Ranch Medical Center in Manatee County and Englewood Community Hospital, Doctors Hospital of Sarasota, Venice Regional Bayfront Health and SMH in Sarasota County. The data referenced in this analysis was obtained from hospital reports for CY 2016, with the exception of SMH which reflects the 12-month period ended September 30, 2016.

From this table, self-pay and Medicaid/Medicaid HMO accounted for 27.1 percent of patient days provided by UHS-affiliated hospitals in Manatee County and self-pay and Medicaid/Medicaid HMO accounted for 16.0 percent of patient days provided by Sarasota County hospitals. From the same data set, 20.2 percent of patient days were provided to self-Pay and Medicaid/Medicaid HMO at SMH. The applicant also notes that during the 12-month period ending December 30, 2016, the two UHS affiliated hospitals provided 10.7 percent of their total patient days to self-pay patients, 4.7 percent of patient days to Medicaid and 11.7 percent of patient days to Medicaid HMO while Sarasota County hospitals provided 5.0 percent of total patient days to self-pay patients, 4.0 percent of patient days to Medicaid and 7.0 percent of patient days to Medicaid HMO.

The applicant notes that UHS hospitals provided a significantly higher percentage of their patient days to underserved payer groups than SMH. NPH notes that SCPHD is a tax-supported entity which has an expressed mission to serve the indigent and receives tax subsidies to do so, while the UHS-affiliated hospitals in District 6 do not receive the same tax support.

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NPH expresses the intent to provide access to medical services for Medicaid, Medicaid/HMO and self-pay patients through the proposed project. The applicant states that the hospital also intends to provide obstetric and supporting gynecological services, like all other UHS hospitals in Florida. NPH states that obstetric services are typically more highly utilized by indigent patients than other acute hospital services.¹⁸

The applicant states that in addition to providing high levels of care to indigent and Medicaid patients, UHS-affiliated hospitals in Manatee County also participate in community-based initiatives to service area residents through grants and scholarships to colleges, universities and non-profit organizations through the Manatee Memorial Foundation. The applicant also states that tuition reimbursement is offered to hospital employees.

The applicant details the following historical community-based initiatives:

- 2017 - \$110,000 educational support
- \$500,000 endowment at the State College of Florida
- \$250,000 endowment at the University of South Florida Sarasota/Manatee for the benefit of students pursuing health care careers
- FY 2017 - \$160,000 grants to over 30 non-profit organizations and \$105,000 in scholarships
- \$301,000 in tuition reimbursement over the last three years for employees

A list of local charities and not-for-profit organizations are included on page 47 of CON application #10501. The applicant includes a copy of the Manatee Health Care System 2017 Community Profile in Appendix 5 of CON application #10501. NPH also discusses the intergovernmental relationships that Manatee Health Care System is seeking with the Manatee County government to provide health care services to residents of Manatee County for residents with incomes <200 percent of the FPL. A sample of copies of e-mail correspondence with the Manatee County Government and the Low Income Pool (LIP) Letter of Agreement between Manatee Health and Manatee County government appears in Appendix six of the application.

¹⁸ The applicant provides discharge data identifying payer groups by DRG within its PSA and SSA on page 52 of CON application #10501. The reviewer notes that as the DRGs are presented in aggregate sums by patient destination among existing providers (Appendix 7), the prevailing DRG by payer group cannot be identified.

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NPH expresses a commitment to provide its full array of services to all patients regardless of their ability to pay in addition to supporting clinical and non-clinical outreach to underserved residents of the applicant's identified service area.

The applicant notes that the CON application is conditioned to the provision of Medicaid services at least equal to 11.8 percent of discharges and self-pay and charity care for 4.2 percent of its inpatients.

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

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) states that there is a direct correlation between health caregivers, the technology, equipment they use, the environment in which they provide their services and positive health outcomes. The applicant states that the Laurel Road campus will be carefully planned and designed to ensure the delivery of top-quality care to south Sarasota County residents and evolving needs of the community.

The applicant provides narrative descriptions of the facility's design and discusses the following aspects on pages 8 – 1 through 8 – 12 of CON application #10500:

- Patient-Centeredness
- Safety
- Effectiveness
- Efficiency
- Schematics of the Laurel Road Campus design
- Descriptions of the Laurel Campus Road site: vehicular access and signage
- Facility features including design, proposed medical services, support service areas and public spaces on all four levels of the building
- Flexible, safe and green design

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The applicant’s proposed service area consists of the following Zip Codes:

Primary Service Area

- 34287 North Port
- 34293 Venice
- 34286 North Port
- 34275 Nokomis
- 34292 Venice
- 34288 North Port
- 34285 Venice
- 34291 North Port

Secondary Service Area

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

A table depicting the forecasted discharges for the proposed service area for 2022 is reproduced below:

Primary and Secondary Service Areas for SMH/LR				
Zip Code	Projected Discharge Volume 2022			Percent of Total
	Med/Surg	OB	Total	
Primary Service Area				
34287 North Port	845	153	997	17%
34293 Venice	609	154	763	13%
34286 North Port	609	144	753	13%
34275 Nokomis	430	54	484	8%
34292 Venice	385	53	438	8%
34288 North Port	317	84	401	7%
34285 Venice	331	34	365	6%
34291 North Port	232	62	294	5%
Total	3,758	738	4,495	77%
Secondary Service Area				
34223 Englewood	246	42	288	5%
34229 Osprey	237	10	247	4%
34224 Englewood	154	40	194	3%
34289 North Port	68	19	87	1%
Total	704	111	816	14%
Total Service Area	4,462	849	5,311	91%
In-migration	496	0	496	9%
Total	4,958	849	5,807	100%

Source: CON application #10500, page 8-14
 Values shaded are incorrect

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The applicant notes that Venice Regional Bayfront Health is located in the applicant's PSA and Englewood Community Hospital is located in the SSA. A map of the Zip Codes included in the service area is provided on page 8-15 of CON application #10500.

Within the service area, the applicant projects that within the total service area population growth is expected to increase by 7.7 percent from 2017 – 2022. Population growth within the PSA is expected to account for 83.0 percent of population growth of the total service area. The applicant notes that the population growth among seniors is expected to account for 73.0 percent of the total growth with seniors expected to account for 41.0 percent of the population of the PSA by 2022. The applicant also notes that 18.2 percent (nearly one in five) PSA residents are 75+ and expected to account for 25.42 percent of total population growth in the PSA. The applicant states that population growth, particularly among seniors, is a true indication of the health care needs of south Sarasota County.

North Port Hospital, LLC (CON application #10501) outlines its PSA and SSA as follows:¹⁹

Primary Service Area

- 34286
- 34287
- 34288
- 34291

Secondary Service Area

- 34289
- 33948
- 33952
- 33954
- 33981
- 33983
- 34269
- 34292
- 34293

¹⁹ The applicant states that North Port Zip Code 34289 has been excluded from the PSA as Zip Code 34289 generates a very low volume of acute hospital discharges. The applicant states that while it is expected that the proposed hospital will be an important health care resource to the residents of this Zip Code, the Zip Code cannot be included in the PSA subject to the selection criteria established by the Agency for acute hospital applications.

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The applicant notes that the project approved in CON application #10458 is located in Zip Code 34292. Fawcett Memorial Hospital and Baycare Health Port Charlotte are located in Zip Code 33952.²⁰

The applicant states that in the first years of operations, tertiary services such as open-heart surgery or NICU and specialty services such as inpatient psychiatric services, inpatient substance abuse and inpatient rehabilitation services will not be available at the proposed project.

The applicant provides a set of DRGs that are considered appropriate for the proposed project and provides a table with these DRGs which list patient destination by Zip Codes within the applicant’s PSA and SSA among existing providers. The table with these discharges by percentage is reproduced below.

North Port Hospital, LLC: Market Share Non-Tertiary/Non-Specialty Discharges in Proposed Service Area Zip Codes: CY 2016									
PSA Discharges	FMH	BHPC	SMH	VRBH	BHPG	DHS	EH	All Other	Total
34286	25.4%	18.8%	35.3%	6.6%	1.4%	2.0%	1.5%	9.1%	100.0%
34287	23.1%	16.4%	29.0%	15.5%	1.2%	2.1%	4.7%	7.9%	100.0%
34288	29.2%	22.7%	28.2%	2.8%	1.8%	1.5%	0.4%	13.4%	100.0%
34291	18.9%	13.5%	44.0%	6.5%	1.3%	2.1%	2.3%	11.4%	100.0%
Subtotal PSA Discharges	24.3%	17.8%	31.8%	10.3%	1.4%	2.0%	3.0%	9.4%	100.0%
SSA Discharges									
34289	25.0%	17.2%	33.8%	2.9%	1.5%	4.9%	2.0%	12.7%	100.0%
33948	46.9%	37.9%	3.9%	0.4%	2.7%	0.3%	0.6%	7.2%	100.0%
33952	42.3%	44.2%	1.9%	0.3%	3.8%	0.2%	0.3%	7.1%	100.0%
33954	41.1%	40.7%	4.5%	0.4%	4.0%	0.8%	0.4%	8.1%	100.0%
33981	27.3%	17.4%	9.7%	4.7%	2.3%	2.0%	25.8%	10.6%	100.0%
33983	41.3%	36.7%	2.5%	0.2%	9.1%	0.4%	0.3%	9.7%	100.0%
34269	40.8%	37.7%	2.8%	0.2%	9.1%	0.6%	0.4%	8.5%	100.0%
34292	0.6%	0.4%	19.8%	58.4%	0.1%	9.0%	1.6%	10.1%	100.0%
34293	1.2%	0.4%	19.8%	55.3%	0.2%	8.4%	3.2%	11.6%	100.0%
Subtotal SSA Discharges	29.2%	27.2%	8.6%	17.3%	3.2%	3.0%	2.6%	9.0%	100.0%
Total	28.0%	24.8%	14.5%	15.5%	2.7%	2.7%	2.7%	9.1%	100.0%

Source: CON application #10501, page 51
 Facility names have been abbreviated by the reviewer and correspond from left to right in the chart with: Fawcett Memorial Hospital (FMH), Bayfront Health Port Charlotte (BHPC), Sarasota Memorial Hospital (SMH), Venice Regional Bayfront Health (VRBH), Bayfront Health Punta Gorda (BHPG), Doctors Hospital of Sarasota (DHS), and Englewood Hospital (EH).
 The reviewer notes that the facilities in the “All Other” subheading were not identified by the applicant.

Based on this analysis, the applicant notes that SMH accounts for 31.8 percent of the market share within the applicant’s PSA and Fawcett Memorial Hospital and Bayfront Health Port Charlotte account for the first and second largest market shares within the applicant’s SSA.

²⁰ The reviewer notes that the applicant identifies Baycare Health Port Charlotte instead of Bayfront Health Port Charlotte on page 50 of CON application #10501. The addresses provided on Florida Health Finder for Bayfront Health Port Charlotte and Fawcett Memorial Hospital both list the facilities in ZIP Code 33952.

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The applicant provides a table of the payer mix of the selected DRGs within the applicant's PSA and SSA for CY 2016. The table is reproduced below.

Payer Mix: North Port Hospital Non-Tertiary, Non-Specialty Service Lines CY 2016						
PSA Payer	PSA		SSA		PSA and SSA Total	
	Discharges	Discharges (%)	Discharges	Discharges (%)	Discharges	Discharges (%)
Charity	69	1.1%	90	0.5%	159	0.7%
Commercial	1,294	21.2%	2,718	15.2%	4,012	16.7%
Other Government	172	2.8%	621	3.5%	793	3.3%
Medicaid	778	12.7%	1,583	8.8%	2,361	9.8%
Medicare	3,608	59.0%	12,301	68.6%	15,909	66.2%
Self/Other	177	2.9%	565	3.2%	742	3.1%
Workers Comp	13	0.2%	42	0.2%	55	0.2%
Total	6,111	100.0%	17,920	100.0%	24,031	100.0%

Source: CON application #10501, page 52

The applicant notes that Medicare accounts for the largest payer group in the applicant's identified PSA and SSA with commercial payers accounting for the second largest group in both service areas. NPH notes that a substantial number of Medicaid patients are present within the service area—12.7 percent of the payer group in the applicant's PSA and 8.8 percent of the payer group in the applicant's SSA (9.8 percent for the total service area). The reviewer notes that charity care accounts for 1.1 percent of the payer mix in the applicant's PSA and 0.5 percent of the payer mix in the applicant's SSA (0.7 percent for the total service area). Self/other accounts for 2.9 percent of the payer mix in the applicant's PSA and 3.2 percent of the payer mix in the applicant's SSA (3.1 percent for the total service area).

In addition to the DRG and payer group analyses provided, the applicant includes a forecast of the projected population increase from 2017 – 2022 for all Zip Codes for the following groups using Claritas Data: Under 18, 18-44, 45-64, 65+ and Female 15-44. From the tables provided on pages 53-54 of CON application #10501, the reviewer notes the following points:

- From 2017 – 2022 the total population within the applicant's PSA is projected to increase by 10.5 percent
 - The population under 65 within the PSA is projected to increase by 8.4 percent with the same five-year period
 - The 65+ population within the PSA is forecasted to increase by 16.7 percent

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- Within the applicant’s SSA, from 2017 – 2022 the total population is forecasted to increase by 7.8 percent
 - The population under 65 within the SSA is projected to increase by 3.9 percent
 - The 65+ population within the SSA is predicted to increase by 15.6 percent

Based on the data provided in the population charts on pages 53-54 of the application, the applicant determines that rapid population growth is expected for the elderly population in all of the Zip Codes of the total service area. NPH forecasts admissions of future service area residents by payer group and Zip Codes within the PSA and SSA. The applicant present projections in a table which was created by applying population growth rates to historical discharges by year and Zip Code.²¹ Tables summarizing this data are provided on pages 55 – 57 of CON application #10501. The table summarizing projections by Zip Code for 2019 through 2023 is reproduced below.

Projection of North Port Service Area Acute Hospital Admissions: 12 Months Ended December 31st					
PSA					
Zip Code	2019	2020	2021	2022	2023
34286	1,732	1,789	1,849	1,911	1,976
34287	3,181	3,243	3,305	3,369	3,434
34288	1,104	1,138	1,172	1,208	1,246
34291	572	589	606	624	643
Subtotal PSA Admissions	6,589	6,758	6,933	7,113	7,298
SSA					
Zip Code	2019	2020	2021	2022	2023
34289	225	232	240	248	257
33948	2,250	2,299	2,349	2,400	2,453
33952	5,557	5,630	5,704	5,779	5,856
33954	1,376	1,403	1,432	1,461	1,491
33981	1,168	1,199	1,231	1,265	1,299
33983	2,150	2,203	2,257	2,313	2,370
34269	575	588	601	615	629
34292	1,955	2,011	2,070	2,130	2,191
34293	3,754	3,829	3,906	3,986	4,068
Subtotal SSA Admissions	19,011	19,395	19,790	20,196	20,614
Total	25,599	26,153	26,723	27,309	27,912

Source: CON application #10501, page 58
Incorrect values are shaded.

²¹ The reviewer notes on page 42 of CON application #10501, the applicant provides demonstrated average EMS travel times

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Based on the data provided, the following is noted:

- From 2019 to 2023, the projected service area admissions within the PSA are projected to increase by 10.76 percent. The predicted increase in the volume of admissions from baseline in CY 2016 to 2023 (6,111 admissions) within the PSA is 19.42 percent.
- The volume of projected admissions within the SSA are forecasted to increase by 7.78 percent from 2019 – 2023. The predicted increase in the volume of admissions from baseline in CY 2016 to 2023 (17,920 admissions) within the SSA is 15.03 percent.
- Total admissions within the service area are forecasted to increase by 9.03 percent from 2019-2023. The predicted increase in the volume of admissions from baseline within the service from baseline CY 2016 volumes (24,031) to 2023 is 16.15 percent.

The applicant maintains that these volume projections reflect the impact of high population growth, especially among the elderly in both service areas. Lastly, the applicant provides tables illustrating forecasted market share assumptions upon implementation of the proposed project. The tables are reproduced below:

Projection of North Port Hospital Admission Market Share			
PSA			
Zip Code	2021	2022	2023
34286	20.4%	47.0%	58.5%
34287	20.4%	47.0%	58.5%
34288	16.3%	37.6%	46.8%
34291	20.4%	47.3%	58.5%
SSA			
Zip Code	2021	2022	2023
34289	20.4%	47.0%	58.5%
33948	1.3%	2.9%	3.7%
33952	1.3%	2.9%	3.7%
33954	6.4%	14.7%	18.4%
33981	1.3%	2.9%	3.7%
33983	1.3%	2.9%	3.7%
34269	4.4%	10.3%	12.9%
34292	4.4%	10.3%	12.9%
34293	1.3%	2.9%	3.7%

Source: CON application #10501, page 59

The applicant does not project that the proposed project will assume a market share in 2019 and 2020, the reviewer has removed these columns in reproduction of the table as they depict 0.0 percent for all Zip Codes in both of these years

The applicant notes that NPH’s projected market share within Zip Code 34289 in the SSA is forecasted to be as high as the hospital’s market share in the Zip Codes of the PSA. The applicant explains that this

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projection reflects that ZIP Code 34289 is in the North Port area, though the population is too small to be included in the PSA.

The applicant lastly provides a table to demonstrate forecasted market admissions based on market share assumptions. The table is reproduced below.

Projection of North Port Hospital Admissions: 12 Months Ended December 31st			
PSA			
Zip Code	2021	2022	2023
34287	674	1,584	2,009
34286	377	898	1,156
34288	191	454	583
34291	124	293	376
Subtotal PSA	1,366	3,229	4,124
SSA			
Zip Code	2021	2022	2023
34292	92	219	282
33954	91	215	274
33952	72	170	216
34289	49	117	150
34293	50	117	150
33948	30	71	90
33983	29	68	87
34269	27	63	81
33981	16	37	48
Subtotal SSA	455	1,077	1,378
Total	1,821	4,306	5,502

Source: CON application #10501, page 61

The applicant forecasts an average annual occupancy of 57.6 percent by 2023. This forecast is concluded by the applicant to be appropriate for the third year of service for a “relatively small hospital in a rapidly growing service area”. NPH states that a hospital in such a service area should be sized to accommodate growth. The applicant additionally provides a table on page 62 of CON application #10501, which is indicated to restate the number of hospital admissions forecasted in the table provided on page 61 of CON application #10501 by DRG. Both tables have the same aggregate volumes by Zip Code, values within the PSA and SSA on the table provided on page 61 are listed by descending numeric order.

The applicant states that it is important to first examine whether and to what degree, population growth in the service area will compensate existing providers for any utilization attributed to the NPH project. An analysis of the forecasted increase in admissions relative to 2016 volume

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available to all providers from population growth is provided. The table demonstrating this analysis is reproduced below.

Projection of Impact on Existing Providers					
PSA					
Zip Code	2019	2020	2021	2022	2023
34286	160	217	277	339	404
34287	176	238	300	364	429
34288	95	129	163	199	237
34291	47	64	81	99	118
Subtotal PSA	478	647	822	1,002	1,187
SSA					
Zip Code	2019	2020	2021	2022	2023
34292	21	28	36	44	53
33954	137	186	236	287	340
33952	208	281	355	430	507
34289	79	106	135	164	194
34293	88	119	151	185	219
33948	150	203	257	313	370
33983	36	49	62	76	90
34269	158	214	273	333	394
33981	213	288	365	445	527
Subtotal SSA	1,091	1,475	1,870	2,276	2,694
Total	1,568	2,122	2,692	3,278	3,881

Source: CON application #10501, page 64
 Values shaded are incorrect.

The applicant states that this computation provides a forecast for the anticipated extent to which population-driven utilization growth will offset the impact of NPH on the service area’s established hospitals. The applicant states that population growth in the PSA will result in an additional 1,187 admissions by 2023 and growth within the SSA will provide an additional 2,694 admissions. The applicant states that in “both cases” the patient set represented consists of those patients discharged under the target DRGs defined in Appendix 7.

In evaluation of the impact of the proposed project the applicant also provides a projection which contrasts the growth with the volumes of admissions forecasted for NPH in order to depict the adverse impact to existing providers.

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Computation of Hospital Admission Deficit (Surplus) Resulting From Project Utilization Projections			
PSA			
Zip Code	2021	2022	2023
34286	100	559	752
34287	374	1,219	1,580
34288	28	255	346
34291	43	194	258
Subtotal PSA	545	2,228	2,936
SSA			
Zip Code	2021	2022	2023
34289	13	72	98
33948	(206)	(216)	(249)
33952	(282)	(260)	(292)
33954	(44)	51	80
33981	(136)	(147)	(171)
33983	(228)	(245)	(283)
32469	(36)	(13)	(9)
34292	(181)	(113)	(112)
34293	(316)	(328)	(377)
Subtotal SSA	(1,416)	(1,200)	(1,316)
Total	(870)	1,028	1,621

Source: CON application #10501, page 65
 Values shaded are incorrect.

The applicant states that the applicant’s analysis deducts incremental utilization in service area utilization by Zip Code and year from the admissions forecast for NPH by Zip Code and year. The applicant states that the table represents the adverse impact that would be absorbed by existing providers in each year by Zip Code with positive numbers reflecting that there is not enough growth forecasted to enable the proposed North Port facility to achieve its utilization projections without impacting existing providers. If the number is negative then there will be enough growth in those Zip Codes to enable existing providers to maintain current utilization levels and to enable NPH to achieve its volume projections. In these cases, the existing providers are expected to grow relative utilization levels just not to the extent that they would in the absence of the implementation of the proposed project.

The applicant next apportions the deficit of surplus in available patient days to the various existing providers based on each provider’s historical market share in each of the Zip Codes of the applicant’s service area. The applicant applies existing market shares of existing providers to the forecasted admissions surpluses in order to forecast the impact on existing providers. The projections for three years have been consolidated into one table as they appear on pages 67 – 69 of CON application #10501. See the table below.

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North Port Hospital, LLC: Projection of Impact on Existing Providers									
Year One	FMH	BHPC	SMH	VRBH	BHPG	DHS	EH	All Other	Total
PSA Subtotal	128	92	171	68	7	11	20	47	545
SSA Subtotal	(381)	(341)	(129)	(289)	(46)	(47)	(51)	(131)	(1,415)
Service Area Total	(253)	(249)	41	(221)	(38)	(36)	(30)	(84)	(870)
ALOS	5.0	4.7	4.1	3.9	4.2	3.2	3.6	7.6	4.8
Patient Days	(1,278)	(1,173)	168	(864)	(161)	(118)	(109)	(635)	(4,170)
ADC	(3.5)	(3.2)	0.5	(2.4)	(0.4)	(0.3)	(0.3)	(1.7)	(11.4)
Year Two	FMH	BHPC	SMH	VRBH	BHPG	DHS	EH	All Other	Total
PSA Subtotal	535	389	709	245	30	45	71	204	2,228
SSA Subtotal	(324)	(286)	(95)	(254)	(40)	(39)	(51)	(111)	(1,200)
Service Area Total	211	103	614	(9)	(10)	6	20	93	1,028
ALOS	5.0	4.7	4.1	3.9	4.2	3.2	3.6	7.6	4.6
Patient Days	1,066	486	2,488	(37)	(42)	19	72	706	4,757
ADC	2.9	1.3	6.8	(0.1)	(0.1)	0.1	0.2	1.9	13.0
Year Three	FMH	BHPC	SMH	VRBH	BHPG	DHS	EH	All Other	Total
PSA Subtotal	706	514	935	320	40	59	93	269	2,936
SSA Subtotal	(355)	(313)	(100)	(282)	(44)	(42)	(59)	(121)	1,316
Service Area Total	351	201	836	38	(5)	17	34	148	1,621
ALOS	5.0	4.7	4.1	3.9	4.2	3.2	3.6	7.6	4.6
Patient Days	1,770	946	3,387	150	(19)	54	123	1,123	7,534
ADC	4.8	2.6	9.3	0.4	(0.1)	0.1	0.3	3.1	20.6

Source: CON application #10501, pages 67 – 69
 Values shaded are incorrect.

The applicant determines that these projections reflect a relatively modest impact for all affected hospitals. The applicant anticipates that in the first year of the proposed project’s operations, only SMH will experience a negative impact because of the proposed project with a projected ADC loss of 0.5 patients. The applicant states that the loss of utilization that existing providers have in the North Port PSA is balanced by the gains in utilization projected for existing providers in the applicant’s identified SSA Zip Codes. On balance, the applicant expects that other providers will achieve utilization growth despite the addition of a new hospital.

In the second year of operations, Fawcett Memorial Hospital, Bayfront Health Port Charlotte and SMH are expected to experience a modest adverse impact. The applicant expects for the reduction in ADC at SMH to be (-6.8 ADC), Fawcett Memorial (-2.9 ADC) and Bayfront Health Port Charlotte (-1.3 ADC) respectively. The applicant projects that in the third year of operations adverse impact is restricted to SMH (-9.3 ADC), Fawcett Memorial (-4.8 ADC) and Bayfront Health Port Charlotte (-2.6 ADC).

f. **Written Statement(s) of Opposition**

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

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) The Agency received four written statements of opposition (**WSO**) to CON application #10500. Statements were received from representatives of **Universal Health Services, Inc. (UHS)** (co-batched competing applicant CON application #10501, **North Port Hospital, LLC (NPH)**), **Bayfront Health Port Charlotte (BHPC)** and **Venice Regional Bayfront Health (VRBH)**. The parent company of Bayfront Health Port Charlotte and Venice Regional Bayfront Health is **Community Health Systems, Inc. (CHS)**. A joint written statement of opposition was also submitted by representatives of **Englewood Community Hospital (ECH)** and **Fawcett Memorial Hospital (FMH)**, both operated by **HCA Healthcare, Inc. (HCA)**.

- UHS is not currently a provider in Subdistrict 8-6 (only in Subdistrict 6-3 and 9-5)
- CHS-affiliated facilities are located in Charlotte County (BHPC) and Sarasota County (VRBH)
- HCA-affiliated facilities are located in Charlotte County (FMH) and Sarasota County (ECH)

Bayfront Health Port Charlotte (BHPC) submitted a written statement of opposition to CON application #10500 which indicates that approval of the proposed project will result in the duplication of readily available services and adverse effects on existing providers within the applicant's proposed service area.

Scope of the Project Proposed in CON application #10500²²

BHPC states that the proposed project fails to respond to a number of statutory review criteria outlined in ss. 408.035, Florida Statutes. The opposition maintains that SMH/SCHPD has failed to demonstrate that need for a new hospital is warranted in the Nokomis/Venice area as a result of barriers to access or the proposal's capacity to foster competition that will result in cost-effectiveness and quality of care. BHPC notes that despite increases in the population, medical treatment trends for inpatient services are declining overall while demand for

²² Italicized subheadings appear in the WSO

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outpatient services is increasing. BHPC determines that existing providers are sufficiently equipped, staffed and operated to provide the necessary services to all of the subdistricts included in the applicant's defined service area.

BHPC expects for the proposal to result in a material and substantial adverse impact. BHPC states that the preliminarily approved VRBH replacement facility will not increase the number of hospitals serving the district, will decrease licensed acute care bed capacity within the district and eliminate the potential for system failures that have previously impacted area market share. The opposition maintains that throughout CON application #10500, SMH does not demonstrate that any accessibility, availability or quality issues exist in south Sarasota County. BHPC states that the purpose of the proposal is to place a hospital in the affluent region of south Sarasota County in order to infringe upon the market shares of both BHPC and VRBH. A summary of BHPC's historical community benefit, notable accomplishments, service offerings, service area and existing adverse impact in North Port, Sarasota County and Charlotte County is provided on pages 12 – 19 of the WSO.

Attachments to the Bayfront Health Port Charlotte statement included letters of opposition to CON application #10500 from health providers and members of city governing boards in Charlotte County and Punta Gorda. Form letters are present among the letters of opposition. Attachments include SMH inpatient acute daily occupancy rate charts dated July 2014 – March 2017 and a daily log of SMH patients in holding (excluding psychiatric holds) May 2016 – May 2017.

Applicant's Need Argument #1 - In response to the applicant's assertion that there is growing need for health care services in Subdistrict 8-6 among the medically underserved, elderly and maternity populations in south Sarasota County, BHPC determines that existing providers have sufficient beds to accommodate any inpatient needs for additional residents and that the applicant does not demonstrate the unmet needs of seniors. The opposition also maintains that the applicant does not provide the distribution of the medically underserved population by Zip Code in its proposed service area, the proportion of the population living under the FPL or any other geographic or financial barriers to access within the service area. BHPC anticipates that the proposed project is sought in order to improve the payer mix of SCPHD despite claims that the project will enhance access to address the needs of the underserved. BHPC also states that the applicant has failed to demonstrate access barriers for maternity and obstetric services and implementation of a low volume obstetrics project through the Sarasota Memorial Hospital at Laurel Road (SMHLR) campus is anticipated to

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have an adverse impact to obstetrics and NICU services at BHPC. The opposition reiterates that the proposed project will duplicate existing resources and result in adverse impact to existing providers.

Overlapping Service Areas

BHPC provides maps depicting the 12-Zip Code service area of the SMHLR proposal on pages 23 and 24 of the WSO. The opposition notes the proximity of the proposed site to the location of the VRBH replacement facility and the service areas of existing providers. Particularly in south Sarasota County, BHPC indicates that residents have access to care. The following table depicting the overlap between the service areas of BHPC and SMHLR is reproduced below.

SMHLR and Bayfront Health Port Charlotte Service Area Overlap		
Service Area/Zip Code	SMH/LR	BHPC
34286 North Port	PSA	PSA
34287 North Port	PSA	PSA
34288 North Port	PSA	SSA
34291 North Port	PSA	SSA
34289 North Port	SSA	SSA
34223 Englewood	SSA	SSA
34224 Englewood	SSA	SSA
34293 Venice	PSA	-
34292 Venice	PSA	-
34275 Nokomis	PSA	-
34285 Venice	PSA	-
34229 Osprey	SSA	-
33954 Port Charlotte	-	PSA
33952 Port Charlotte	-	PSA
33948 Port Charlotte	-	PSA
33983 Punta Gorda	-	PSA
34269 Arcadia	-	SSA
33981 Port Charlotte	-	SSA
33947 Rotunda West	-	SSA
33982 Punta Gorda	-	SSA
33955 Punta Gorda	-	SSA
33953 Port Charlotte	-	SSA
34266 Arcadia	-	SSA
33980 Punta Gorda	-	PSA
33950 Punta Gorda	-	PSA

Source: BHPC WSO, Page 24
 Highlighted rows represent overlapping service areas

BHPC determines that the overlap between the SMHLR proposed service area and existing providers demonstrates that the proposal would

duplicate accessible healthcare resources and that the overlap between the service areas is not indicative of financial, geographic or programmatic barriers sufficient to warrant approval of an additional hospital.

Service Area Observations

The opposition discusses SMH’s ambulatory network in south Sarasota County which is anticipated to serve as a referral base for the proposed hospital. BHPC maintains that residents of the area have choices in hospitalization and that the existing market share of SMH within its proposed service area demonstrates that SMH is accessible (28.0 percent). BHPC also notes that SMH has 21.4 percent of the market share of non-tertiary volume within the SMHLR service area when obstetrics are excluded from non-tertiary volume and 74.1 percent of the obstetrics market share within the SMHLR service area—indicating that SMH is currently accessible to residents of the service area. BHPC notes that it accounts for nearly 21.0 percent of the obstetric market share within the SMHLR service area.

Medically Underserved Population

BHPC describes SMH as the safety net hospital of the district with a Level II Trauma Center. In light of insufficient need for multiple obstetric, pediatric and neonatal providers, the opposition states that SMH is the only provider of these services in Sarasota County. BHPC notes that obstetrics, pediatric and neonatal services account for the greatest users of Medicaid. BHPC states that SMH previously identified a disparity within the proportion of south county residents represented in underserved payer groups, while south Sarasota County represents a better payer mix without barriers to care.

BHPC maintains that despite providing services that traditionally account for underserved payer groups, SMH failed to indicate in its application that SMH is paid to care for medically indigent and uncompensated patients through ad valorem taxes and automatic rate enhancements within the Medicaid system. In review of SMH’s analysis of the provision of charity care provided at cost among existing providers, BHPC discusses that while SMH clearly provides a disproportionate volume of Medicaid and charity care, BHPC was not included among providers with a significant proportion of medically underserved patients in SMH’s analysis.

BHPC discusses SCPHD indicating that the district’s Board derives its authority to levy ad valorem property taxes by the Florida legislature. Opposition notes that tax revenues are spent on programs, services, and facilities and equipment within the county. Annual tax rates are set each year and included in the annual property tax bill of property owners within Sarasota County. A table summarizing the ad valorem tax rate

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and gross tax receipts from 2000 – 2018 of SCPHD is included on page 29 of the WSO. BHPC states that the ad valorem tax rate has outpaced population growth and has increased disproportionately for property owners. Opposition anticipates that the proposed project will result in further tax increases to local property owners. A table on page 30 of the WSO compares historical trends of charity care to gross tax receipts from 2014 – 2016 at SCPHD. The table indicates that from 2014 – 2016 the provision of charity care at SMH increased by 10.1 percent while gross tax receipts increased by 11.1 percent during the same period.

BHPC maintains that the service profiles of VRBH and SMH are different and reiterates that SCPHD is seeking to develop a hospital within VRBH's market in order to enhance its position in a more affluent market. BHPC also discusses how the provision of Medicaid services at SMH is more expensive to the State of Florida as a result of an automatic rate enhancement which increases the cost of Medicaid cases at SMH by 11 percent.

A table summarizing the Medicaid Reimbursement per Case by Hospital in Charlotte and Sarasota County is provided on page 32 of the BHPC WSO, the table also includes a forecasted reimbursement rate for SMH/LR project which is inferred from the existing campus' reimbursement rate. The table references data from the State of Florida DRG Payment Parameters by Provider for State Fiscal Year 2017 – 2018 and NHA analysis which documents the historical and anticipated Medicaid Reimbursement per Case at SMH and SMH/LR as:

$$\begin{aligned} \$3,889.19 &= \$3,310.98 \text{ (DRG Base Rate)} \\ &+ \$ 214 \text{ (Automatic Rate Enhancement Payment)} \\ &+ \text{Trauma Supplemental Payment Percentage (11.0 percent)}. \end{aligned}$$

In comparison all other providers in the group are documented to have a DRG Base Rate of \$3,310.98. The reviewer notes that SPHCD is proposing a new premise, not an addition to their existing facility which would be entitled to the trauma supplemental payment percentage and a provider or trauma services.

A summary of Medicaid payments for the top six DRGs at SMH, VRBH and BHPC is included on page 33 of the WSO, from which the opposition determines that the charges for the six selected DRGs are 17.0 percent more at SMH than for other providers included in the analysis. The opposition also underscores the large proportion of Medicaid discharges at SMH represented within MDC 14, MDC 15, MDC 19 and 20 – Mental Health, in comparison to all other discharges (BHPC WSO, Page 34). In reference to the proportion of Medicaid within the service area for non-tertiary/med-surg discharges, BHPC notes that the service area has a lower percentage of Medicaid non-tertiary/med-surg discharges than

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Sarasota County and the State of Florida, which is determined to demonstrate that the service area is not underserved. A table of the historical payer mix at SCPHD from 2014 – 2016 is reproduced below.

SCPHD Payer Mix FY 2014 - 2016			
Payer	2014	2015	2016
Medicare	56.5%	57.6%	57.4%
Managed Care and Commercial	26.1%	26.3%	27.0%
Self-Pay and Other	7.1%	6.6%	6.7%
Medicaid	10.3%	9.5%	8.9%
Total	100.0%	100.0%	100.0%

Source: BHPC WSO, page 35

The opposition describes how the SMH proposed service area represents 40.0 percent of Sarasota County’s total population and 34.0 percent of Medicaid eligible residents. BHPC further discusses that less than nine percent of service area residents were Medicaid eligible as of September 1, 2015 in comparison to 11.0 percent of Medicaid eligible residents in the remainder of the county. Within the applicant’s PSA, the opposition notes that three to four percent of residents are Medicaid-eligible in some areas. BHPC also notes that the median household income in the home Zip Code of the proposed SMHLR site is higher than the median household income across the applicant’s service area or the City of Venice.

In further description of the provision of Medicaid among providers, BHPC notes that in 2016, 10.0 percent of non-tertiary patients discharged from BHPC were Medicaid or medically indigent and 54.0 percent of cases originating from the SMHLR service area were Medicaid patients. At VRBH, 6.0 percent of patients originating from the SMHLR service area were Medicaid or medically indigent and approximately 11.5 percent of patients originating from the home Zip Code of the applicant’s project were Medicaid or Medically indigent. BHPC maintains that the applicant has failed to demonstrate that the proposed project will enhance access for Medicaid and medically indigent patients or that access issues exist for medically indigent populations within the applicant’s identified service area.

Maternity Services

Based on the historic obstetrics discharges within the applicant’s PSA for women aged 15 – 44 for CY 2014 – 2016 and the availability of two acute care providers, the opposition determines that there is no indication that obstetrics are needed in the service area as a result of little overall growth and decline in half of PSA Zip Codes. BHPC maintains that the methodology used by the applicant inflates forecasted utilization.

Seniors

BHPC states that seniors are not medically underserved in the applicant's proposed service area or Sarasota County. Opposition determines that the applicant did not provide evidence of barriers to access. In review of the applicant's drive time analysis, the opposition states that SMH ignored the proximity of residents to closer alternatives in Sarasota and Charlotte County. BHPC maintains that the proposal will not shorten travel times from the service area to a hospital as only SMH was considered in the analysis. The opposition illustrates the proximity of the proposed service area Zip Codes to existing providers in a table provided on page 41 of the WSO. From this analysis, the opposition determines that the time differences are not significant enough to indicate that there are geographic barriers to access. CHS also underscores the infrastructural limitations that impede programmatic access to VRBH. The opposition maintains that VRBH provides the non-tertiary and specialty care proposed in the SMHLR project and also expects for the SMHLR project to result in delays to appropriate treatment as a result of transfers.

CHS describes the dense concentration of elderly within Sarasota County in comparison to the state and particularly describes the density of elderly in proximity to Venice which is currently serviced by VRBH. The opposition also notes the proximity of the proposed SMHLR site to the VRBH replacement. Tables summarizing the age distribution of the population of the SMHLR service area are included on pages 42 – 43 of the WSO. Within the applicant's service area BHPC notes the following:

- 45.0 percent of the SMHLR population is aged 65+
- Venice has the greatest number of seniors (36,8040); 56.0 percent of the 15+ population is aged 65+
- 52.4 percent of all adults in Englewood are aged 65+
- 45.0 percent of the adults in Osprey and Nokomis are aged 65+
- 30.0 percent of adults in North Port are aged 65+

Applicant's Need Argument #2 and #3

BHPC states that despite claims that the proposed facility will decompress capacity at the existing SMH campus and allow patients to be treated with quality design standards—there are alternatives present for hospital growth demonstrating that the addition of a new hospital is unnecessary for decompression. BHPC references the historical utilization and bed capacity at SMH (53.5 percent) in addition to the utilization and availability of beds within Charlotte and Sarasota Counties as evidence of access within the applicant's targeted service area. CHS maintains that historical utilization across both subdistricts does not demonstrate that barriers to availability or accessibility exist to warrant approval of the SMHLR project. BHPC discusses proposed renovation and construction associated with the proposed project,

occupancy rates, daily operational reports, private room initiatives, code lavender and patients in holding in criticism of the applicant's decompression argument.

Applicant's Need Argument #4

Despite claims that the proposal will not result in adverse impact on patient care costs, the opposition concludes that the applicant does not account for SMH's positive operational position at the expense of the providers who service South Sarasota County. BHPC anticipates that VRBH will experience the majority of adverse impact as a result of its market share in Venice and proportion of elderly. BHPC is also anticipated to have an adverse impact as a result of its 21.0 percent obstetric market share in the applicant's proposed service area and 6.0 percent non-tertiary market share in the applicant's proposed service area. CHS reiterates that SMH is not expected to have a positive impact on patient charge or patient costs as a result of its historical Medicaid reimbursement rate in comparison to other providers. As a result the opposition does not expect for the proposed project to foster competition to promote cost-effectiveness.

Based on an analysis of hospital expenses per adjusted patient day, the opposition expects for the level of utilization at SMH to result in a lower cost per adjusted patient day in comparison to hospital providers with less size and economies. A table summarizing hospital expenses among area providers with reference to AHCA Cost Reports, FY 2016 is provided on page 62 of the BHPC WSO. CHS states that SMH cannot provide downward pressure on costs. The opposition also provides a summary of the added anticipated expenses from SMH as a provider due to Medicaid and Medicare reimbursement and disproportionate share capital reimbursement (DSH). DSH outlier payments are summarized at SMH during FY 2016.

Adverse Impact on Bayfront Health Port Charlotte

The opposition expects for BHPC to experience adverse impact on inpatient, ED and outpatient volume.

Population and Market Discharges

BHPC describes the age distribution of the applicant's proposed service area and notes that 44.0 percent of the PSA is aged 65+ and 45.2 percent of the SSA is aged 65+. Based on the forecasted population increases in the 65+ population across the service area from 2017 - 2022, CHS anticipates that 87.0 percent of seniors are closer to the VRBH replacement hospital. The opposition notes that the population of the proposed home zip code area is expected to increase by 6.0 percent, less than the projected increase of the south Sarasota County population (8.0 percent). Increases in the service area population are documented on

page 66 of the BHPC WSO. BHPC states that the applicant inappropriately and unreasonably extended the five-year forecast and growth rate.

Moreover based on the volume of discharges in Venice and Englewood (approximately 50.0 percent) within the service area, the opposition determines that residents will have to travel past the existing and replacement VRBH facility in order to access the SMHLR facility, for this reason BHPC does not anticipate that the proposal will enhance access for the adult med/surg population.²³

Discharge Use Rates per 1,000 Population

CHS indicates that discharge use rates have declined in the applicant's PSA and SSA with the overall service area discharge use rate declining from 107.4 cases per 1,000 in 2014 to 102.8 cases per 1,000 in 2016. As discharge use rates are positively correlated with age, BHPC notes that the home Zip Code and contiguous Zip Code of the applicant's project are among the lowest in the county (91.7 – 34275 and 88.1 – 34229). The opposition states that population data reflects that the slowest growth rates are in Osprey/Nokomis which are contained within the VRBH PSA, therefore a second hospital is unnecessary and duplicative.

Bayfront Health Port Charlotte Utilization and Market Share in Proposed Service Area

Within the applicant's defined service area, BHPC accounts for 6.0 percent of the non-tertiary market share, 20.7 percent of the obstetrics market share and 13.4 percent of the neonate market share. BHPC accounts for 3.0 percent of the ED market share and 1.6 percent of the ambulatory surgery market share. BHPC also distinguishes its market share within each service line, as a result of the existing market share across these service lines. BHPC anticipates a significant adverse impact from the proposed project.

Bayfront Health Port Charlotte's Reliance on Service Area

Discharges from the applicant's proposed service area account for:

- 13.3 percent of non-tertiary (includes non-tertiary discharges, DRG set defined by the applicant in Appendix 10) discharges at BHPC
- 22.4 percent of obstetric discharges (MDC 14) at BHPC
- 26.0 percent of neonate (excluding newborns) discharges at BHPC
- 7.9 percent of emergency department discharges at BHPC
- 17.9 percent of ambulatory surgery visits at BHPC

²³A table of non-tertiary discharges from 2014 – 2016 is included on page 68 of the BHPC WSO

Forecasted Service Area Utilization

BHPC states that the applicant's forecasted market share is unreasonable and is expected to have an adverse impact within and beyond the service area among existing providers. BHPC anticipates that implementation of one or both of the projects proposed in CON application #10500 and CON application #10501 will result in an adverse impact on existing providers. Non-tertiary and obstetrics forecasts for the SMHLR project are included on pages 77 – 78 of the BHPC WSO.

Applicant's Forecasted Market Share

BHPC does not expect for 100.0 percent of patients to be shifted from the existing SMH campus to the SMH/LR project and expects that the applicant has revised the proposal to account for a lower percent of patients shifting to the new facility. BHPC provides a table which accounts for differences between SMH's CY 2015 and CY 2016 Trauma Registry and data reported in AHCA Data Tapes. CHS determines that the increase in admissions at SMH occurred as a result of its newly established trauma program. From CY 2014 – CY 2016, the opposition notes that greater than 70.0 percent of SMH discharges were attributable to the trauma program. As BHPC does not anticipate that the market share will increase, the SMH market share increase is described as aggressive since the market share across the service area is forecasted to increase by 32.2 - 41.6 percent. CHS maintains that the applicant does not account for how these market share increases will occur and additionally anticipates that the proposed project and increases will happen at the expense of the existing providers. Similarly, the applicant's obstetrics forecast is also evaluated and anticipated to be unreasonable. Overall, the opposition concludes that the applicant's market shares are not achievable with the proposal.

SMH Laurel Road Impact on North Port Hospital Service Area

BHPC also determines that the service area cannot support the addition of either of the SMHLR or NPH proposals. The opposition notes that both have overlapping service areas and in light of the market shares proposed in both proposals, the feasibility of both projects concurrently is not possible and will also result in an adverse impact on providers.

Case Impact to Bayfront Health Port Charlotte

BHPC anticipates that the proposal will result in a loss of 415 non-tertiary cases, 172 obstetrics cases and 28 NICU cases as a result of the proposed project. BHPC determines this impact to be material and devastating.

Financial Impact to Bayfront Health Port Charlotte

The opposition anticipates that the proposal will result in a loss of \$1,760,000 in non-tertiary cases, \$279,000 in obstetrics cases and \$877,000 in outpatient cases—totaling \$2,916,000 inpatient and outpatient losses at BHPC.

Other Factors for Consideration and Letters of Opposition

The opposition references letters of opposition to the SMH/LR project included as attachments to the WSO which express that the SMH/LR project will serve as a transfer facility. BHPC includes a supplement of reasons to consider for denial of the proposed project on pages 93 – 96 of the WSO which includes letters of opposition, other rationales and prior CON decisions.

Englewood Community Hospital, Inc. (ECH) and Fawcett Memorial Hospital Inc. (ECH/FMH) owned by HCA Healthcare, Inc. (HCA)

contend that the targeted service area of the proposed project currently enjoys robust competition with six existing acute care hospitals that provide care to area residents. The opposition to the proposed project also explains that hospitals proximal to the proposed service area have adequate unoccupied beds to meet the anticipated increase in patient days through 2022, as projected in CON application #10500. ECH/FMH maintains that the proposed facility will not significantly improve the accessibility, availability or quality of acute care services to residents of south Sarasota County and that an additional hospital is not needed to meet inpatient acute care needs of the residents in the area.

The opposition contends that SCPHD’s need analysis suffices to depict the applicant’s ability to attract sufficient utilization for its proposed project and not a demonstration of inadequate capacity, access or availability of existing facilities to meet the present and future needs of area residents.

HCA contends that two of the three rationales the applicant presents in support of need for the proposed facility are applicant specific issues: elderly drivers face difficulties driving to the SMH main campus, SMH is experiencing capacity issues at its main campus location and area population growth. Opposition concludes that there is no evidence that present capacity in the area is inadequate to meet forecasted need.

In analysis of population factors presented in CON application #10500, opposition notes that while forecasted population and utilization demands are likely accurate that population expansion and demand for services can again be met by unoccupied and underutilized acute care beds identified through 2027. ECH/FMH also states that resource

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capacity remains true if capacity restrictions are limited to the two existing hospitals located within the identified service area for the proposed SMH Laurel Road facility.

HCA states that the rationales the applicant presents in order to question the reliability of licensed bed occupancy as an appropriate indicator of lack of need are facility-specific and spurious. Furthermore, the opposition cites the applicant's explanation that licensed bed inventory at the existing SCPHD campus is greater than actual availability at the site. Opposition asserts that the subset of beds not available at the applicant's existing campus should not be a part of the applicant's licensed bed inventory. ECH/FMH maintains that the absence of at least 45 beds from the applicant's licensed bed inventory would result in a more accurate reflection of the area's need. HCA also predicts that if the temporality of the unavailability of beds is short-term, that the applicant should have these beds available in the future. Opposition contends that having excess beds is favorable to the applicant's overall utilization rate, especially in the event that the applicant delicensures excess beds upon approval of the project.

Opposition contends that the placement of outpatient observation patients in licensed beds is a convenience issue for the applicant and not an issue of regulatory requirement. The opposition suggests that the applicant asserts that approval of its proposed project will potentially alleviate outpatient observation status confusion experienced by Medicare beneficiaries. ECH/FMH also challenges the applicant's assertion that seasonality, existing private and semi-private room configuration and unit designations increase occupancy to 107.9 percent. ECH/FMH asserts that the ratio of private to semi-private configuration conversions and occupancy are issues that all facilities must grapple with. Opposition indicates that the applicant has sufficient private rooms to address conditions the applicant outlines are essential for private room health delivery. ECH/FMH concludes that convenience is different from need and insufficient justification for the proposal of a new hospital.

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

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Opposition states that improvements to existing infrastructural constraints at the applicant's campus require planning and that patient, physician and facility preferences for private rooms have been accelerated by regulatory issues and design recommendation changes. An analysis conducted by TMPartners concluded that at least 248 private inpatient acute care bedrooms could be added to the existing SMH campus. The opposition questions whether or not expansions to the existing campus were considered by the applicant. Instead, HCA asserts that the applicant's project proposal will intrude upon the services of acute care facilities within the existing service area, which will result in an adverse impact on proximate facilities to the service area.

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

The opposition includes an analysis of forecasted utilization and inpatient demand arising from residents of the service area, an impact which is stated to portray a more realistic view of the anticipated impact of a new inpatient acute care hospital at the proposed site. ECH/FMH asserts that SCPHD excludes a broad range of DRGs from further analysis associated with various services not expected to be provided at the new facility. The opposition notes that the ALOS the applicant applies to each case by Zip Code to forecast utilization at the proposed new facility may differ in the future as a result of changes in the projected proportion of DRGS which shift with changes in the relative age cohorts. The opposition uses total patient days by DRG by age cohort and applies these rates against future population estimates to forecast patient days, which HCA maintains is a better measure of overall inpatient facility utilization, market share and impact.

ECH/FMH challenges the applicant's assumptions surrounding the allocation of patient volume at SMHLR and the SMH existing campus. If the applicant's proposed site receives its anticipated utilization, the opposition expects a more substantial adverse impact on existing providers than SCPHD projects. In further analysis of the applicant's anticipated market share, the opposition questions the market share assumptions the applicant uses to reach expected patient draw. The opposition's main critique is that no regulatory barriers exist in the event

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that the applicant seeks to expand the facility and underscores that the applicant admits that its proposed facility design will allow for expansion beyond its proposed 90-bed complement.

Projected Patient Days at Area Hospitals: Adult Non-Tertiary/Specialty DRGs per SMHLR Application, No CMR SMH Laurel Proposed Service Area CY 2022			
Hospitals	Patient Days Without SMH Laurel	Patient Days With SMH Laurel	Difference
Bayfront Port Charlotte	6,623	5,206	-1,417
Doctors of Sarasota	4,382	3,445	-937
Englewood Community	7,576	5,956	-1,620
Fawcett Memorial	10,549	8,293	-2,256
Sarasota Memorial	19,464	15,301	-4,163
SMH Laurel		19,057	19,057
Venice Regional	29,755	23,391	-6,364
Other	10,716	8,424	-2,292
All Hospitals	89,099	89,099	0

Source: ECH/FMH WSO, page 11
 Values shaded are incorrect.

ECH is expected to lose 1,620 patient days and a total lost contribution margin of \$4.8 million, FMH is expected to lose 2,256 patient days and a total lost contribution margin of \$5.9 million.

With respect to the extent of utilization of services within the subdistrict the opposition maintains that there is a surplus of beds currently available in or adjacent to the service area that can meet the anticipated needs of the service area. Additionally, HCA notes that six area hospitals including VRBH, ECH, Doctors Hospital, SMH, FMH and BHPC currently serve the proposed service area of the applicant’s proposal. The opposition presents analyses, of unoccupied beds served by the applicant’s proposed service area on page 13-15 of the WSO. Based on these analyses the opposition concludes that there are sufficient excess beds at the facilities located in the proposed service area in anticipation of projected population growth and acute care patient demand.

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

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The opposition conducts an analysis of driving times and distance analysis from the geographic centroid of all zip codes within the proposed service area to the hospitals serving the area. Improvements in the drive time analysis are concluded to not warrant approval of the proposed SMHLR facility.

The opposition further elaborates that southern Sarasota County is already well-served by several competing hospitals and hospital systems. ECH/FMH also notes that SMH will not have a positive impact on patient charges and does not consider SMH the most cost-effective provider in terms of cost and reimbursement. Opposition maintains that SMHLR will not foster competition but limit competition as SMH is already the dominant provider in Sarasota County—increasing as a result of the proposed project. ECH/FMH contends that increased dominance will result in the provider's increased capacity to influence prices/reimbursement. HCA forecasts a significant and material impact on existing providers.

ECH/FMH provides an analysis of the proportion of discharges by payer source on page 19 of the WSO, noting that government payer sources account for approximately 83 percent of patient days, self-pay or non-pay account for four percent of discharges and 13 percent of the remaining discharges are indicated to experience a reduction or limitation on charges as a result of the proposal. In addition to analyzing the capacity of the proposed project to foster competition and allow for lower charge alternatives, the opposition contends that the applicant fails to present evidence that any patients of any payer category have barriers in accessing care.

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

- County-wide ad valorem tax assessments through the SCPHD
- State funding through the Low Income Pool (LIP) distributions
- State and federal funding through DSH distributions

The opposition advances that there is an absence of recognition in how these sources are used to fund provision of care to Medicaid and medically indigent patients and an indirect account of actual costs of providing care to such patients. From this, the opposition concludes that a fair assessment of financial hardship is lacking for both SMH and its patients. The opposition concludes that costs itemized in the provision of community benefit in CON application #10500 are costs incurred by all hospitals and notes the applicant's ad valorem tax income (\$47 million) exceeded its traditional charity care costs (\$14 million).

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Conclusively, the applicant is expected to receive a more favorable payer mix from implementation of this project and increased convenience of care will be afforded to Medicaid and medically indigent patients of the SMHCS.

Fundamental critiques of the applicant's proposal are restated on pages 21-23 of the WSO.

United Health Services d/b/a North Port Hospital, LLC

Representatives of Universal Health Services (UHS) (co-batched applicant CON application #10501) submitted a WSO to CON application #10500, which is referenced as SMHLR throughout the document. NPH is a competing applicant for a proposed project in District 8, Subdistrict 6 and not an existing provider in the district. NPH opposes the approval of CON application #10500 as a result of SCPHD previously receiving preliminary approval for CON application #10457 in the August 2016 batching cycle. As historically noted, CON application #10457 is in litigation for which a Recommended Order has not been issued. NPH notes that the Agency cannot issue approval of CON application #10500 as approval of the SMHLR project submitted in the August 2017 batching cycle will result in duplicate approval. In addition to this argument, NPH evaluates the extent to which CON application #10500 addresses the following statutory criteria:

- The availability, accessibility, and extent utilization of existing health care facilities and health services in the service area
- The extent to which the applicant's proposal will affect patient charges and the extent to which the project will enhance access to health care services for the residents of the service area
- The applicant's history of providing health services to Medicaid patients and the medically indigent, and
- The applicant's utilization projections by Zip Code for its proposed hospital

In general, NPH maintains that the SMHLR proposal is not consistent with the review criteria established for new acute care hospitals and that the proposed facility will be located in close proximity to an approved VRBH replacement facility which operated at 27.5 percent occupancy in 2016 illustrates excess acute care capacity within the subdistrict and the immediate service area proposed for SMHLR. For these reasons, UHS determines there is no health planning rationale to locate the new hospitals in close proximity to one another. UHS also determines that the proposed project will afford improved access to an SMH-affiliated hospital but will not seriously address improvements in geographic access to its service area residents especially for North Port area residents. NPH describes how the proposed site will be farther from North Port than the VRBH replacement facility, FMH and BHPC.

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Lastly, UHS determines that the proposed SMHLR project will not improve physician shortages in North Port and may exacerbate and perpetuate shortages by precluding the construction of the acute care hospital in the North Port area that would catalyze the establishment of physician practices in the area. For these reasons UHS maintains that the Agency should deny CON application #10500 and approve CON application #10501.

Venice Regional Bayfront Health (VRBH, CHS) submitted a detailed WSO to CON application #10500 and indicates that approval of the proposed project would result in an unnecessary duplication of services and a substantial and adverse impact to VRBH

Attachments to the VRBH WSO mirror attachments included in the WSO submitted by BHPC. A summary of service offerings and distinctions at VRBH is included on pages 11 – 14 of the VRBH WSO. The reviewer notes a discrepancy between the tables provided on page 59 of the VRBH WSO and the table included on page 63 of the BHPC WSO.

Analyses included in the VRBH statement in opposition to CON application #10500 are restated from the BHPC WSO. Conclusions from analyses that were contextualized to VRBH are summarized below:

- VRBH and the proposed SMLRH have essentially identical aggregate service areas.
- SMH has been able to achieve on average 19.0 percent of the VRBH market share in its PSA.
- VRBH is situated in a service area with much lower Medicaid and charity care, particularly in Venice. This is the primary underlying reason the district is seeking to develop a hospital in VRBH's service area in order to enhance SMH's position in a more affluent market.
- VRBH is the dominant provider of inpatient, outpatient and emergency services in the SMHLR defined service area. VRBH accounts for 33.1 percent of the emergency department market share and 17.8 percent of the ambulatory surgery market share within the applicant's defined service area.
- Discharges from the SMHLR service area account for 89.1 percent of inpatient discharges, 85.7 emergency department visits and 86.8 percent of ambulatory surgery visits at VRBH.

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- VRBH will be significantly impacted if the SMHLR proposal is allowed to develop.
- VRBH expects a loss of cases that ranges between 1,551 and 2,086 non-tertiary inpatient cases. The lower range accounts for programmatic failures at the existing campus, the upper range accounts for VRBH's replacement hospital market shares. The financial loss from these cases is estimated to range between \$7,625,000 and \$10,256,000. The outpatient financial loss is estimated to range between \$7.8 million and \$10.6 million which totals to a total impact loss that ranges between \$15.4 million and \$20.9 million.

North Port Hospital, LLC (CON application #10501): The Agency received five written statements of opposition to CON application #10501. Statements were received from representatives of **BHPC, Bayfront Health Punta Gorda (BHPG) and VRBH**. The parent company of BHPC, BHPG and VRBH is **CHS**. A joint written statement of opposition was also submitted by representatives of **ECH** and **FMH**, both operated by **HCA**. **SCPHD d/b/a SMH** also submitted a written statement of opposition against the proposal.

- SMH is an existing provider in Subdistrict 8-6 (Sarasota County)
- CHS-affiliated facilities are located in Charlotte County (BHPC, BHPG) and Sarasota County (VRBH)
- HCA-affiliated facilities are located in Charlotte County (FMH) and Sarasota County (ECH)

Bayfront Health Port Charlotte (BHPC) submitted a WSO to CON application #10501 and indicates that approval of the proposed project will result in the duplication of readily available services that would adversely affect other providers and will not provide any meaningful benefit to residents of the area.

Attachments to the BHPC WSO included letters of opposition to CON application #10501 from health providers and members of city governing boards in Charlotte County. Form letters are present among the letters of opposition. The reviewer notes that letters are authored by the same individuals included in the attachments to the WSO against CON application #10500, the same themes are discussed with the exception that letters are altered to reflect opposition against CON application #10501. Articles discussing city negotiations and plans with UHS and the Medical Hospital Task Force are also included in the attachment.

Scope of the Project Proposed in CON application #10501²⁴

In evaluation of the scope of services offered in the NPH proposal, BHPC states that the home Zip Code (34287) represents a large Zip Code area, though the potential site is unidentified in the application. Despite reasons presented as need for the proposed project, opposition indicates that none of the reasons attributed to need in the application exist to an extent that would support approval of the proposed project in North Port. BHPC indicates that the proposed project fails to respond to a number of statutory review criteria outlined in ss. 408.035, Florida Statutes. The opposition maintains that existing providers are sufficiently equipped, staffed and operated to provide the necessary services to the entirety of the two subdistricts in NPH's service area.

BHPC expects to experience a material and substantial adverse impact stemming from implementation of the proposal. A summary of BHPC's historical community benefit, notable accomplishments, service offerings, service area and existing adverse impact in North Port, Sarasota County, and Charlotte County are presented on pages 9-16 of the WSO.

Applicant's Need Rationale: Large and Growing Population

BHPC states that population growth exclusively is not evidence of need for an additional hospital. Opposition states that factors identified in ss. 408.035(1)(a) and (b), Florida Statutes, reflect need for an additional hospital. BHPC states that the relationship between population, the population dynamic over time and use of like facilities is intended to be part of the needs assessment but was not included in the needs assessment, nor was any bed need methodology.

BHPC states that while the applicant summarizes the seasonal occupancy level within Sarasota County, NPH concludes that low utilization stems from persons not accessing hospitals. BHPC states that NPH does not account for utilization in Charlotte County or geographic access in the applicant's defined service area.

Using July 2017 data from the Agency's Florida Hospital Bed Need and Service Utilization by District publication, a table summarizing the extent of utilization in Sarasota and Charlotte Counties is provided on page 19 of the BHPC WSO. Combined, BHPC states that the two subdistricts show over 950 vacant beds on average and an overall daily census of approximately 875 patients in 1,837 total beds. BHPC expects that if the census increases to the mid 50 percentile to approximately 1,025 in 1,837 total beds, the census could still support population growth. BHPC notes that FMH was approved to add 16 acute care beds via Notification #NF170003 which would reduce the occupancy at the Charlotte County facility.

²⁴ Italicized subheadings appear in the WSO

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BHPC determines that occupancy is not a problem or barrier to access as each of the hospitals in Sarasota County and Charlotte County have available beds. Opposition notes that the extent of utilization within the service districts does not reflect need for an additional hospital within the proposed project's service area. BHPC also discusses the decrease in utilization among hospitals relative to population increases in Charlotte and Sarasota Counties.

Using data from the Agency's Florida Hospital Bed Need and Service Utilization by District publications available on July 11, 2016 and July 21, 2017, a summary of acute care utilization in CY 2015 and CY 2016 is provided for hospitals in Charlotte and Sarasota Counties is provided on page 20 of the BHPC WSO. From this analysis, BHPC describes how all but one hospital, SMH, experienced a decline in utilization in 2015 and 2016. SMH's departure from the overall decline in utilization is attributed to SMH's provisional designation as a Level II Trauma Center in May 2015, which resulted in an increase in trauma patients and utilization at the facility. CHS maintains that the increase in the utilization at SMH occurred at the expense of all other hospitals as utilization decreased or remained flat at other facilities and in Charlotte and Sarasota Counties. BHPC maintains that utilization does not reflect that the availability, accessibility and extent of utilization of service demonstrate need for an additional hospital.

In analysis of population growth within the applicant's defined service area, CHS notes that the population within the applicant's service area is increasing. In rationale for need for the proposed project, BHPC states that the following should be considered:

- Where are the increases occurring within the service area
- Are they within the ages that are the heaviest users of health care
- Will the increase in population under a traditional bed need methodology support the beds being proposed within the service area
- Are there other alternatives available for the population to utilize among others

The opposition describes how the senior population, which consists of the primary users of inpatient hospital services, is proportionately lower in the applicant's defined service area. Using Claritas data, tables depicting the forecasted population changes for individuals under 65 and 65+ from 2017 – 2022 within the defined service area, are included below.

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North Port Hospital Defined Service Area: Population Age 0-64					
Geography	2017		2022		Change 2017 - 2022
	Count	Percent	Count	Percent	
34286 North Port	19,058	13.4%	20,925	14.1%	1,867
34287 North Port	16,277	11.4%	17,092	11.5%	815
34288 North Port	11,080	7.8%	12,311	8.3%	1,231
34291 North Port	6,790	4.8%	7,351	5.0%	561
34289 North Port	2,624	1.8%	2,905	2.0%	281
North Port Total	53,205	37.3%	57,679	38.9%	4,474
Rest of Service Area	89,410	62.7%	90,541	61.1%	1,131
Total PSA and SSA	142,615	100.0%	148,220	100.0%	5,605

Source: BHPC WSO, page 21
 Values shaded are incorrect.

North Port Hospital Defined Service Area: Population Age 65+					
Geography	2017		2022		Change 2017 - 2022
	Count	Percent	Count	Percent	
34286 North Port	3,205	4.5%	4,026	4.9%	821
34287 North Port	10,665	14.9%	11,971	14.5%	1,306
34288 North Port	2,310	3.2%	2,792	3.4%	482
34291 North Port	1,330	1.9%	1,653	2.0%	323
34289 North Port	541	0.8%	665	0.8%	124
North Port Total	18,051	25.3%	21,107	25.6%	3,056
Rest of Service Area	53,349	74.7%	61,466	74.4%	8,117
Total PSA and SSA	71,400	100.0%	82,573	100.0%	11,173

Source: BHPC WSO, page 22

The opposition notes the following trends with respect to the data:

- The under 65 increases in North Port Zip Code areas (four in the PSA and one in the SSA) is disproportionate at 4,474. The overall service population increase is approximately 5,600 persons over 142,615. Notably, these are the persons who utilize the least amount of health care services and in particular health inpatient healthcare services.
- In contrast with the persons less than age 65, the majority of the senior population 65+ are not increasing in the North Port Zip Codes. Seniors in North Port comprise only 1/4th of the total service area elderly.

The applicant maintains that based on the data in the table above, the majority of the service area elderly reside outside of North Port and that percentage increases even further when one North Port Zip Code area is shifted into the SSA as defined by the applicant. The reviewer notes that the NPH service area consists of the following Zip Codes: 34286, 34287, 34288, and 34291 (PSA) and 33948, 33952, 33954, 33981, 33983, 34269, 34289, 34292, and 34293 (SSA). Zip Codes 34286, 34287, 34288, 34289 and 34291 are North Port Zip Codes. BHPC notes that the PSA is intended to represent 75 percent of a hospital's admissions, yet

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less than 25 percent of the elderly reside in the PSA. CHS states that while North Port has approximately 70,000 persons²⁵ the majority are under 65 years of age and the primary population base in North Port consists of younger persons and families who utilize inpatient healthcare services the least. The opposition determines that this population base can benefit from the availability of physicians and outpatient services that are not CON regulated or contingent on the availability of a hospital.

Opposition notes that four Port Charlotte Zip Codes adjacent to North Port have 70 percent more elderly than the PSA and there are two tertiary hospitals with available beds in Port Charlotte. Overall, BHPC maintains that the applicant does not provide a basis for anticipating that residents of Port Charlotte, Punta Gorda or Venice would out-migrate for health care services.

BHPC computes the 65+ use rate, admissions and ADC within the PSA and expects for increases in the census to be absorbed by existing hospitals. Incremental increases in obstetric and tertiary cases for the whole population in the entire service area are also stated to not justify the addition of a new hospital. Opposition notes discrepancies in the depiction of the North Port elderly population geographically within CON application #10501. BHPC notes that there are no use rates or computations within CON application #10501.

Applicant's Need Rationale: Construction Strongly Supported by Residents and North Port Authorities

BHPC refutes the assertion that the construction of the proposed project has community support and describes how local and governmental support for the UHS proposal is not apparent as evidenced through absent letters of support from city leaders, commissioners and no medical hospital task force members. Excerpts from articles published in the Herald Tribune on October 12, 2017 and the North Port Sun (June 2017) are referenced.

Applicant's Need Rationale: North Port Residents Travel Long Distances

As a result of the applicant not identifying the proposed site for the hospital project, BHPC states that it is difficult to compare and contrast distances and to assess if the proposed project will enhance access for service area residents. BHPC describes how the Port Charlotte portion of the service area is closer to BHPC and FMH, the Venice portion of the service area is served by VRBH and the Punta Gorda portion of the service area is closest to BHPG, BHPC and FMH. Most of the North Port Zip Codes are located within 30 minutes of each Zip Code and especially

²⁵ The reviewer notes that the total population of North Port appears to reference the totals for values of North Port Zip codes indicated in Tables 4 and 5 on pages 21 – 22 of the BHPC WSO

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to the proposed VRBH replacement. The opposition also considers the impact of CON application #10457 and CON application #10458 on access within the service area which are pending Recommended and Final Order. A chart depicting the travel times from each hospital to the geographic centroid of North Port Zip Code Areas is included below.

Travel Times from Hospitals to Geographic Centroid of North Port Zip Code Areas					
	34286	34287	34288	34291	34289
North Port Hospital - if at Geographic Centroid - 34287	16	-	22	10	19
Bayfront Health Port Charlotte	21	23	15	25	19
Venice Regional Bayfront Health	27	23	32	25	26
Venice Replacement Hospital	18	18	23	15	17
Fawcett Memorial Hospital	21	23	15	25	19
Englewood Community Hospital	31	19	34	26	22

Source: BHPC WSO, page 27

Yellow highlight represents all times less than 20 minutes from existing hospitals and blue highlights represent all times between 21 and 30 minutes.

In general, CHS maintains that the demographics of the service area and anticipated future incremental utilization will not result in enhancements to access that are insufficient to warrant approval of the application.

Applicant’s Need Rationale: Underserved with Respect to Physicians

BHPC maintains that the query used to identify physicians by Zip Code and area of Sarasota County does not account for Port Charlotte and Punta Gorda which are contiguous to North Port. BHPC notes that a portion of Punta Gorda was included in the applicant’s service area. BHPC states that addresses in the state database that were used by the applicant disregard physician practices with multiple offices. Opposition considers addresses for physicians whose licenses are null, void or retired may have also been included in the analysis. BHPC maintains that the subset of physicians with primary offices is less than the number of active physicians within Port Charlotte and Punta Gorda. Opposition refutes the assertion that there is an apparent disparity between the elderly population and distribution of physicians’ offices in North Port sufficient to warrant approval of the proposed project as a similar difference in the elderly to physician ratio can be observed in Venice. While characterized as a useful planning tool, opposition maintains that the need analysis for physicians by subspecialty does not account for research on part-time/full time specialists in the area or work/commuter patterns of residents visiting physicians’ offices. BHPC does not anticipate that the recruitment forecast for physicians will generate need or sufficient volume/market shares to justify need for a hospital. The reviewer notes that the WSO did not identify a primary care health professional shortage area (HPSA) as designated by the US

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Department of Health and Human Services' Health Resources and Services Administration Bureau of Health Workforce nor did NPH.

Applicant's Need Rationale: Long Travel Times by EMS, Including For Heart Attack, Stroke and Trauma Patients

CHS indicates that the addition of a new hospital will not significantly reduce EMS travel times to other facilities. Opposition notes that based on the proportion of patients being transported to the SMH Emergency Room in North Port, most patients are not leaving the area. BHPC indicates that the dispatch to enroute, enroute to/at scene and at scene to depart are insensitive to the addition of a new hospital. The opposition notes that the depart scene to destination and at destination to transfer care times demonstrate that the existing emergency rooms are not on diversion status and would unlikely be impacted by an additional hospitals.

As the address for the proposed facility is unknown, CHS maintains that the average travel times from incident to the Emergency Room may not be altered. Improvements in travel times to heart attack patients, stroke patients and trauma patients are questioned as opposition maintains that there is no guarantee that patients would be transferred to NPH as opposed to SMHs North Port Emergency Room. BHPC notes that statutory protocols dictate the transfer of these types of patients and will likely not be affected by the introduction of the hospital. Outside of the service area, 34.0 percent of patients are transferred to facilities within 20 – 25 minutes with these times not expected to alter with the implementation of the proposed project.

Applicant's Need Rationale: Enhance Competition

CHS notes that the comparison of charges by provider in table seven of CON application #10501 excluded BHPC. Opposition maintains that its net revenues per adjusted patient day are less than Manatee Memorial Hospital, Lakewood Ranch Medical Center and all other providers included in the analysis with reference to the 2016 AHCA Financial Cost Report. BHPC assumes that the proposed project will operate like Lakewood Ranch Medical Center, which has the highest revenue per patient day—62.0 percent greater than BHPC and 22.0 percent greater than VRBH. Opposition cites issues with the analyses included in tables 8 and 9 of CON application #10501. BHPC determines that charges are meaningless in light of the use of DRGs by commercial plans, the percent of Medicare and per diems. The opposition indicates that charges are relevant to out of network expenses and that insurance companies are savvy enough to avoid charges for reimbursement based on their knowledge of charge structure histories.

Applicant's Need Rationale: Beneficial Impact on Charges

BHPC cites flaws in the analysis included in table nine of CON application #10501 which compares gross average charges across top DRGs. The opposition notes that the applicant includes only two Subdistrict 8-1 hospitals which were omitted from two prior tables. Reimbursement formulas of governmental payers and commercial payers are noted. BHPC does not anticipate how the proposed project will have a positive and material impact on the cost of healthcare services as the applicant does not provide a future volume by payer mix for the proposal.

Additional Service Area Observations Impacting Viability of North Port Hospital

In analysis of the applicant's service area, opposition states that general migration patterns in conjunction with the availability of like and existing services were not fully evaluated as they related to the Zip Codes of the applicant's PSA. BHPC states that the market shares and projections are overstated and improper.

Overlapping Service Areas

Maps depicting the service area and location of the proposed project, licensed acute care hospitals in Sarasota and Charlotte Counties and locations of CON projects #10457 and #10458 are included on pages 35-36 of the BHPC WSO. Distances from conditionally approved projects to the centroid of Zip Code 34287 in North Port are noted. Overlap between the BHPC service area and proposed project's service area are also noted. The following table is included on page 37 depicting overlap between the two areas.

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North Port Hospital PSA and Bayfront Health Port Charlotte Defined Service Area			
Zip Code	Area	North Port Hospital Service Area	BHPC Service Area
34286	North Port	PSA	PSA
34287	North Port	PSA	PSA
34288	North Port	PSA	SSA
34291	North Port	PSA	SSA
34289	North Port	SSA	SSA
33954	Port Charlotte	SSA	PSA
33952	Port Charlotte	SSA	PSA
33948	Port Charlotte	SSA	PSA
33983	Punta Gorda	SSA	PSA
34269	Arcadia	SSA	SSA
33981	Port Charlotte	SSA	SSA
34923	Venice		-
34292	Venice		-
34223	Englewood		SSA
34224	Englewood		SSA
33947	Rotunda West		SSA
33982	Punta Gorda		SSA
33955	Punta Gorda		SSA
33953	Port Charlotte		SSA
34266	Arcadia		SSA
33980	Punta Gorda		PSA
33950	Punta Gorda		PSA

BHPC WSO, page 37. *Highlighted rows represent overlapping service areas.

Opposition determines that the widespread hospital coverage in southern Sarasota County and north Charlotte County does not demonstrate that financial, geographic or programmatic barriers exist at an extent that would warrant approval of the proposed project.

Service Area Analysis and Forecasts

BHPC states that the applicant appears to disregard the network of outpatient clinics in the defined service area that are affiliated with the existing acute care hospitals in Sarasota and Charlotte Counties. CHS notes that clinics are staffed with physicians and physician extenders that meet the needs of service area residents. BHPC estimates that the applicant has overstated non-tertiary acute care discharges in the service area with the inclusion of CMR discharges and long term acute care discharges which together overstate the “universe” of cases against which the applicant applies population changes. Opposition evaluates total trauma alerts included in the NPH data set as not all trauma cases are identifiable as such in the MS-DRG set. The forecast of discharges arising from applying total historical discharges by payer and population change percent is cited as a deficiency in the applicant’s analysis as the

distribution of population across age cohorts is not constant, resulting in an overstated forecast. BHPC notes that the applicant's forecast with non-tertiary and obstetrics should be based on the population change of females age 15 – 44 and not the overall population increase. BHPC also states that the applicant has failed to evaluate discharge use rate trends or account for forecasts in light of the SMHLR project which contains an overlapping service area.

History of Medicaid Services

BHPC provides a table demonstrating the overall provision of Medicaid and Medicaid HMO across providers in Sarasota and Charlotte County. Opposition notes that hospitals in Charlotte County were excluded from the applicant's analysis. In general, the opposition highlights the proportion of Medicaid care at hospitals with obstetrics and neonatal programs which exceed the overall average Medicaid percentages. In review of the historical provision of Medicaid at UHS-affiliated hospitals in Manatee County on page 42 of the WSO, BHPC notes that Manatee Memorial Hospital has a "higher percent" which is attributed to the obstetrics and neonatal programs at its facility in comparison to "low" provision of Medicaid at Lakewood Ranch Medical Center.

Obstetric Services

Opposition states that existing obstetrics providers are serving residents of the service area with sufficient capacity for any increases in NICUs which are considered the local standard of care. BHPC notes that (95+ percent) providers serving south Sarasota County and north Charlotte County each have NICU programs with 24/7 coverage. BHPC provides a table depicting the historical PSA obstetrics cases from CY 2013 – 2016 and the female population aged 15 – 44 on page 42 of the WSO. The table reflects that the total of PSA obstetrics discharges has changed by 1.0 percent while the female 15 – 44 population has changed by 6.0 percent. From this, BHPC concludes that utilization is flat in comparison to increases in the female population. Opposition anticipates that use rates will decrease over time.

Based on the forecasted market share (50.0 percent), opposition states that forecasted obstetric cases will represent a low volume program. CHS also concludes that the applicant's forecast is aggressive and unattainable when taking into account the primary available obstetric/NICU programs (at BHPC and the forecasted obstetrics cases of the SMHLR program).

Forecasted Service Area Cases

In critique of the applicant's forecast methodology, BHPC states the following:

- The applicant's methodology does not consider use rates and trends and combines obstetrics with non-tertiary cases

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- The end result of applying each category of payer and increases in the category by population growth by Zip Code compounds and overstates the forecast at the payer level
- Substituting payer mix for an age group is inappropriate as is consolidating obstetrics cases and forecasting by age 0 – 64 total population as opposed to females age 15 – 44
- Applying population changes to age cohort is not the most appropriate approach and applying population changes to case by payer is not used and results in erroneous forecasts
- Forecasting by health planners is accomplished by analyzing use rates (discharges per 1,000 population), determining such trend and then applying the use rate to the future demographics at the age cohort level—this forecasting methodology was not utilized by the applicant

SMH Laurel Road Impact on North Port Hospital Service Area

Opposition provides a map depicting the SMHLR and NPH service area overlap on pages 45 - 46 of the WSO. BHPC states that the service area cannot support an additional hospital proposed by NPH or SMHLR. BHPC maintains that CON application #10501 does not consider SMHLR and CON application #10500 did not consider the NPH application, though both proposals have overlapping service areas. BHPC identifies a significant overlap in the entirety of North Port and two Venice Zip Code areas. Opposition contends that since the SMHLR project was preliminarily approved previously, both proposals forecast meaningful and significant market share in the overlapping Zip Code areas and are not feasible together. BHPC maintains the limitations in the feasibility of both proposals (SMHLR and NPH) are underscored in analysis of the overlap between the PSAs of the projects.

Adverse Impact on Bayfront Health Port Charlotte

BHPC anticipates a significant adverse impact on its existing campus' inpatient, ED and outpatient volume upon implementation of the proposed project.

Population and Market Discharges

Charts depicting the applicant's proposed service area, overall Zip Code area by age cohort and the female population aged 15 – 44 for 2017, 2021, 2022 and 2023 are included on pages 48 – 49 of the WSO. BHPC makes the following notes with regards to the population:

- The PSA currently has approximately 71,000 persons and is expected to increase to 78,000 in the next five years.
- Its 65+ population is approximately 17,500 and will increase to 20,500 (increase of 17.6 percent). Yet, the forecast in Table 19 has Medicare discharges increase nearly 30 percent.

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- The increase in population multiplied by the discharge use rate does not result in a quantifiable population to support the development of NPH.
- There are sufficient beds distributed throughout the two subdistricts to care for today's population as well as those into the next decade.

BHPC indicates that the applicant's non-tertiary, non-specialty data included discharges that were inappropriate. Opposition notes that it included pediatric discharges in its discharge analysis, as this group was not expressly excluded or included in the analysis. BHPC states that service area residents had approximately 21,800 non-tertiary hospital discharges in CY 2016 when analyzing med/surg discharges that met the MS-DRG criteria utilized by the applicant. CMR and long term acute care discharges were also excluded. Historical discharges for 2014, 2015 and 2016 are included by Zip Code of the applicant's proposed service area on page 51 of the WSO. BHPC maintains that obstetric cases were analyzed separately from non-tertiary cases as they have different trends and are impacted by different population dynamics, *i.e. total population vs. female population*.

The opposition notes the following trends in relation to discharges:

- The PSA generated less than 25.0 percent of total service area cases in the last three years
- The four Port Charlotte Zip Codes in the SSA generate 70 percent more admissions than North Port
- It is unclear if the applicant actually considered the availability of the three Charlotte County hospitals and their services, including BHPC, in conjunction with market share estimates for the NPH proposal
- Two of three Venice Zip Code areas are included which by themselves have almost as many admissions as the totality of North Port
- There is one hospital in Venice accounting for the majority of the applicant's identified Zip Code area admissions

Discharge Use Rates per 1,000 population

BHPC describes how differences in the discharge use rates can be attributed to differences in age across the applicant's proposed service area. The opposition provides a table summarizing the non-tertiary cases by service area Zip Code and age cohort presented in a table on page 53 of the WSO. The overall service area discharge use rate for all adults is computed at 103.7 cases per 1,000 population. See the table below.

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Discharge Use Rates Per 1,000 Population		
Total Population Discharge Use Rates		
Year	PSA	SSA
CY 2014	73.5	116.2
CY 2015	75.2	115.7
CY 2016	77.4	116.6
65 And Older Discharge Use Rate		
Year	PSA	SSA
CY 2014	181.4	213.0
CY 2015	178.1	210.6
CY 2016	180.9	209.7

Source: BHPC WSO, page 52

The opposition notes the following trends:

- The 65+ discharges per 1,000 population are showing an overall two year decrease since CY 2014
- The applicant’s proposed home Zip Code area, 34287, has a use rate of 171.8 in the most recent CY—lower than both the PSA and the SSA
- Obstetrics use rates have shown fluctuations from 2013-2016

Bayfront Health Port Charlotte Utilization and Market Share in Proposed Service Area

CHS describes its existing market share in Port Charlotte and North Port, noting in particular the strength of its obstetric program. In a table depicting BHPC’s inpatient, ED and ambulatory surgery market share penetration of the applicant’s proposed service area, opposition accounts for 24.8 percent of the inpatient market share, 20.0 percent of the ED market share and 5.6 percent of the ambulatory surgery market share within the applicant’s proposed service area. As a result, BHPC expects the implementation of the proposed project to impact non-tertiary inpatient, outpatient and tertiary cases at its existing campus.

Bayfront Health Port Charlotte’s Reliance on Service Area

BHPC also provides another analysis which describes the contribution of cases within the applicant’s proposed service area in relation to the total volume of inpatient, ED visits and ambulatory surgery visits. In a table which references the same data included in the market share analysis (with the exception that ED visits exclude mental disorder related visits), noting that discharges from the applicant’s proposed service area account for 65.7 percent of BHPC’s inpatient discharges, 75.3 percent of BHPC’s ED visits and 57.7 percent of ambulatory surgery visits. Based on this data, opposition anticipates experiencing adverse impact from implementation of the proposed project.

Forecasted Service Area Utilization

Opposition notes the description of the applicant’s med/surg service area discharge methodology. BHPC provides tables of the applicant’s forecasted service area discharges by age cohort and Zip Code from 2021 – 2023. Opposition states, the applicant’s methodology was faulty and updates forecasted area discharges with use of the most recent use rate to forecasted population by age cohort and Zip Code to arrive at future forecasted discharges.

Applicant Forecasted Market Share

BHPC describes the applicant’s forecasted market share analysis methodology in table 21. CHS determines that the applicant’s forecasted market shares are generally unattainable within the PSA or overall service area. BHPC expects for implementation of either of the proposed projects in CON applications #10457 and #10458 to have an adverse impact on the applicant’s proposal. Opposition provides tables on pages 62 – 63 depicting the applicant’s market share applied to the forecasted volumes (corrected) which result in volumes that are less than the applicant forecasts in table 22 of CON application #10501. The opposition additionally provides a table depicting the forecasted discharges within the North Port defined PSA for the NPH proposal and SMHLR which is reproduced below.

North Port Hospital and SMHLR Forecasted Discharges: North Port Defined PSA (34286, 34287, 34288, 34291)			
	Non-Tertiary	Obstetrics	Total
Total Service Area	6,393	698	7,091
North Port Hospital	3,724	400	4,124
SMH Laurel Road Hospital	2,003	443	2,446
Combined Two Hospitals	5,727	843	6,570
Percent of Service Area	89%	121%	93%

Source: BHPC WSO, page 64

Opposition determines that implementation of both projects is not feasible and will adversely impact BHPC’s existing obstetrics and NICU programs. BHPC identifies as the only Level II NICU provider in Charlotte County in comparison to SMH in Sarasota County and Lee Memorial in Lee County.

Case Impact to Existing Providers

BHPC provides a case impact analysis among existing providers for CY 2021 – CY 2013 on pages 66 – 67 for obstetrics and non-tertiary cases. Case impact analysis includes providers in Charlotte, Manatee and Sarasota Counties as well as All Childrens Hospital and “All Other”.

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The opposition forecasts a loss of 1,088 cases (non-tertiary, obstetrics), which is described as a substantial and material impact. BHPC states that if the applicant's forecasted market shares by Zip Code in the SSA are understated, especially in Venice and Port Charlotte, the impact on area hospitals is expected to be greater. CHS maintains that south Sarasota County cannot support the addition of a new hospital.

Financial Impact to Bayfront Health Port Charlotte

Opposition forecasts that it will experience a financial impact loss of \$3,928,000 in non-tertiary cases, \$232,000 in obstetrics cases and \$1.8 million in outpatient activity at the existing campus as a result of the proposed project. A table summarizing inpatient and outpatient financial losses is included on page 70 of the WSO. Emergency room admissions are also anticipated to be redirected to Manatee Memorial Hospital and surgery patients are anticipated to be referred to UHS-affiliated hospitals in Manatee County. BHPC anticipates that the workforce of neighboring providers will be cannibalized resulting in adverse impacts on the provision of quality care.

Other Factors for Consideration and Letters of Opposition

BHPC maintains that no letters of support were provided from community residents or area physicians for CON application #10501, while letters of oppositions were received from community leaders and physicians. CHS includes a supplement of reasons to consider for denial of the proposed project on pages 71 – 73 of the WSO which include letters of opposition, other rationales and prior CON decisions.

Bayfront Health Punta Gorda (BHPG) submitted a WSO to CON application #10501 and states that approval of the proposed project will result in the duplication of readily available services that would adversely affect other providers and will not provide any meaningful benefit to residents of the area. Attachments and letters of opposition to CON application #10501 reflect the attachments and letters of opposition included in the BHPC WSO.

Analyses presented in opposition to CON application #10501 mirror opinions proffered in the BHPC WSO, in certain areas the analyses are contextualized to BHPG. The reviewer has summarized conclusions of these contextualized analyses below:

- BHPG has gross revenues per adjusted patient day and net revenues per adjusted patient day well below the values in table seven of CON application #10501--\$1,650, lower than any of the hospitals in Sarasota County and UHS-affiliated hospitals in Manatee County
- There is an overlap between the existing BHPG defined service area and NPH's proposed service area definition relative to all area licensed and proposed hospitals

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- BHPG accounts for 2.6 percent of the inpatient market share, 3.6 percent of the ED market share and 2.9 percent of the ambulatory surgery market share of the applicant's defined service area
- The NPH service area accounts for 13.7 percent of inpatient discharges, 17.7 percent ED visits and 37.2 percent of ambulatory surgery visits at BHPG
- BHPG anticipates an inpatient case loss of at least 100 non-tertiary cases (loss of \$400,700) and a loss of \$265,700 from losses in outpatient cases--\$666,400 total

Englewood Community Hospital, Inc. (ECH) and Fawcett Memorial Hospital Inc. (ECH/FMH, HCA) contend that the targeted service area of the proposed project currently enjoys robust competition with six ²⁶ existing acute care hospitals that provide care to area residents. Opposition to the proposed project explains that hospitals proximal to the proposed service area have adequate unoccupied beds to meet the anticipated increase in patient days through 2023, as projected in CON application #10501. ECH/FMH maintains that the proposed facility will not significantly improve the accessibility, availability or quality of acute care services to residents of south Sarasota County, northern Charlotte County or DeSoto County. HCA also determines that an additional hospital is not needed to meet inpatient acute care needs of the residents in the area.

ECH/FMH concludes that the applicant failed to identify any community, regional or population group-specific need that is not already being met by existing hospitals. Opposition challenges the applicant's assertions that existing facilities are too distant to offer reasonable access to residents of the proposed service area or that existing facilities are approaching "functional capacity". ECH/FMH determines that there is no need for additional acute care beds in Sarasota County or in the identified service area of the proposed hospital. FMH discusses its plans to add 20 inpatient acute care beds in all private rooms and additionally expresses a commitment to serve the needs of the service area population in a timely manner.

Despite the applicant's observations that the population of the identified service area is large and growing rapidly with a high proportion of elderly residents, opposition states that the applicant ignores the availability of empty acute care beds available to meet the needs of the identified population currently and throughout forecasted periods. ECH/FMH additionally questions the applicant's capacity to attract physicians to its hospitals as no letters of support from physicians or other documentation was provided to demonstrate that the future availability

²⁶ On page 24 of the summary of key findings relative to applicable statutory criteria, ECH/FMH states that the service area enjoys robust competition from seven existing acute care hospitals

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of an adequate physician base exists to support the proposed hospital. Opposition notes that local recruitment to NPH will result in further adverse impact on existing providers.

The opposition contends that the need analysis included in the application suffices to depict future demand for services NPH anticipates to capture for its proposed project and not a demonstration of inadequate capacity, access or availability of existing facilities to meet the present and future needs of area residents. ECH/FMH states that the applicant’s rationale that “There are no licensed or approved acute care hospitals in any of the four Zip Codes that comprise NPH’s PSA” is not an appropriate need-based standard for an additional hospital.

ECH/FMH concludes that the applicant has failed to explain the basis for the projected market share assumptions and the adverse impact on existing hospitals servicing the area in the event that actual market share assumptions exceed estimates. Opposition notes that the applicant has failed to account for surplus beds within or adjacent to the identified service area to meet all of the projected additional demand for inpatient care expected to be generated by existing and future service area populations throughout the forecast period, including planning for expansions of existing facilities intended to address current and future demand.

HCA provides the following table forecasting the impact of the proposed project to existing providers:

Projected Patient Days at Area Hospitals: Adult Non-Tertiary/Specialty DRGs per North Port, LLC, No CMR. North Port Hospital Proposed Service Area CY 2023			
Hospitals	Patient Days Without SMH Laurel	Patient Days With SMH Laurel	Difference
Bayfront Port Charlotte	33,108	26,563	-6,545
Bayfront Punta Gorda	3,938	3,159	-778
Doctors of Sarasota	2,578	2,069	-510
Englewood Community	2,660	2,134	-526
Fawcett Memorial	37,439	30,038	-7,401
Sarasota Memorial	16,437	13,188	-3,249
North Port Hospital		25,220	25,220
Venice Regional	17,274	13,859	-3,415
Other	13,733	11,018	-2,715
All Hospitals	127,576	127,576	0

Source: ECH/FMH WSO, page 8
 Values shaded are incorrect

Opposition indicates that despite the project shares provided, the applicant notes plans for future growth in its initial design as there are no regulatory barriers if the application is approved to the physical

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expansion of the facility and addition of beds. ECH/FMH describes how the adverse impact of the proposed facility could be more significant. HCA notes that the losses indicated in the forecast translate to losses of \$1.57 million at ECH and more than \$19.1 million at FMH.

ECH/FMH next evaluates the geographic access within the proposed service area in order to determine if the proposed project resolves identified access issues. In review of the applicant's geographic driving time analysis presented in the application and an external analysis conducted by HCA determines that the analysis fails to demonstrate that there are geographic access issues within the service area and instead demonstrates that several existing (four to five) hospitals are available to residents of each of the five Zip Codes included in the applicant's analysis. Opposition determines that existing facilities are accessible to residents geographically and that existing facilities within the proposed hospital's targeted service area are also accessible as evidenced through the extent of utilization at existing facilities.

A table summarizing the licensed acute care inventory, utilization and unoccupied acute care beds among existing providers in Charlotte County and Sarasota County are included in the table on page 12 of the WSO. The opposition documents 1,837 acute care beds, 48.0 percent occupancy, an ADC of 876 and an unoccupied acute care bed inventory of 961 beds. Forecasts of the projected empty bed inventory and variable excess bed count by age cohort are included in Appendix 3 of the WSO.

ECH/FMH maintains that southern Sarasota County, northern Charlotte County and Desoto County are already well-served by existing providers. Within the applicant's PSA, opposition determines that there are three facilities with 284 empty beds and two additional facilities within 30 minutes of the applicant's PSA with a total of 292 available beds.

An analysis depicting the overlap between the applicant's proposed service area and the service areas of ECH and FMH are included in Appendix 5 of the WSO. HCA maintains that the applicant's proposed service area is well-served by existing providers. A map of the service area overlap is included on page 14 of the WSO. An analysis of the driving time and distance analysis between the geographic centroids of 13 Zip Codes included in the applicant's service area to existing providers, conditionally approved projects (CON application #10457 and CON application #10458) and a surrogate indicator for the proposed project's location (Zip Code 34287) is determined to demonstrate that the proposal will not appreciably improve driving distance or average drive times for the majority of residents of the proposed service area. Based on the analysis, opposition contends that approval of the proposal is not warranted on the basis of increased access.

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Opposition cites issues in the methodologies and rationales the applicant uses to assert that the proposal will result in a positive impact on patient charges. The analysis and conclusions of utilization of routine inpatient services by patients by primary payment source within the applicant's proposed service area restates the analysis provided on page 21 of the ECH/FMH WSO against CON application #10500. ECH/FMH determines that the proposed project's capacity to affect reimbursement will be marginal at best and health system cost increases related to competitive pressures like scarce professional personnel are a likely outcome of approval of CON application #10501. Opposition maintains that approval of the proposed project is not merited on the basis of expected competitive benefit.

Based on the documented historical provision of Medicaid and indigent care at UHS-affiliated acute care facilities in Manatee County, ECH/FMH determines that the applicant's stated conditional intent to provide Medicaid and self-pay/charity services at least equal to 11.8 and 4.2 percent of total inpatient charges is less than UHS' actual capacity to serve these groups. The opposition critiques the appropriateness of the methods and rationales the applicant uses to determine that the proposal will result in enhanced access to the Medicaid and indigent patients. Overall, ECH/FMH concludes that NPH fails to demonstrate financial access issues within the proposed service area and appropriately interpret payer groups in its analysis. HCA also determines that while the proposed facility will increase convenience for some Medicaid and Medicaid indigent groups within the applicant's proposed service area, convenience is cited as an inadequate justification for approval of the project in context with its expected substantial impact on existing providers.

Fundamental critiques of the applicant's proposal are restated on pages 23-25 of the WSO.

Sarasota County Public Hospital District (SCPHD) d/b/a Sarasota Memorial Hospital (SMH) in opposition to CON application #10501, SMH indicates that CON application #10500 presents a stronger and more detailed case. Additionally, SCPHD describes possessing a better track record than NPH in terms of proposed health care services to be offered, improved access to care for seniors, mothers, other traditionally underserved populations, the enhancement of Medicaid availability and increased competition to promote quality of care with respect to SMH's CON proposal.

SMH provides a historical account of CON applications #10457 and #10458 which are currently in litigation. In description of the proposed licensed inventory of both projects, SCPHD underscores that neither of the projects involves the addition of new beds and that approval of both

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projects would result in a decrease of 102 beds as a result of implementation of the VRBH replacement proposal. SCPHD describes how the proposed NPH project would result in the addition of a new hospital provider not currently operating in the district and discusses how implementation of the project would result in patients being drawn from existing hospitals like VRBH and SMH.

Lack of Local Governmental Support

SCPHD provides a historical account of the City of North Port's measures to establish a hospital. The historical account cites the submission and withdrawal of CON application #10430 and the establishment of a Medical Hospital Task Force for the purposes of:

- Assessing demand for a hospital
- Identifying potential partnerships for the development and operation of the hospital
- Evaluating potential public/private partnerships for ownership of the hospital
- Identifying the scope of services to be offered
- Land, circulation and infrastructure necessary to support the hospital

A summary of the draft letter of intent submitted by UHS to the City of North Port on May 22, 2017 is provided on pages two and three of the WSO as an attachment to the WSO. SMH maintains that UHS submitted CON application #10501 without formal endorsement from the City of North Port. As a result of the submission of the application, the City of North Port's Medical Hospital Task Force needed to redirect its assessment of potential partners. A timeline of Medical Hospital Task Force and city commission events related to plans for a hospital in North Port are provided on pages two through four of the WSO. SMH notes that a special meeting of the North Port City Commission was held on November 2, 2017 which resulted in the Medical Hospital Task Force being disbanded. Opposition discusses how no formal action was taken to endorse the NPH application and that efforts proposed by UHS were being reviewed as preliminary levels of the City's North Port hospital plans.

SMH describes how the city commission directed city management to accumulate community letters of support for the NPH. From this sequence of events SCPHD determines that it is evident that both elected officials and citizens desire a hospital within North Port and concludes that population growth within North Port can support a hospital in another appropriate time. SCPHD states that UHS appears to have preempted a thoughtful planning process that was initiated by the City of North Port and describes how UHS attests to the inability of its existing hospitals in Manatee County to serve as referral centers. SMH underscores its commitment to provide health care services to all residents of Sarasota County and to proceed with its long-standing plans

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to develop SMH at North Port when growth of the population and the local physician base can support a viable acute care facility. The proposed project in CON application #10500 is stated as a complement to the scope and breadth of services that a proposed hospital in North Port will offer.

Minimal Local Support

Based on letters of support submitted with CON application #10500, SMH describes how the diversity and volume of letters of support reflect scarce local support for the proposed project. SCPHD expresses a commitment to establishing a hospital in North Port in the future.

Conditions Predicated Upon Award

SMH evaluates conditions presented in CON application #10501 and critiques the following condition:

The Hospital will also provide positions for residents wishing to train at North Port Hospital, consistent with its training missions at Manatee Memorial Hospital and other UHS Hospitals. The Hospital will report its filled residency positions to the Agency annually.

SMH states that this commitment is misleading, as NPH would not be the sponsoring institution for this post-graduate training and anticipates that residency positions would likely be rotated with NPH serving as one of the “Participating Sites” for the Manatee Memorial GME programs either in Family Medicine, Internal Medicine or the transitional one-year AOA approved Traditional Rotating Internship. SCPHD states that ‘Participating Sites’ must be approved by the ACGME Residency Review Committee and for this reason it is unclear what documentation UHS would provide to the Agency to report on filled residency positions. SMH states that NPH does not provide a commitment nor details demonstrating that it will offer new GME programs at the proposed hospital. SCPHD maintains that offering to rotate residents at Manatee Memorial Hospital is not comparable to offering accredited residency programs like at SMH.

No Justification for Special Services

SMH states that no particular age group is excluded from the need analysis presented in CON application #10501 and it appears that NPH based its demand forecasts and market share estimates on all age groups. While pediatrics is speculated to have been included by default in the analysis, SMH notes that discussions of pediatric programs at the proposed facility were not included in the application as would be necessary in support of need for the inclusion of pediatrics.

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In analysis of the inclusion of obstetric services in the proposal, SMH also notes that a justification is not provided for the inclusion of this service aside from the description of the age 15-44 female population.

The inclusion of radiation therapy and therapy services is also critiqued as a discussion of the need for these specialty services is not evaluated in the application. SMH discusses how radiation therapy requires substantial capital and operating costs which are not described in relation to a coordinated regional cancer program. SCPHD indicates that Manatee Memorial Hospital and Lakewood Ranch Medical Center do not offer radiation therapy. SMH describes the subspecialty needs of perinatal services which are not described in relation to a high-risk obstetrics program.

Service Area Overlap

SMH provides the following table to account for overlap between the service areas identified in CON application #10500 and CON application #10501. SMH determines that the overlap in the service areas demonstrates the potential adverse impact of the proposed proposal on the SMH main campus and the SMHLR project.

SMHLR and North Port PSA Overlap						
North Port PSA						
Service Area/Zip Code	North Port		SMH/LR		SMH Main	
	PSA	SSA	PSA	SSA	PSA	SSA
34286 North Port	✓		✓		✓	
34287 North Port	✓		✓		✓	
34288 North Port	✓		✓			
34291 North Port	✓			✓		✓
North Port SSA						
33948 Port Charlotte		✓				
33952 Port Charlotte		✓				✓
33954 Port Charlotte		✓				
33981 Port Charlotte		✓				✓
33983 Punta Gorda		✓				
34269 Arcadia		✓				
34289 North Port		✓		✓		
34292 Venice		✓	✓		✓	
34293 Venice		✓	✓		✓	

Source: SMH WSO, page 7

SMH states that the analysis reflects that the proposed SMH at Laurel Road facility will provide access to residents of North Port. SMH also notes that the home Zip Code for the proposed project in CON application #10501 accounts for the largest projected volume at the SMH

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at Laurel Road facility. SMH maintains that it serves the health care needs of Sarasota County and will continue to serve the health care needs of Sarasota County.

Discharge Volume Discrepancies

In review of discharge volumes forecasted in CON application #10501, SMH indicates that discharge volume projections contained within CON application #10501 account for all hospital types based on a defined set of non-tertiary, non-specialty DRGs. SCPHD discusses how the NPH application apparently included all patient types (including CMR). SMH states that NPH discharge analysis and volume forecasts should have been based on discharges from short-term acute care facilities only and excluded CMR patients. SMH states that the similarity in discharge volumes shown in CON application #10501 and volumes based on all hospitals and patient types shown in table two justifies the assumption that CON application #10501 presented incorrect discharge volumes.

Discharge Volume Projections Are Overstated

SMH states that the volume projection analysis in the NPH proposal represents a dramatic shift from a traditional Zip Code age-cohort population-based methodology to a payer driven-demand formula with an inherent assumption that future use rates are directly linked to payer class distribution. SMH states that the latter approach assumes that there will be minimal change in distribution by payer class in future years which are neither documented in the application nor account for changes in Medicaid/charity care/self-pay that will result from ongoing Affordable Care Act negotiations.

Opposition maintains that demand projections are usually based on either discharge/use rates or population growth rates unlike the methodology used to forecast projections utilized in CON application #10501. SMH attests to being unfamiliar with the methodology which uses payer classes to forecast volume projections and states that a narrative is not provided to account for this projection methodology. An analysis of projected discharge volume using corrected 2016 discharges, the anticipated average annual growth in population for each Zip Code, and a constant use rate is provided on page 19 of the SMH WSO. With the corrected analysis, SMH states that a more reasonable discharge volume forecast for 2022 is 25,353 and 25,707 for 2023 in comparison to 27,309 in 2022 and 27,912 in 2023 indicated in CON application #10501. SMH indicates the ALOS for the service area is 4.6. SMH states that the ADC estimated from its forecasts equate to an ADC of 25 – 28 (20 – 23.0 percent) of the beds in the proposed hospital.

Market Share Estimates Are Very Aggressive

SMH states that NPH forecasted market share assumptions are aggressive for all three initial years. With consideration that the new

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hospital will not have referrals from Manatee County, SMH questions how the proposed hospital will obtain an approximately 60.0 percent market share as service area inpatient activity is split among three or four hospitals. SMH maintains that forecasted market share assumptions are unfounded, unsupported and unjustified. SMH states that the projected market share also excludes the impact of proposed projects in CON application #10457 and CON application #10458.

Adverse Impact

Based on NPH’s introduction into the market as a new provider, SMH states that patients will be acquired from existing providers. For this reason, SMH states that it is erroneous to assume that NPH will capture 100.0 percent of its forecasted market share and that any remaining volume needed to meet forecasts will come from competitors. SMH maintains that NPH expects for market growth to accrue for the benefit of NPH and that existing competitors will not share in market growth—which SMH maintains is erroneous. A table summarizing the analysis presented in CON application #10501 is provided on page 12 of the SMH WSO. SMH’s analysis of the forecasted adverse impact analysis that accounts for volume sharing among existing providers as a result of the proposed project is reproduced below.

Adverse Impact Analysis From NPH Approval, 2023					
NPH PSA	Market Volume		Difference due to NPH		
	w/o NPH	w/ NPH	Volume	Days**	ADC
Market Volume*	7,298	7,298			
To SMH (31.8%)	2,321	1,009	-1,311	-6,033	-16.5
To NPH*	0	4,124	4,124	18,970	52
To Others	4,977	2,165	-2,813	-12,938	-35.4
NPH SSA	Market Volume		Difference due to NPH		
	w/o NPH	w/ NPH	Volume	Days	ADC
Market Volume*	20,614	20,614			
To SMH (8.6%)	1,773	1,654	-119	-545	-1.5
To NPH*	0	1,378	1,378	6,339	17.4
To Others	18,841	17,582	-1,259	-5,794	-15.9
Total	Market Volume		Difference due to NPH		
	w/o NPH	w/ NPH	Volume	Days	ADC
Market Volume*	27,912	27,912			
To SMH	4,094	2,664	-1,430	-6,578	-18.0
To NPH*	0	5,502	5,502	25,309	69.3
To Others	23,818	19,746	-4,072	18,731	-51.3

Source: SMH WSO, page 13

*From North Port Hospital, LLC CON application #10501

**Using an average length of stay of 4.6 as assumed in CON application #10501

Values shaded are incorrect

Opposition states that it is assumed that market shares will remain constant at 2016 levels, and therefore the proposed project will have a significant impact on SMH. SMH states that the potential adverse impact is quantified based on “adjusted patient days” to account for both

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inpatient and outpatient volumes and net patient revenue that would be lost. A serious financial impact is also expected on the SMHLR project as 72.0 percent of south county SMH patient volume is expected to use the Laurel Road location. SMH expects for the adverse impact of the NPH proposal to be catastrophic to its proposal and material to the SMHCS delivery network. An analysis of the adverse financial impact to SMHCS and SMHLR derived from the market share analysis is provided and reproduced below.

Adverse Financial Impact on SMHCS From NPH Approval, 2023	
SMHCS - Q3/2017 Financial Statements	
Net Patient Service Revenue	\$577.5
Patient Days	120,897
Adjusted Patient Days	204,576
Net. Pt. Rev./Adj. Pt. Day	\$2,823
Adverse Impact on SMHCS from NPH - 2023	
Loss of Patient Days	-6,578
Conversion to Adj. Pt. Days	0.591
Loss of Adj. Pt. Days	-11,131
Adverse Impact on Net. Pt. Rev.	-\$31.4
Adverse Impact on SMH/LR from NPH - 2023	
Transfer of SMH Pt. Vol. to SMH/LR	72.0%
Loss of SMH/LR Adk. Pt. Days	-8,014
Adverse Impact on SMH/LR Net Pt. Rev.	-\$22.6

Source: SMH WSO, page 14

Lack of Access Rebuttal

SMH provides an analysis of discharge use rates for Zip Codes that comprise Sarasota, North Port, Venice and the State overall. SMH notes that discharge volume for all short-term acute care hospitals (excluding normal newborns—DRG 795) for 2016 are compared to respective populations by age group. SMH computes an analysis for the discharge rate analysis by area in 2016 for all age groups in Sarasota, North Port, Venice and Florida. The discharge rates adjusted to the Florida population per 1,000 residents are summarized below as they appear in Table 7 of the WSO:

- Sarasota: 90.7 discharges per 1,000
- North Port: 96.9 discharges per 1,000
- Venice: 85.1 discharges per 1,000
- Florida: 117.8 discharges per 1,000

Opposition determines that North Port has a higher discharge rate for all age groups except for those under 15 years. When standardized by Florida’s population by age group, North Port’s overall adjusted discharge rate, 96.9 per thousand, is noted to be higher per thousand people than for Sarasota (90.7) or Venice (85.1). SMH states that this is evidence that North Port residents have at least as much access to healthcare as

residents of Sarasota or Venice. SMH anticipates that patients within the SMH market share will have improved access to acute care with implementation of the SMHLR project.

Lack of Physicians in North Port

SMH states that acute care hospitals require hospital-based specialties and primary care physicians to locate offices in population centers sufficiently large to support practice. SCPHD indicates that referrals for acute inpatient care from office-based primary practices serve as the basis for justifying need for a hospital. The opposition states that acute care hospitals result in additional physicians in the event that a population base exists to support primary care practices that will refer to a hospital.

SMH provides an analysis of times required to drive to work for residents of North Port and notes that nearly one-half of the residents of the home Zip Code for the proposed project will drive at least 30 minutes to their employment. SMH infers that individuals are likely to choose physician offices nearer to work than home. A table summarizing 2011 – 2015 drive times to work for residents of Zip Codes 34286, 34287, 34288, 34289, 34291 in comparison to Sarasota County and the State of Florida is provided on page 16 of the WSO. The applicant states that this time-analysis and inferred provider selection preference will make it more difficult to recruit physicians to the area in order to support a new hospital.

In response to the physician recruiting budget provided in CON application #10501, SMH states that this analysis only refers to attending practices as the professional fee budget would include the six subspecialties identified in the analysis and supplements for stipends/income guarantees for hospital-based specialties.

Comparison of Gross and Net Revenue

Opposition notes that SMH has the lowest charges per adjusted patient day among hospitals in Sarasota County and UHS-affiliated hospitals in Manatee County. SMH provides a table to account for variations in case-mix by patient acuity at SMH, Manatee Memorial Hospital and Lakewood Ranch Medical Center which takes into account open heart cases, neurosurgery cases and cardiac catheterization procedures. The average case mix index of the facilities included in the analysis are summarized below:

- SMH: 1.64
- Manatee Memorial Hospital: 1.45
- Lakewood Ranch Medical Center: 1.36

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SMH indicates that variations in patient acuity are reflected in overall net revenue per adjusted patient day. SMH states that a Level II Trauma Center designation and a Level III NICU unit result in SMH having a higher patient acuity than UHS hospitals and other hospitals in Sarasota County.

SMH also includes an analysis of gross and net charges per adjusted patient day for commercially insured patient populations with the inclusion of “Other Commercial Discounted Payors”. See the consolidated table below.

Comparison of Net Revenue Per Adjusted Patient Day - Commercial Accounts Correction to CON #10501 - Table 8 - Pg. 25		CON #10501 Table 8
Hospital System	Corrected Net. Rev. per Adj. Pt. Day (\$)	Net. Rev. per Adj. Pt. Day (\$)
Sarasota Memorial Hospital	4,586	4,810
Manatee Memorial Hospital	4,774	3,848
Lakewood Ranch Medical Center	5,234	4,651
UHS	4,939	4,145

Source: SMH WSO, page 18

SCPHD indicates that the inclusion of the “Other Commercial Discounted Payors” group results in analysis that accounts for all patients covered by commercial insurance plans. With the inclusion of this group, SMH maintains that the approval of the UHS-affiliated approval will not have any positive impact on lower patient charges for residents of the proposed service area.

Travel Time to North Port Proposed Location

SMH maintains that analyses drive time analyses provided in CON application #10501 reflect that SMH at Laurel Road will be within 30-minute drive time for each of the five Zip Codes of NPH’s PSA. Opposition maintains that SMH at Laurel Road will improve access to acute inpatient services for existing SMHCS patients in south Sarasota County and will support and enhance access to residents of North Port until population growth supports plans for an SMH facility at North Port. SMH notes that its freestanding ED in North Port is anticipated to serve as a conduit for patients.

Rebuttal to SMH Freestanding Emergency Room as “Not Appropriate Setting”

SMH addresses claims about the SMHCS emergency room at North Port’s capacity to serve as an appropriate care setting for heart attack, stroke and trauma patients. SMH notes that 63.1 percent of EMS cases transported by North Port Fire Rescue EMS Division were transferred the SMHCS ER at North Port for the 12-month period ending August 31, 2017. SMH indicates that Trauma Alert cases would go directly to Level II Trauma Centers at SMH or Lee Memorial Hospital in Fort Myers while “Traumatic Injury Not Otherwise Specified” cases could be appropriately

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cared for in an emergency room setting. SMH refutes assertions that its emergency room in North Port is not an appropriate care setting and notes that no documentation is provided to support this claim. Moreover, SMH maintains that residents of NPH’s proposed service area have access to emergency care services and the SMH at Laurel Road facility will further enhance access to acute inpatient services for North Port EMS cases.

Enhanced Competition

In discussion of NPH’s capacity to enhance competition, SMH determines that the proposed services area targeted for the proposed project is already dominated by two proprietary systems, CHS and HCA. SMH anticipates that the addition of a third hospital will do little to enhance meaningful competition as compared to the proposed project in CON application #10500. SMH states that in comparison to the proposal in CON application #10501, the proposal in CON application #10500 will establish a public/not-for-profit alternative for managed care companies and serve the south county population. See the table below.

Proposed NPH Service Area Market Share: Non-Tertiary/Non-Specialty Discharges, 2016	
Provider/System	Combined PSA + SSA
Community Health Systems	
Bayfront Health Port Charlotte	24.8%
Venice Regional Bayfront Health	15.5%
Bayfront Health Punta Gorda	2.7%
CHS TOTAL	43.0%
Hospital Corporation of America	
Fawcett Memorial Hospital	28.0%
Doctors Hospital of Sarasota	2.7%
Englewood Community Hospital	2.7%
HCA TOTAL	33.4%
Sarasota Memorial Hospital	14.5%
All Other Hospitals	9.1%
TOTAL	100.0%

Source: SMH/SCPHD WSO, page 19

SMH also references a draft letter of support submitted by UHS to the City of North Port which requests the prohibition of the development of any other healthcare facilities including outpatient services within the city limits for a period of time violating the statutory criterion of the proposal’s capacity to foster competition to promote quality and cost-effectiveness.

Self-Pay Patient Day Inconsistency

An analysis of patient days reported for select hospitals is provided in comparison to data provided in CON application #10501 and as obtained from AHCA inpatient data files. From this analysis SMH determines that Manatee Memorial Hospital’s reported patient days on its financial

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reports are significantly higher than its AHCA inpatient filings. SMH describes how Manatee Memorial Hospital reports that nearly 12.0 percent of patient days are self-pay within the FHURS FY 2016 financial reports while approximately 2.0 percent of patient days are reported as self-pay based on actual payer discharge data reported to the Agency.

SMH characterizes this difference as a significant discrepancy and further describes how AHCA data files show that SMH has the largest share of self-pay patient days contradicting conclusions and analyses made on page 45 of CON application #10501. See the table below.

Percentage of Self-Pay Patient Days (all discharges excluding normal newborns and CMR)		
Hospital	CON #10501	AHCA
Manatee Memorial	11.7%	1.9%
Lakewood Ranch	6.5%	2.7%
Englewood Community	3.4%	2.9%
Doctors of Sarasota	4.4%	2.7%
Venice Regional	3.3%	2.3%
Sarasota Memorial	5.7%	3.5%

Source: SMH/SCPHD WSO, page 21
Shown for CY 2016 except for SMH which is shown for 12 months ending September 2016

SMH’s Execution of Disaster Preparedness Plan During Hurricane Irma

Opposition refutes claims that SMH resources were used to house staff in lieu of accepting and caring for transfer patients and maintains that transfer requests were facilitated through the Emergency Operations Center (EOC) in accordance with state and local plans and the facility’s capacity to accept transfer requests.

Conclusions

SMH concludes that NPH failed to meet statutory review criteria outlined in sections 408.035 (1) and (2), Florida Statutes.

Venice Regional Bayfront Health (VRBH, CHS) submitted a detailed WSO to CON application #10501 and indicates that approval of the proposed project would result in an unnecessary duplication of services and a substantial and adverse impact to VRBH. Attachments to the VRBH WSO mirror attachments included in the BHPC and BHPG WSOs.

Scope of the Project Proposed in CON application #10501

In evaluation of the scope of services offered by NPH, VRBH reiterates themes discussed in the WSO submitted by BHPG and BHPC. VRBH maintains that despite reasons presented for the proposed project, none of the reasons attributed to need in the application exist at an extent that

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would support approval of the proposed project in North Port to serve residents of Sarasota County, northern Charlotte County or parts of DeSoto County. VRBH maintains that the proposed project fails to respond to a number of statutory review criteria outlined in ss. 408.035, Florida Statutes.

A summary of VRBH's historical service offerings and distinctions and descriptions of the CHS network are included on pages 9-12 of the WSO.

Analyses included in the VRBH statement in opposition to CON application #10501 are restated from BHPC and BHPG WSOs. Conclusions from analyses that were contextualized to VRBH are summarized below:

- VRBH determines that the proposed project will have net revenues per adjusted patient day that are 22 percent greater than historical amounts at VRBH
- VRBH and NPH have overlapping service areas with two of the three Venice Zip Codes
- Due to the widespread hospital coverage in southern Sarasota County and northern Charlotte County, it is difficult to demonstrate that financial, geographic or programmatic barriers exist that are sufficient to warrant approval of CON application #10501
- VRBH accounts for 16.2 percent of the inpatient market share, 14.7 percent of the ED market share and 11.2 percent of the ambulatory surgery market share within the NPH defined service area
- 51.8 percent of inpatient discharges, 50.2 percent of ED visits and 51.4 percent of ambulatory surgery visits at VRBH are derived from the NPH proposed service area
- VRBH is expected to experience a loss of 716 inpatient cases or \$3,278,902 as a result of the proposed project and the proposed replacement hospital (CON application #10458) is forecasted to experience 1,089 cases or \$4,988,364 as a result of the proposed project
- VRBH is anticipated to lose between \$3.3 million and \$5.0 million in inpatient cases and \$3.5 million - \$5.3 million in outpatient cases with a total annual impact of \$6.8 million - \$10.3 million

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

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

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500)

Response to Statements of Opposition from CHS

SMH states that CHS does not give credence to the need to decompress acute and observation case volumes at the SMH main campus in response to criticisms that its proposal to develop SMHLR is a tactic to capture market share at the expense of existing providers, particularly VRBH.

SMH notes that VRBH and SMH already compete in south Sarasota County. The applicant describes how VRBH's market share has declined within the proposed service area, while the market share at SMH has shown consistent growth. SMH maintains that these trends in market share changes demonstrate that there is strong and growing preference for SMH in a market that VRBH leads. For this reason, the applicant anticipates that the proposal will bring services closer to those who prefer its services and will result in increased access to a high-quality provider.

The applicant additionally contests the assertion that its proposal is not merited based on its service overlap with existing providers. SMH notes the proximity of existing providers that opposed CON application #10500 and CHS facilities to competitors outside of the service area. SMH describes the proximity of health care providers and service overlap as beneficial and inevitable since health care benefits from competition. The applicant maintains that its proposal will not be a new entry into the service area as SMH currently serves patients in the south county. SMH asserts that the proposed project is intended to provide a more accessible alternative to its existing campus for residents who prefer its facility.

In response to claims that the proposed service area cannot sustain an additional hospital, SMH describes how its project will not change the licensed bed supply within the subdistrict and will result in only a new building. The applicant expects for the impact on existing providers to be minimal. SMH notes that the Agency preliminarily approved CON application #10457 and CON application #10458 and expresses accord with the conclusion that both proposals can be supported within the service area. The reviewer notes that SCPHD litigated the Agency's preliminary approval of CON application #10458.

SMH contests criticisms that its demand forecasts are inflated as its methodology mirrors methods used in CON application #10458. SCPHD also states that CHS misstates the relationship between SMH's market share gains and SMH's new trauma program. The applicant states that its market share gain analysis within the proposed service area excludes trauma alerts. SMH also describes how increases within its market

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share began in the fourth quarter of 2014, prior to the establishment of its trauma program in May 2015. SCPHD notes discrepancies in the analysis of SMH's trauma registry provided on pages 75 and 79 of the VRBH WSO. SMH further maintains that its forecasted market share is based on one-half of the historical growth in market share and is therefore reasonable, in response to claims that its forecast is unreasonable.

Despite overall flat trends in obstetric volume, the applicant notes that SMH has experienced steady increases in obstetric volume, while BHPC has experienced declines in obstetric volume. The applicant maintains that this trend is determined to demonstrate need for an obstetric program for the proposal.

SMH contests assumptions that bed additions and renovations to its existing campus are being withheld as alleged by CHS during legal proceedings of DOAH Case #17-0510. The applicant notes that Appendix 14 of CON application #10500 includes master site plans completed on October 4, 2017 prior to the omissions response deadline. SMH maintains that long-term bed demand cannot be met on the existing campus and that the proposed facility will serve as a viable solution to decompress the main campus.

The applicant refutes CHS assertions that its proposal has failed to demonstrate access barriers—concerns that were addressed in letters of support for CON application #10500, are cited as evidence that rebut this critique. Legal arguments advanced by CHS in an unrelated CON proposal are also referenced by the applicant on pages six through seven in the response to opposition statements. SMH also states that traffic congestion, long travel times to the existing campus (particularly for mothers and seniors), occupancy data and architectural reviews included in the application reflect the existence of access barriers within the applicant's proposed service area.

In response to criticisms that the proposal would result in the duplication of existing services within the area, SMH indicates that consumers should have choices and alternatives to health care providers. The preferences of consumers in south Sarasota County are attributed to SMH's intent to provide a more accessible health facility in response to consumer preferences in south Sarasota County.

The applicant notes that as the proposal seeks to transfer beds within the subdistrict from its existing to proposed campus, the existence of available beds is irrelevant to its proposal. In reference to historical occupancy changes from 2013 – 2016 depicted in the Agency's Florida Hospital Bed Need Projections for relevant years, the applicant notes that SMH was the only hospital to experience a yearly increase in

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occupancy at a rate which exceeded the rate of growth within the district and state. SMH also notes that CON application #10500 could not account for possible approval of CON application #10501 as review criteria ss. 408.035 (1)(a), (1)(b), Florida Statutes, pertaining to existing health care facilities.

Criticisms of the applicant's capacity constraints are contextualized with respect to the legal discovery phase pertaining to CON application #10457 on pages eight through nine of the response to opposition statements.

SMH states that the proposed project will foster competition through the introduction of a SMHCS inpatient provider in the south county that will serve as an alternative to the charge proprietary systems. SMH states that charges are relevant even for outlier payments counter to claims by CHS that charges are meaningless.

In response to critiques of its reimbursement and payment structure for Medicaid, SMH states that add-on payments are provided based on the volume of disproportionate care provided at a facility and that opposition erroneously assumes that the proposed facility will automatically qualify for the add-on payments at the existing campus. SMH notes that reimbursement levels are adjusted to facilities and Medicaid funding is subject to change annually.

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

The applicant states that its historical provision of care to Medicaid and medically indigent patients demonstrates that SMH will enhance access for Medicaid recipients and medically indigent patients of the service area and notes that a condition of its application is to provide a minimum of 13 percent of patient volume to Medicaid and charity care patients. In rebuttal of claims that the ad valorem tax rate increases at the expense of Sarasota County residents and that proprietary hospitals are disadvantaged by SMH's receipt of ad valorem taxes, SMH discusses the participation of residents in the electoral process of SCPHD Board which determines tax rates and indigent funding being pursued by opposing providers.

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SMH considers the profitability of its operations as evidence of its financial capacity to develop and operate the SMH at Laurel Road in contrast to the financial operations of CHS. SMH includes a summary of inconsistent positions maintained by CHS as compared to rationales presented in CON application #10449, the list of inconsistent positions is itemized on pages 11 – 13 of the response to opposition statements.

Response to Statements of Opposition from HCA

SMH distinguishes itself as the sole non-proprietary provider within the service area indicated to contain six existing acute care providers in the ECH/FMH opposition statement. The applicant reiterates that its proposal will result in a transfer of beds that enhances accessibility and availability for SMHCS residents in south Sarasota County. Legal rationales discussed in the Recommended Order for CON application #10394 are referenced in rebuttal of criticisms of SMH's proposal (summarized on pages 14 – 15 of the response).

SMH challenges HCA's assertion that licensed beds are never held in abeyance during construction/renovation, refutes criticisms of the relationship between observation patients on acute care units, describes SMH's limited capacity to accommodate demand for observation cases and identifies inaccuracies in the description of SMH's occupancy as presented in the HCA WSO. SMH additionally challenges the priority that HCA places on single-patient rooms within its existing campus. The applicant boasts its unique capacity to decompress its existing campus to support additional patient rooms as a result of the financial resources afforded by the SCPHD Board.

SMH further contrasts the architectural analysis of its existing campus performed by TMPartners in the HCA opposition statement with the infrastructural analysis included within Appendix 14 of CON application #10500. The applicant compares conclusions and recommendations from both analyses and determines that the analyses are not in accord.

The applicant questions the appropriateness of the contribution margin approach used by HCA to assess adverse impact analysis of its proposal as a result of the variability in cost allocation algorithms underlying the contribution margin which are described as being institution-specific with variations stemming from changes in patient acuity, staffing models, materials management, use of contract staff, revenue cycle management and other uncited factors.

SMH maintains that patient preferences in providers can prevail over assumptions on how the availability of unoccupied beds and conventional time access standards are expected to determine access. SMH contests the conclusions of the HCA Devastey Drive Time Assessment included in the opposition statement.

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In adaptation of HCA's position that need refers to "members of a community, region or population group served by new or additional health facilities and services"—SMH cites that in 2016, 28 percent of service area residents received inpatient care at SMH and 74 percent of mothers sought obstetrical care at SMH. The applicant describes the use of its ambulatory network in south Sarasota County as annualized from 2017 data. Collectively, these trends are stated to demonstrate how service area residents seeking health services have need for the proposed project.

SMH anticipates that the proposed site will improve access to SMHCS patients in south Sarasota County and address current capacity constraints at the existing SMH campus. The applicant further elaborates that these residents are already aligned with SMHCS and require inpatient services but are confronted with geographic and physical plant constraints at SMH which will be remedied by the proposed project at Laurel Road. SMH states that seniors served by SMH who reside in the proposed service area are most in need of the proposed project as the elderly population is anticipated to increase at a rate that exceeds the future growth of the population overall. The applicant maintains that the inability to decompress the main campus will impact the accessibility of tertiary and other services offered at the SMH campus to residents of the district. SMH maintains that this is not an institution-specific impact.

SMH questions HCA's methods used to assess SMH's demand forecast and ultimately determines that criticisms surrounding SMH's demand forecast should be ignored. The applicant further describes how HCA's impact analysis reveals a higher patient base for other hospitals without SMH at Laurel Road approval and therefore, higher adverse impact than can reasonably be assumed.

In response to the availability of beds and occupancy presented as arguments against its proposal, SMH states that there are many factors influencing occupancy aside from utilization. SCPHD maintains that occupancy becomes less important as hospitals have the ability to add beds without CON approval. SMH states that quality, reputation, scope of services and availability of specialty backup are all factors that affect occupancy targets. SMH discusses how FMH details its facility expansion despite claims that there are sufficient available and underutilized beds within the service area.

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SMH notes the following geographic barriers to access as counter to HCA's assertion that there are no geographic accessibility issues:

- High traffic volume across the Intracoastal Waterway.
- No way to navigate around Myakka River.

SMH notes its financial viability in response to criticisms of its charges, net revenue and costs.

In response to claims that service area residents have six alternatives for hospitals, SMH notes that CHS controls 44 percent, HCA controls 28 percent and SMH controls approximately 21.0 percent of the adult non-tertiary services market share. SMH states that as the lowest-cost provider and the only nationally-ranked Five Star Quality Hospital in Florida, it is difficult to contest that the proposed project will foster competition that promotes quality and cost-effectiveness.

In rebuttal of criticisms surrounding its supplemental funding sources, SMH states:

- Ad valorem tax was voted on by citizens of Sarasota County in 1949 and these tax receipts are managed by a board elected by the citizens who have the power to elect new board members should the community believe these funds are not being wisely spent.
- LIP funding is available to all Florida hospitals meeting defined guidelines in providing uncompensated care.
- DSH payments are available to all Florida hospitals and distributed on the percentage of services provided to Medicaid and medically indigent patients with no guarantee that DSH supplemental payments will continue.

SMH notes its historical provision of 87 percent of combined Medicaid and charity care in Sarasota County and its Schedule C condition related to the provision of care to underserved groups.

Response to Statement of Opposition From North Port Hospital, LLC

SMH contests NPH's assertion that it failed to address preliminary approval of CON application #10457 in its proposal. The applicant states that it intends to pledge withdrawal of CON application #10500 as a condition in the Final Order approving CON application #10457. SMH additionally states that NPH's proposal would result in the addition of beds to the proposed service area and counter need arguments that there are ample excess beds available within the subdistrict and immediate service area proposed by SMHLR.

Concluding remarks in response to the NPH WSO address SMH's conduct in relation to disaster preparedness. The applicant describes how the existing SMH campus enacted a Disaster Preparedness Plan on September 8, 2017 in preparation for Hurricane Irma. SCPHD attests to

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receiving a call from the Florida Hospital Association seeking to coordinate transfers for Manatee Memorial Hospital. SMH states directing transfers through the EOC in accordance with state and local emergency plans.

SMH indicates communicating bed availability and responding to transfer requests through FLHealthStat. On September 8, 2017 SMH states that hospitals north and south of its existing campus went on diversion and evacuated patients. Consequently, SMH received an influx of patients from Manatee, Sarasota and Charlotte Counties which reduced the availability of beds from 200 (as reported on September 7, 2017) to 37 at the end of September 8, 2017, according to the applicant.

In response to transfer requests from Manatee Memorial Hospital, SMH indicates that SMH offered to take six patients in neurology and medical telemetry units and one NICU patient. Transport services were offered to transfer two other babies, if needed. Due to the closure of SMH's ICU unit in anticipation of storm damages, SCPHD states that critical care patients could not be accepted. SMH states that limited areas were also equipped to manage critical care needs.

SMH states that physicians and health staff caring for patients in the hospital were housed on the hospital's campus with families of staff housed when other arrangements were not possible and a movie viewing for the children staff was provided. SMH refutes claims that hospital resources were used to house staff in lieu of accepting and caring for transfer patients and maintains that transfer requests were facilitated through the EOC in accordance with state and local plans.

North Port Hospital, LLC (CON application #10501)

Sarasota Memorial Hospital

Community Support and Letters of Support

In response to criticisms surrounding the support of its proposal by the City of North Port and members of the community, NPH states that local governmental support of the proposal is evidenced by comments of local government members. An attachment included with the response to opposition statements includes an article published in the Herald Tribune, which discusses North Port City Commissions disbandment of the Medical Hospital Task Force and outreach for support associated with the UHS North Port Hospital as facilitated by members of the local government in North Port. NPH also discounts criticisms of the volume and nature of letters of support criticized to demonstrate a lack of local support for its proposal. NPH expresses that the weight of letters of

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support to the application are unknown, but asserts that residents support NPH's proposal and do not consider the proposed SMHLR facility as the answer to their health care needs.

Conditions Predicated Upon Award

NPH maintains its condition to offer a residency program.

No Justification for Special Services

Pediatrics

In response to assumptions that the NPH proposal will include a pediatric program, NPH states that the proposal will not include a formal pediatric program but the facility is anticipated to accept pediatric volume stemming from appropriate referrals from its obstetrics program.

Obstetrics

NPH addresses criticisms that its justification for obstetric services is not expressly outlined by referencing the historical provision of obstetrics care at UHS facilities in Florida, the forecasted proportion of women of child-bearing age (15 to 44) within its service area and the inherent and predictable fecundity of women within this age group. The applicant also maintains that a detailed justification for the provision of childbirth services in a community with nearly 75,000 residents and 12,000 women of childbearing age is unnecessary.

Radiation Therapy/Perinatal

In response to SMH's criticisms of its rationales for providing radiation therapy and perinatal services, NPH discusses the provision of outpatient therapeutic radiology services at Lakewood Ranch Medical Center in Manatee County which totaled to \$3.8 million and the proximity of Moffitt Cancer Center in neighboring Hillsborough County which is stated to serve cancer patients from Manatee County. NPH maintains that as a provider of obstetrics services affiliated obstetricians would routinely provide prenatal and perinatal services to patients. High-risk patients would be referred to specialty programs, probably SMH.

Service Area Overlap

NPH states that the overlap between its proposal and the existing and proposed campuses of SMH is evident as North Port contains a large population of patients which lacks a hospital of its own. The applicant maintains that as a result of the existing distribution of services, North Port residents are restricted to accessing care outside of their geographic areas benefitting providers in those areas. The applicant also identifies that the SMH proposal (CON application #10500) does not propose to situate its hospital in North Port despite the contribution of admissions

of North Port that are represented within the SMHLR proposal's service area. NPH expects an adverse impact from the SMHLR proposal which it maintains should not be built.

Discharge Volume Discrepancies

In response to criticisms of methods used to forecast discharge volumes in the NPH proposal, the applicant notes that the discrepancies SMH contends result in insignificant differences in its forecast. NPH maintains that occupancy standards are not prescribed by rule and the NPH service area generates sufficient volume to support a new acute care hospital.

Discharge Volume Projections

In response to criticisms surrounding the use of payer-specific projections to forecast utilization projections, UHS describes how the separation of Medicare patients from all others allows its forecast account for different growth rates projected for populations under and over 65. NPH contends that as a consequence of this method, future Medicare volume is forecasted on the basis of expected growth in the population age 65+ while all other payers are forecasted on the basis of projected growth among those less than 65. The applicant explains that this method is used in light of the Agency's review criteria which requires the applicant to address utilization by Medicaid and other underserved populations.

The applicant states that forecasting all utilization based on the overall growth rate of the population suppresses the impact of the different growth rates in the various population cohorts which artificially suppresses total utilization within the service area as the pace of growth within the elderly population increases at a faster rate than the population as a whole.

Market Share Projections

NPH addresses criticisms of its justification for its market share projections by stating that it has provided an abbreviated list of DRGs from which it will draw patients materially during the initial years of operations. The applicant maintains that it is not unusual for hospitals to achieve fairly high market shares in Zip Codes immediately adjacent to their facilities, especially when competing hospitals are fairly distant from those facilities. NPH further discusses that there is no rule-based utilization that dictates its projections and UHS has the financial resources to absorb the effects if slower targets are obtained.

The applicant makes the following observations in review of the potential impact to approved hospitals in southern Sarasota County:

- NPH has been designed and its location proposed with the primary purpose of serving the population of North Port.

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- SMHLR relies more heavily on North Port Zip Codes for its proposed utilization. Three of the Zip Codes in its PSA are in North Port, one of which accounts for its single largest number of patients.
- VRBH included no North Port Zip Codes in its PSA and projects significant inpatient utilization only from Zip Code 34287.

UHS maintains that SMH cannot be reliant upon utilization from North Port residents while ignoring the geographic needs of residents and discounting the capacity of a competitor to address those needs.

Adverse Impact

NPH states that its adverse impact analysis incorporates the assumption that adverse impact should be measured in terms of the effect of the new competitor on the historical utilization levels of existing providers. UHS maintains that adverse impact analysis is not prescribed by rule.

Lack of Access Rebuttal

NPH states that SMH does not dispute its assertion that its proposal will enhance geographic access to residents of North Port directly, but instead describes how age-specific use rates within the North Port service area exceed those of the county. The applicant states that it is disingenuous that SMH concludes that residents of North Port have “at least as much access to health care, if not more, than do residents of either Sarasota or Venice”. UHS maintains that it is rare for individuals to deliberately forego medical care for reasons of geographic inconvenience. NPH determines that the SMHLR proposal will only increase access to an SMH campus.

Lack of Physicians in North Port

NPH states that SMH fails to leverage an argument against its identification of lack of physicians in North Port.

Comparison of Gross and Net Revenues

NPH states that revisions that SMH made in review of the comparison of gross and net revenues among select providers were not appropriate and for this reason conclusions found from the analysis are determined to be illegitimate.

Travel Time to North Port Proposed Location

UHS states that SMH conflates improved access to SMHLR to improved access to any hospital. UHS maintains that the SMHLR campus will not be more geographically accessible to residents of North Port than the proposed VRBH facility, FMH or BHPC. NPH determines that only a hospital in North Port can meaningfully improve geographic access to acute care services to the residents of North Port.

Freestanding ER

UHS rebuts claims that it posits that North Port residents do not have access to routine emergency care services and reiterates that a freestanding ER does not substitute for an acute care hospital.

Competition

The applicant states that existing UHS-affiliated hospitals offer meaningfully lower charges than do most the hospitals in Sarasota County and lower net charges than any of the existing hospitals. The applicant maintains that as a new unaffiliated provider, NPH will do more to enhance competition than approval of the SMHLR facility which will operate in VRBH's existing service area.

Self-Pay Inconsistency

In response to purported discrepancies between data reported in FHURS reports and the AHCA discharge database, NPH maintains that SMH asserts without justification that the data reported to the AHCA discharge database should be afforded more weight than the data reported in FHURS reports.

The reviewer notes that a facility's Public Medical Assistance Trust Fund (PMATF) contribution is calculated from their reported annual net operating revenue for inpatient and outpatient service in FHURS reporting. A change in a facility's reported net operating revenue or net revenue for FHURS reporting purposes would lower the facility's PMATF assessment. No such calculation is made from AHCA discharge data.

Englewood Community Hospital and Fawcett Memorial Hospital

NPH responds to the following summary conclusions advanced in the opposition statement submitted by ECH/FMH:

- The service area proposed by NPH already enjoys robust competition.
- The hospitals located closest to the proposed service area have excess capacity.
- The new facility will not significantly improve geographic accessibility to residents of south Sarasota County.
- The new facility will not significantly improve quality of care.

In response to ECH/FMH criticisms about facility need, NPH states that the proposal has identified a population group-specific need as North Port does not have its own acute care hospital and does not enjoy reasonable geographic access to the existing hospitals utilized by residents. An absence of an acute care hospital within the service area is determined to result in impeded growth of a local medical community and access to subacute medical services. NPH maintains that the ECH/FMH letter is based on the assumption that no hospital can be approved unless all of the service area's facilities are occupied at or near

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capacity. UHS states that statutory review criterion inquire about the extent of the utilization within the applicant's service area.

UHS notes that there are no acute care hospitals within its proposed PSA and two hospitals within its SSA. FMH operates at functional capacity based on its own standard for functional occupancy and ECH has excess capacity but has not attracted residents of North Port.

The applicant states that ECH/FMH also fails to address North Port's planned initiatives to address physician shortages in North Port.

In response to the analysis of its charge and net revenue, the applicant discusses how ECH/FMH's use of case-mix adjustments results in differences in charges and net revenues per adjusted patient day that are too large to be explained by case mix index adjustments. Similarly, NPH states that its DRG analysis directly compares charges for case-weighted DRGs which will have the same case weight at any hospital.

In review of the drive time analysis presented in the application, NPH notes that three hospitals are located within the thirty drive-time bands of its analysis and two hospitals, BHPC and BHPG, have failed to achieve market shares among residents of North Port despite their proximity.

NPH restates rebuttals presented in response to SMH's criticisms of its market share assumptions, adverse impact analysis and charge and reimbursement comparisons.

UHS states that criticisms of its parent company's historical record with respect to gross and net patient charges and service to Medicaid and other financially underserved patients are unpersuasive.

The applicant maintains that it has demonstrated the capacity to achieve needed utilization levels from its proposed service area employing forecasting techniques are validated by FMH. NPH maintains that its service area can reasonably support a new hospital.

Bayfront Health (CHS)

NPH uses Bayfront Health and Bayfront to refer to opposition statements submitted by CHS-affiliated facilities.

In response to criticisms that its proposal is not warranted based on the utilization of existing facilities in the service area, CHS maintains that the relevant service area used to make this determination is an issue. As there is no rule to determine the appropriate service area to analyze, NPH does not agree with the service area used by CHS to document bed availability within its proposed service area.

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In response to criticisms surrounding predicted population projections for its proposed service area and the forecasted incremental demand of 35 beds determined by CHS, NPH restates anticipated population changes provided in CON application #10501. NPH contends that the incremental demand forecasted by CHS only takes into account the population growth attributed to elderly individuals. The applicant also determines that CHS provides rationales for why North Port residents would be unwilling to out-migrate for care in accord with NPH's conclusion.

NPH also reiterates that civic leadership does support the proposal and community support is evidenced through letters of support submitted separately to the Agency.

Rebuttals to travel time analyses are restated from responses to ECH/FMH comments.

The applicant maintains that physician shortages in North Port persist in spite of BHPC's contention that the analysis did not include BHPC. The applicant maintains that adjustments to physician census do not undermine prevailing physician shortages in the North Port area which is attributed to the absence of a hospital within the proposed service area. NPH contends that the absence of an acute care hospital in North Port contributes to this shortage.

NPH notes that CHS does not refute travel time issues and discusses how the significant fixed times associated with EMS transport forces them into sharper relief.

In response to criticisms of the charge and net revenue analyses included in CON application #10501, NPH states that the favorable reimbursement record of the existing UHS-affiliated hospitals in Florida will be replicated contractually at the proposed facility. In specific response to CHS' dismissal of charges as meaningless, NPH indicates that the analysis of charges is a statutory review criterion that cannot be avoided and when net revenues for only commercial payers are considered, UHS-affiliated hospitals are demonstrated to have a superior record in reducing costs that is "more impressive" than when all payers are included. NPH notes that within Manatee County, its two UHS-affiliated facilities have net revenues per adjusted commercial patient days that are lower than at VRBH—a difference that cannot be attributed to differences in case mix. Moreover in response to the capacity of the project's ability to impact charges, UHS maintains that meaningful economies can and have been achieved by UHS in its service areas.

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In response to challenges to its historical capacity to provide Medicaid services, UHS maintains that CHS has failed to observe a trend or determination to appropriately criticize its historical provision of Medicaid services.

UHS states that much of the themes discussed in opposition statements submitted by CHS are either factually incorrect or raise issues that are irrelevant or of marginal impact. NPH maintains that adjustments and revisions that CHS offers to the utilization forecast contained in CON application #10501 result in changes to forecasts that are too insignificant to merit discussion. NPH also states that CHS' adverse impact analysis discounts the effect of the general growth in the service area's demand for inpatient services to mitigate the impact of the proposed facility on utilization levels at existing facilities.

H. SUMMARY

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) is an independent hospital district and owner/operator of SMH. SCPHD proposes to establish a new 90-bed acute care hospital consisting of: 80 adult medical/surgical beds and 10 obstetric beds. The proposed facility will also include a 20-bed observation unit and 25 emergency care treatment rooms. The proposed facility will be located in the Nokomis/Venice area of south Sarasota County, Florida, within ZIP Code 34275. The applicant indicates that the proposed new hospital will focus on adult (15+), non-specialty/non-tertiary care services.

The applicant's service area consists of the following Zip Codes:

Primary Service Area

- 34287 North Port
- 34293 Venice
- 34286 North Port
- 34275 Nokomis
- 34292 Venice
- 34288 North Port
- 34285 Venice
- 34291 North Port

Secondary Service Area

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

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The applicant conditions approval of the proposed application to six Schedule C Conditions.

North Port Hospital, LLC (CON application #10501) is a newly-formed entity and wholly owned subsidiary of UHS seeking to establish a new, Class I general acute care hospital in North Port, Florida. The applicant states that the proposed hospital will be supported by the financial and administrative resources of its parent company, UHS. NPH describes UHS as a publicly traded health care services provider with headquarters in King of Prussia, Pennsylvania organized in 1979 which operates health care facilities across the United States and its territories and the United Kingdom.

UHS currently operates three acute care hospitals in Florida: Manatee Memorial Hospital and Lakewood Ranch Medical Center in Manatee County (District 6-3) and Wellington Regional Medical Center in Palm Beach County (District 9-5). UHS also operates 13 behavioral health hospitals in Florida.

NPH states that the proposed hospital will be located in the City of North Port in Zip Code 34287 and conditions approval of CON application #10501 to this zip code and location. The applicant indicates that the proposed hospital will have 120 acute care beds and the proposed licensed inventory of these beds will consist of: 86 medical surgical beds, 22 ICU/PCU beds and 12 obstetric beds. The applicant also anticipates that the proposed project will offer 24-hour emergency care services and a full array of ancillary services. NPH intends for the proposed project to provide quality care to all patients regardless of ability to pay.

The applicant conditions approval of the application to four Schedule C conditions.

The applicant's service area consists of the following Zip Codes:

Primary Service Area

- 34286 North Port
- 34287 North Port
- 34288 North Port
- 34291 North Port

Secondary Service Area

- 34289 North Port
- 33948 Port Charlotte
- 33952 Port Charlotte
- 33954 Port Charlotte
- 33981 Gulf Cove
- 33983 Harbour Heights
- 34269 Arcadia
- 34292 Venice
- 34293 Venice

Need

For the 12-month period ended on December 31, 2016, District 8, Subdistrict 8-6 had 1,217 licensed acute care beds and a utilization rate of 45.07 percent. The subdistrict utilization rate was lower than the total utilization rate for District 8 (54.25 percent) and the statewide utilization rate (57.99 percent). Doctors Hospital of Sarasota was the only hospital within subdistrict 8-6 with a utilization rate that exceeded the utilization rates of District 8.

CON application #10457 was preliminarily approved for Sarasota Public Hospital District to establish a new general acute care hospital of 90 beds and CON application #10458 was preliminary approved for Venice HMA, LLC to establish a Class I acute care replacement hospital of 210 beds in District 8, Subdistrict 8-6 on December 2, 2016. Neither a Recommended Order nor Final Order have been issued regarding either project.

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) notes that during the second AHCA Hospital Beds and Facilities batching cycle of 2016, CON application #10457 were preliminarily approved for SCPHD and CON application #10458 was preliminarily approved Venice HMA, LLC. The applicant states that this application is submitted in event that its previous application is ultimately denied or protracted litigation continues. SCPHD states that the present application CON application #10500 will be withdrawn in the event that a Final Order is issued approving CON application #10457.

SCPHD attributes the following factors to need for the proposed project:

- There is a growing need for health care services in Subdistrict 8-6, in particular the medically underserved, elderly and maternity population in south Sarasota County.
- Capacity constraints at SMH prevent additional expansion resulting in lack of availability and accessibility for inpatient services to residents of the proposed PSA/SSA.

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- Over 50 percent of SMH's licensed 666 acute care beds are housed in semi-private rooms, no longer considered the standard of care for efficient and appropriate health care delivery.
- The proposed project will foster competition and promote quality and cost-effectiveness for residents, not just of the PSA/SSA, but for all residents of Sarasota County.
- The need to continue to provide care pursuant to the district's mandated mission.

The applicant also outlines the following justifications of need for the proposed project:

- Population growth, especially among those 65+, in this area is placing additional demands on health care services in the area.
- Seniors who live in the area experience heavy traffic volumes and resultant driving difficulties when driving to the SMH main campus.
- SMH is experiencing severe capacity issues at the main campus.
- SMH is unable to meet demands for private patient rooms—the standard of care in contemporary acute care facilities.
- The Level II Trauma service at SMH has placed additional demands for both specialty critical care services and increased caseload on the surgical suite escalating the need to decompress the main campus.
- Impact of the recently initiated FSU College of Medicine – internal medicine graduate medical education program is yet to be felt – but will result in additional demand for inpatient services at SMH.
- Finally, the development of the regional Cancer Center will only add demands or professional ancillary services at the main campus.

SCPHD also outlines the following anticipated community benefits and expected outcomes from implementation of the project:

- Enhance access to care for the entire service area with its convenient location on the I-75 corridor.
- Offer a reasonably priced service alternative to existing competitors.
- Provide local residents access to a high-quality, patient focused acute care operation noticeably distinct from other providers.
- Give Sarasota Memorial's current facilities and operations the ability to decompress, reduce volume levels, and begin to mitigate capacity constraints.
- Provide enhanced access to care not just for SMHCS but for all residents of south Sarasota County.
- The proposed new hospital will improve access to care regardless of payer class or financial resources and offer a lower charge alternative, ensuring patient charge levels are reasonable.
- The proposed new hospital at Laurel Road and I-75 will ensure that high quality patient care services are available within the local market.

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- The Laurel Road campus will be elevated above the flood plain and the hospital built to stringent post-Andrew building codes able to withstand Category 4 sustained winds of 156 mph with sufficient food, supplies and emergency generator capacity to operate for 10 – 14 days.
- The proposed project will allow decompression of SMH, thereby enhancing the efficiency and timeliness of care provided at the current main campus site.

North Port Hospital, LLC (CON application #10501) attributes need for the proposed project for the following reasons:

- North Port is a large and rapidly growing area that is not home to an acute care hospital.
- Construction of a new acute care facility in North Port is strongly supported by the residents and governing authorities of North Port.
- Many North Port residents currently travel long distances in order to obtain acute care services. The situation for North Port OB patients is particularly difficult because SMH is the only Sarasota County hospital that provides OB services of any type.
- North Port is materially underserved with respect to physicians, in part because of the absence of an acute care facility in the service area.
- The North Port EMS has provided evidence that the absence of an acute care hospital in North Port results in long travel times for patients in need of acute care services, and in particular for heart attack, stroke, and trauma patients for whom the freestanding ER in North Port is not an appropriate care setting.
- The proposed SMH at Laurel Road facility will not improve geographic access to acute care services for the residents of North Port. This hospital will not be constructed in North Port and will not be materially, if at all closer to North Port residents than the existing Sarasota County and Charlotte County hospitals.
- Approval of a new UHS facility will enhance competition in the service area.
- Approval of NPH will have a beneficial impact on patient charges.
- UHS has an excellent history of service to indigent and other underserved populations that will be replicated at NPH.
- NPH can achieve its utilization projections without material adverse impact to the other acute care providers in its proposed service area.

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NPH expects for the proposed project to address the community's need for access to acute care services in addition to serving as a catalyst to increase access to primary care and specialty physicians. The applicant also notes that existing hospitals of its parent company, UHS, provide health care services to their patients at lower charges than most and for lower net collections than for all of the existing hospitals in Sarasota County.

The applicant maintains that NPH will be governed by UHS policies and contracts with insurers that will afford the residents of its service area access to lower cost care. NPH maintains that UHS has a well-established record of providing care to Medicaid, indigent and other underserved populations that will be replicated at the proposed facility. NPH also notes that existing UHS acute care hospitals in Manatee County provide care to these populations at a level that exceeds on a percentage basis the provision of care provided by SMH (a tax-supported hospital).

Written Statement(s) of Opposition

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500)

BHPC and VRBH operated by **CHS** state that the proposed project should be denied for the following reasons:

- SMH contends in CON application #10500 that it will not pursue this current CON application if CON application #10457 is approved.
- CON application #10457, the predecessor application to CON application #10500 was preliminarily approved despite lack of need for a second hospital provider in the Venice area.
- Given that the outcome of CON application #10457 and CON application #10458 is unknown, the Agency should deny both CON application #10500 and CON application #10501 until the future of the healthcare landscape for Sarasota County is known.
- There are no documented access barriers to care in this current CON application.
- The proposed service area for the SMH/LR facility encompass a similar service area as BHPC and VRBH, both oppose the project as both will be severely impacted.
- SMH has proposed to develop its hospital within Nokomis, five miles from VRBH.
- BHPC provides identical services as those proposed for SMH/LR
- This applicant has proposed to duplicate readily available and accessible services at BHPC, VRBH and other area hospitals.

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- SMH has failed to meet CON statutory review criteria as outlined in section 408.035, Florida Statutes for new general acute care hospitals and the applicant does not demonstrate need to receive approval of a new hospital in Sarasota County or how the project is warranted through lack of availability, accessibility, the extent of utilization at area providers or the extent to which the proposal will foster competition that promotes cost-effectiveness or quality of care.

ECH and FMH operated by **HCA** indicate that the proposed project should be denied for the following reasons:

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

United Health Services d/b/a North Port Hospital, LLC indicates that the proposed project should be denied for the following reasons:

- The proposed project is either non-response or non-compliant with accessibility criterion.
- Outside of obstetric services, the proposed project will not remedy issues related to population growth, senior driving issues or travel times that will not be provided by the VRBH's replacement hospital.
- The proposed project will afford improved access to a Sarasota Memorial-affiliated hospital but will not seriously address improvements in geographic access to its service area residents especially for North Port area residents.
- The proposed SMHLR project will not improve physician shortages in North Port and may exacerbate and perpetuate shortages by precluding the construction of the acute care hospital in the North Port area that would catalyze the establishment of physician practices in the area.
- The Agency should deny CON application #10500 and approve CON application #10501.

North Port Hospital, LLC (CON application #10501)

BHPC, BHPG and VRBH operated by **CHS** state that approval of CON application #10501 is not warranted for the following reasons:

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- The approval of CON application #10501 would result in an unnecessary duplication of services.
- NPH has proposed to develop this hospital within Zip Code 34287, western North Port. Zip Code area 34287 is contiguous to Zip Code 34292, the proposed location of VRBH's replacement hospital.
- CON applications #10457 and #10458 are the subject of an Administrative Hearing at DOAH and the outcome of these two pending CON applications could have tremendous impact on the service area dynamic, AHCA should deny both of these applications until the future health care landscape of Sarasota County is known.
- There is no justification to any additional hospitals in south Sarasota County.
- If approved, BHPC would be severely impacted, especially its obstetrics program. BHPC provides all the services that are being proposed at NPH. VRBH would also be severely impacted. BHPG would suffer adverse impact as well.
- NPH has failed to meet CON statutory review criteria as provided in section 408.035(2), F.S. for new general acute care hospitals and the applicant does not demonstrate need to receive approval of a new hospital in Sarasota County or how the project is warranted through lack of availability, accessibility, the extent of utilization at area providers or the extent to which the proposal will foster competition that promotes cost-effectiveness or quality of care.

ECH and FMH operated by **HCA** indicate that the proposed project should be denied for the following reasons:

- There is no need for an additional hospital to meet the acute care inpatient needs of the residents of south Sarasota and north Charlotte Counties and none has been demonstrated by the applicant. Its entire presentation is in essence simply a volume forecast for the proposed facility. This is not the same as demonstrating that the population to be served does now or will in the future generate a true community-level need for the project
- The project proposed in CON application #10501 will duplicate inpatient acute care services currently available in or near the identified 12 Zip Code service area.
- There will be no additional regulatory barrier if the CON is approved to physical expansion of the facility and addition of beds. The timing of such expansion would be entirely at the applicant's discretion. Within a year or two of opening, the facility could be substantially larger than the one proposed in CON application #10501.
- No evidence was included in the application to document that the population of south Sarasota County or north Charlotte County currently experiences difficulty in accessing existing inpatient acute care services.

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- Virtually all residents of the service area live within 30 minutes average driving time of an existing acute care hospital.
- The identified service area currently enjoys robust competition, with seven existing acute care hospitals in or adjacent to the area providing care to area residents.
- Health system cost increases related to competitive pressures, such as for scarce professional personnel, are likely outcome if NPH's proposal is approved.
- The applicant proposes to condition its CON award, if approved, on provision of Medicaid and self-pay/charity services at levels that approximate the weighted averages for these respective payer groups within the proposed service area during 2016. Given the applicant's claim that the two UHS-affiliated hospitals in adjacent Manatee County have a superior Medicaid/charity track record compared to Sarasota County facilities, it would have been expected that NPH would have conditioned to higher percentages than the area averages, especially as they claim they will provide enhanced access to Medicaid and indigent patients.

SCPHD d/b/a SMH states that CON application #10501 should be denied for the following reasons:

- Lack of support from local governmental bodies
- Minimum support from local residents
- No justification for the services to be offered
- Discharge volume analysis and projections are based on incorrect patient and hospital type
- Discharge volume projections are overstated using inappropriate demand model
- Market share estimates are overstated and lack justification and documentation to support the dramatic ramp-up in the early years of operation
- Adverse impact is understated and incorrectly calculated
- Erroneous access argument by the applicant
- Physician need impact fails to account for residents working out of area and seeking health care services from existing providers
- Incorrectly calculated comparison of gross and net charges per adjusted patient day
- Reported self-pay patient day inconsistency

In regards to CON application #10500, the Agency find that the proposed project has already been approved by the Agency in the second hospital bed and facilities batching cycle of 2016 (CON #10457) and cannot approved the same application twice. Until a final order has been filed on DOAH case #17-0557, CON #10457 stands as approved.

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As to CON application #10501, the Agency can make no determination of need for a new hospital in North Port, Florida, based on the data and analysis presented by the applicant. The applicant's forecast model did not definitively show the need for a 120-bed acute care hospital. In addition, without data to show the shift in utilization from both a preliminarily approved replacement facility and a preliminarily approved new facility with an OB program, the subdistrict health planning admission and discharge patterns cannot be predicted in order to gauge additional need.

Competition

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) maintains that the proposed project will present a competitive alternative to the proprietary hospitals currently located in south Sarasota County. The applicant indicates that the transfer of acute care beds from SMH, including the provision of obstetrical services, will provide a high quality and cost-effective competitive alternative to the existing providers. SMH states that when compared to other hospitals in Sarasota County and to UHS' two acute care facilities in Manatee County, SMH is clearly the higher quality and lower-charge provider. The applicant maintains that it has a legislatively mandated mission to provide needed care to all area residents, regardless of financial status or resources.

SCPHD expects that no adverse impact from the proposed project. SCPHD indicates that the impact on facility charges is expected to be minimal as the proposed project is expected to be financially viable. SCPHD maintains that the proposed project is expected to have a positive impact on patient charges within the local market as managed care and commercial programs are expected to see market charges reduced in comparison to the existing proprietary hospital charge structure. In addition to charge reductions, the proposed facility is anticipated to introduce non-competitive price pressure within the local market.

North Port Hospital, LLC (CON application #10501) expects for the proposed hospital to enhance cost-effectiveness and promote reductions in patient charges within the service area in light of the Sarasota County resident market share of existing providers. NPH underscores the market share that SMH assumes among Sarasota County residents with the highest market share of any hospital or hospital system in the county for the 12 months ending on 8/31/2016. The applicant expects for implementation of the proposed project (CON application #10457) to result in SMH assuming enhanced competitive dominance in the southern portion of Sarasota County and diminish competition in Sarasota County.

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NPH determines that gross revenues per adjusted patient day are on average lower for UHS-affiliated hospitals in Manatee County than for any Sarasota County Hospital with the exception of SMH. The applicant also notes that net revenues per adjusted patient day for UHS-affiliated hospitals in Manatee County are lower for all Sarasota County providers, including SMH. The applicant also determines that UHS-affiliated hospitals also have “materially” lower net revenues per adjusted patient day in comparison to Sarasota County hospitals. NPH expects for gross and net patient charges to be favorably impacted by the approval of the proposed project. For these reasons the applicant expects for the proposed project to have a positive and material impact on the cost of healthcare services to the residents of its proposed service area.

NPH intends for the proposed project to enhance geographic access to health care services to North Port residents through increasing access to physician care via the hospital’s planned physician recruitment efforts. The applicant states that financial access will be enhanced through the lower patient charges that will be implemented through the proposed project.

The applicant expects for the proposed North Port Hospital to provide genuine improvements in access to all health care services, including time-sensitive services like stroke and heart attack care. NPH expects for these identified improvements in geographic access to improve clinical outcomes, reduce costs, reductions in the time for ambulance transport and costs associated with ambulance diversions. In addition to the provision of timely health services, the applicant also identifies the benefit of attracting and retaining employers and businesses that a community hospital can provide.

Medicaid/charity care

Sarasota County Public Hospital District d/b/a Sarasota Memorial Hospital (CON application #10500) conditions that, at a minimum, the proposed hospital will provide at least 13 percent of its patient volume to Medicaid, Medicaid Managed Care, non-payment, self-pay and charity patients combined.

FHURS data indicates that during FY 2016, Medicaid, Medicaid HMO and charity care accounted for 16.94 percent SMH’s patient days. Overall, District 8-6 general acute care facilities averaged 12.88 percent Medicaid, Medicaid HMO and charity care patient days, during this same time frame.

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Sarasota Memorial Hospital participates in the LIP and the DSH programs. The applicant's total DSH allocation was \$3,261,880, none of which was allocated as of 10/12/17 at 2:19 PM.

The applicant notes that SMH provided 87.4 percent of Medicaid and charity care while accounting for 66.0 percent of total patient days for all payer classes. According to SMH, the historical provision of care to Medicaid/charity patients clearly documents the applicant's commitment to provide care to all residents of the county, including those with limited financial resources who are traditionally underserved. The applicant states that the SMHCS Charity Assistance Policy goes far beyond the statutory definition of charity care in providing financial assistance to individuals and families in need. The applicant states that its expressed commitment is recognized by community organizations dependent on SMHCS' support and services.

North Port Hospital, LLC (CON application #10501) is a newly formed entity which does not have a history of providing care to Medicaid patients and the medically indigent. The applicant describes the historical provision of care to Medicaid and indigent patients of its parent company UHS, in Manatee County. NPH expresses a commitment to provide its full array of services to all patients regardless of their ability to pay in addition to supporting clinical and non-clinical outreach to underserved residents of the applicant's identified service area.

The applicant notes that UHS hospitals provided a significantly higher percentage of their patient days to underserved payer groups than Sarasota County hospitals and SMH for the 12-month period ended December 30, 2016 (September 30, 2016 for Sarasota Memorial Hospital). NPH notes that SCPHD is a tax-supported entity which has an explicit mission to serve the indigent and receives tax subsidies to do so, while the UHS-affiliated hospitals in District 6 do not receive the same tax support.

NPH expresses the intent to provide access to medical services for Medicaid, Medicaid/HMO and self-pay patients through the proposed project. The applicant states that the hospital also intends to provide obstetric and supporting gynecological services, like all other UHS hospitals in Florida. NPH states that obstetric services are typically more highly utilized by indigent patients than other acute hospital services.

The applicant states that in addition to providing high levels of care to indigent and Medicaid patients, UHS affiliated hospitals of Manatee County also participate in community-based initiatives to service area residents through grants and scholarships to colleges, universities, and

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non-profit organizations through the Manatee Memorial Foundation. The applicant also states that tuition reimbursement is offered to hospital employees.

The applicant notes that the CON application is conditioned to the provision of Medicaid services equal to 11.8 percent of discharges and self-pay and charity care for 4.2 percent of its patients.

I. RECOMMENDATION:

Deny CON #10500 and CON #10501.

AUTHORIZATION FOR AGENCY ACTION

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

DATE: _____

Marisol Fitch
Health Administration Services Manager
Certificate of Need