

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Memorial Health System, Inc. d/b/a Florida Hospital  
Memorial Medical Center/CON #10520**

900 Hope Way  
Altamonte Springs, Florida 32714

Authorized Representative: Ms. Diane Godfrey, ASH  
Florida Division-Regulatory  
Administration  
(407) 303-9808

2. Service District/Subdistrict

District 4 (Baker, Clay, Duval, Flagler, Nassau, St. Johns and Volusia  
Counties)

**B. PUBLIC HEARING**

A public hearing was not held or requested regarding the proposed  
project.

**Letters of Support**

**Memorial Health System, Inc. d/b/a Florida Hospital Memorial  
Medical Center (CON application #10520)** submitted a number of  
letters of support composed by physicians, health care professionals and  
former Florida Hospital Oceanside patients. Principal themes and  
sentiments expressed in support of the proposed project include:

- The temporary relocation of the CMR unit to Florida Hospital  
Memorial Medical Center has proven to be a better location with its  
proximity to I-95, nestled between two exits, thus allowing easier  
access for family and friends of patients.
- Florida Hospital Memorial Medical Center is a better overall location,  
it has been a great help in having subspecialists available to see  
patients.

- Cardiovascular postoperative patients benefit from being able to receive in-house rehab. The inpatient rehab facility at Florida Hospital Memorial Medical Center is an integral part of the successful postoperative recovery.
- Florida Hospital Oceanside provided an excellent quality of inpatient physical rehabilitation and that level of patient care will continue in the permanent space at Florida Hospital Memorial Medical Center.
- Due to the damage sustained from Hurricane Irma, the permanent relocation of the CMR unit from Florida Hospital Oceanside to Florida Hospital Memorial Medical Center will allow access to hospital facilities, MRI, VQ scan, ultrasound, special procedures are not available in the smaller Oceanside setting.

### **C. PROJECT SUMMARY**

**Memorial Health System, Inc. d/b/a Florida Hospital Memorial Medical Center (CON application #10520)**, also referenced as FHMMC or the applicant, is a Florida not-for-profit hospital operated through the Florida Hospital System, a subsidiary of Adventist Health System (controlling interest). The applicant proposes to establish a new 32-bed comprehensive medical rehabilitation (CMR) unit at FHMMC, through the delicensure and transfer of 32-beds from Florida Hospital (FH) Oceanside all within District 4, Volusia County, Florida. If approved, the proposed project would not increase the net number of CMR beds within the district. The reviewer notes that the net number will in fact decrease by eight with approval of the proposed project.

FHMMC is a Class I general hospital comprised of 327 licensed acute care beds, with 311 licensed acute care beds and 16 Level II neonatal intensive care beds. FHMMC's non-CON regulated services include Level II Adult Cardiovascular Services and is designated a Primary Stroke Center.

The project involves 25,637 gross square feet (GSF) of renovation. The renovation cost is \$9,835,604. Total project cost is \$14,445,604. Project cost includes building, equipment, project development and start-up costs. The applicant anticipates issuance of license and initiation of service in January 2019.

The applicant proposes the following conditions to CON approval on Schedule C of CON application #10520:

- Permanent closure of existing CMR unit at Florida Hospital Oceanside
  - Specially, the applicant will:
    - Close the 40-bed CMR unit at Florida Hospital Oceanside
    - Permanently delicense eight of the 40 CMR beds
    - Relocate 32 of the 40 CMR beds to Florida Hospital Memorial Medical Center

- Specialized CMR equipment:
  - The applicant will purchase the Handicare Prism Ceiling Track System and install it throughout the proposed CMR unit at FHMMC.
- Financial Accessibility:
  - A minimum of 2.5 percent of the 32-bed CMR unit’s total annual patient days, which is consistent with the conditions associated with CON #6923, shall be provided to Medicaid and charity care patients on a combined basis.

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

<b>Total GSF and Project Costs of Applicant</b>					
<b>Applicant</b>	<b>CON app. #</b>	<b>Project</b>	<b>GSF</b>	<b>Costs \$</b>	<b>Cost Per Bed</b>
FHMMC	10520	New 32-Bed CMR Unit	25,637	\$14,445,604	\$451,425

Source: CON application #10520, Schedule 1 and 9

**D. REVIEW PROCEDURE**

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

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

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

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

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

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

The following indicate the level of conformity of the proposed project with the 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.

**1. Fixed Need Pool**

- a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? ss. 408.035 (1)(a), Florida Statutes, Rules 59C-1.008(2) and 59C-1.039(5), Florida Administrative Code.**

In Volume 44, Number 13 of the Florida Administrative Register, dated January 19, 2018, a fixed need pool of zero beds was published for CMR beds for District 4 for the July 2023 planning horizon. Therefore, the applicant is applying outside the fixed need pool. The reviewer notes that CON application #10520 is a proposed relocation project of existing licensed CMR beds and consequently would not increase the Agency's CMR inventory but would instead decrease it by eight.

As of January 19, 2018, District 4 had 260 licensed and five approved CMR beds (Florida Hospital Oceanside E160006). During the 12-month period ending June 30, 2017, District 4 experienced 78.27 percent utilization on 260 licensed CMR beds. For this same timeframe, the statewide average utilization rate was 70.28 percent.

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

As previously stated, District 4’s 260 licensed CMR beds experienced an occupancy rate of 78.27 percent during the 12-month period ending June 30, 2017. The District 4 CMR percent utilization for the previous five years, ending June 30, 2017, is shown in the table below.

<b>District 4 Comprehensive Medical Rehabilitation Bed Utilization Five Fiscal Year Period (FY) July 1, 2012 through June 30, 2017</b>						
<b>Facility</b>	<b>Beds</b>	<b>FY 2012/2013</b>	<b>FY 2013/2014</b>	<b>FY 2014/2015</b>	<b>FY 2015/2016</b>	<b>FY 2016/2017</b>
Orange Park Medical Center (Licensed 7/1/16)	20	NA	NA	NA	NA	53.88%
Brooks Rehabilitation Hospital	160	82.08%	82.85%	82.50%	83.26%	82.06%
Florida Hospital Oceanside	40	69.78%	73.12%	72.26%	81.41%	81.34%
Halifax Health Medical Center (Licensed 6/21/13)	40	NA	31.97%	55.28%	71.49%	72.33%
<b>District 4 Total</b>	<b>260</b>	<b>79.14%</b>	<b>72.62%</b>	<b>76.17%</b>	<b>80.97%</b>	<b>78.27%</b>

Source: Florida Hospital Bed Need Projections & Service Utilization by District, July (2013-2018) Batching Cycles

MapQuest directions obtained March 2018 indicate that existing facilities are located within the following approximate driving miles/driving times (in minutes) from the applicant’s proposed location and each other.

<b>Driving Distance in Miles and Hours/Minutes – Existing Facilities and Proposed Site</b>					
<b>Facility</b>	<b>FHMMC CON app. #10520</b>	<b>Brooks Rehabilitation Hospital</b>	<b>Florida Hospital Oceanside</b>	<b>Halifax Health Medical Center</b>	<b>Orange Park Medical Center</b>
<b>FHMMC CON app. #10520</b>		81.1 miles/ 1 hr 16 min	7.2 miles/ 18 min	5.7 miles/ 11 min	84.9 miles/ 1 hr 20 min
<b>Brooks Rehabilitation Hospital</b>	81.1 miles/ 1 hr 16 min		81.7 miles/ 1 hr 20 min	86.5 miles/ 1 hr 21 min	22.8 miles/ 31 min
<b>Florida Hospital Oceanside</b>	7.2 miles/ 18 min	81.7 miles/ 1 hr 20 min		8.5 miles/ 19 min	85.3 miles/ 1 hr 26 min
<b>Halifax Health Medical Center</b>	5.7 miles/ 11 min	86.5 miles/ 1 hr 21 min	8.5 miles/ 19 min		89.9 miles/ 1 hr 28 min
<b>Orange Park Medical Center</b>	84.9 miles/ 1 hr 20 min	22.8 miles/ 31 min	85.3 miles/ 1 hr 26 min	89.9 miles/ 1 hr 28 min	

Source: GoogleMaps

**c. Other Special or Not Normal Circumstances**

As previously stated, FHMMC proposes to establish a new 32-bed CMR unit through the delicensure and relocation of 32-beds from FH Oceanside and the permanent delicensure of eight beds. The applicant notes that FHMMC and FH Oceanside operate under the same Agency hospital license (#4201) and are both located in District 4. In addition to the same hospital license number, the applicant indicates that both facilities share the same Medicaid and Medicare provider numbers, medical staff, policies and procedures and notes that all FH Oceanside staff are employed by FHMMC.

The applicant describes FH Oceanside as operating a highly utilized 40-bed acute inpatient CMR unit. In September 2017, Hurricane Irma struck the Atlantic Coast of Florida, including Ormond Beach where FH Oceanside is located. FHMMC states that prior to Irma's landfall, FH Oceanside's patients were evacuated and the CMR unit was relocated to FHMMC. Resulting from the storm, FH Oceanside sustained extensive interior and exterior damage. The applicant's proposal will result in the permanent relocation of the 32-bed CMR unit and closure of the 40-bed CMR unit at FH Oceanside, permanently delicensing eight CMR beds.

The applicant states and the reviewer confirms that FH Oceanside and FHMMC are located approximately 7.5 miles apart within Volusia County. FHMMC states that a large number of FH Oceanside's CMR admissions originated from FHMMC on an annual basis. The applicant notes that the proposed project was developed to ensure that critical rehabilitation services in Volusia County are not lost as a result of Hurricane Irma. The applicant contends that the permanent relocation of CMR beds will:

- Provide continued access to highly utilized CMR services in Volusia County
- Increase the efficiency of operation of CMR services within the FHMMC system
- Have no impact on existing facilities or patients given that FH Oceanside and FHMMC serve the same service area and the majority of the hospital's CMR admissions originated from FHMMC on an annual basis
- Will not increase the inventory of CMR beds in Volusia County
- Ensure that weather-related service interruption is no longer an issue for rehabilitation patients within the FHMMC system

FHMMC discusses the service area and population demographics noting that FH Oceanside's 2016 CMR patient origin shows that it primarily served residents of Volusia and Flagler Counties, with 93.7 percent of its

acute inpatient CMR discharges originating from one of those two counties. The applicant provides the following chart illustrating FH Oceanside’s 2016 patient origin for its acute inpatient CMR services.

<b>2016 Acute Inpatient CMR Patient Origin Florida Hospital Oceanside</b>			
<b>County/Area</b>	<b>2016 CMR Discharges</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>
Volusia	455	61.0%	61.0%
Flagler	244	32.7%	93.7%
Other Florida	31	4.2%	97.9%
Unknown/out of state	16	2.1%	100.0%
<b>Total CMR Discharges</b>	<b>746</b>	<b>100%</b>	

Source: CON application #10520, Page 17

The applicant states that District 4 is comprised of seven counties, noting that Volusia and Flagler Counties are home to approximately 30 percent of District’s 4 total population. The applicant indicates that Flagler County is the fastest growing county in District 4—with a growth rate that significantly outpaces both the district and state averages. FHMMC specifies that the proposed CMR unit will serve the adult population aged 18+ indicating that the adult population in both counties totals more than 500,000 residents and will increase to just over 550,000 residents by 2023. FHMMC presents population data detailing the 2018 and 2023 total and adult population by county for District 4 compared to the state. See the tables below.

<b>2018-2023 Total Population by County for District 4 and Florida</b>				
<b>District 4 Counties</b>	<b>2018 Total Population</b>	<b>2023 Total Population</b>	<b>Total Growth</b>	<b>AAGR</b>
Baker	28,792	30,615	6.3%	1.3%
Clay	213,291	234,050	9.7%	1.9%
Duval	914,598	956,117	4.5%	0.9%
Flagler	116,383	135,171	16.1%	3.2%
Nassau	81,958	89,893	9.7%	1.9%
St. Johns	234,016	268,877	14.9%	3.0%
Volusia	519,346	540,932	4.2%	0.8%
<b>District 4</b>	<b>2,108,384</b>	<b>2,255,655</b>	<b>7.0%</b>	<b>1.4%</b>
<b>Florida</b>	<b>20,523,262</b>	<b>21,878,409</b>	<b>6.6%</b>	<b>1.3%</b>

Source: CON application #10520, Page 17

<b>2018-2023 Total Adult (18+) Population by County for District 4 and Florida</b>				
<b>District 4 Counties</b>	<b>2018 Adult Population</b>	<b>2023 Adult Population</b>	<b>Total Growth</b>	<b>AAGR</b>
Baker	21,876	23,588	7.8%	1.2%
Clay	161,801	179,833	11.1%	2.2%
Duval	703,705	737,984	4.9%	1.0%
Flagler	94,224	110,172	16.9%	3.4%
Nassau	65,661	72,781	10.8%	2.2%
St. Johns	183,866	214,046	16.4%	3.3%
Volusia	425,096	449,996	4.4%	0.9%
<b>District 4</b>	<b>1,656,229</b>	<b>1,782,400</b>	<b>7.6%</b>	<b>1.5%</b>
<b>Florida</b>	<b>16,313,821</b>	<b>17,463,024</b>	<b>7.0%</b>	<b>1.4%</b>

Source: CON application #10520, Page 18

The applicant maintains that the large and growing adult population in District 4, specifically in Volusia and Flagler Counties, will continue to drive demand for acute inpatient CMR services at FHMMC.

The applicant examines FH Oceanside’s historical utilization, emphasizing the consistent high occupancy rates in excess of 80 percent in each of the 40-bed CMR unit’s last two full operational years (FY 2016 and 2017). The applicant states that during that period, FH Oceanside had an average daily census (ADC) of approximately 32-33 CMR patients. The applicant presents FH Oceanside’s historical utilization for the three-year period ending June 30, 2017. See the table below.

<b>FH Hospital Oceanside CMR Unit Three-Year Historical Trend FY 2015-2017</b>				
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Total Growth</b>
Beds	40	40	40	
Patient Days	10,550	11,886	11,876	*12.60%
ADC	28.9	32.6	32.5	
Occupancy	72.3%	81.4%	81.3%	

Source: CON application #10520, Page 18

\*The applicant’s numeric calculation is rounded to the nearest tenth, approximate calculation is 12.56%

The applicant affirms that FH Oceanside’s CMR unit was a critical component of the health care delivery system in the area, yet the hospital’s site location was frequently impacted by weather stemming from hurricane-force rain and wind. The applicant recalls three separate occasions (2004, 2016, 2017), where FH Oceanside was forced to evacuate the hospital based on the threat of severe weather and bridge closure. FHMMC maintains that these threats disrupt patient care and place undue stress on patients, staff and management at both FH Oceanside and FHMMC as the receiving facility. The applicant indicates that inclement weather alerts would not impact the proposed CMR unit in the same manner as FHMMC is located inland and is a more secure site constructed to maintain its integrity in hurricane-force wind and rain.

FHMMC identifies the source of FH Oceanside’s CMR referrals and benefits of the proposed CMR unit, stating that the majority of FH Oceanside’s CMR unit admissions were referred/transferred from FHMMC or from other facilities within the Florida Hospital System. The applicant reports that in 2016, 58.8 percent of FH Oceanside’s CMR admissions originated from FHMMC, with another 1.3 percent originating from the long-term acute care hospital operated by Select Medical Corporation located within FHMMC. In addition to the 60 percent of FH Oceanside’s CMR admissions that came from FHMMC campus, the applicant states another 30.7 percent were referred from facilities within the Florida Hospital System, indicating that nearly 91 percent of FH Oceanside’s CMR admission came from within Florida Hospital facilities.



The applicant details FH Oceanside’s 2016 CMR admissions by referring facility/system. FHMMC notes that the following data slightly differs from the Agency database as the hospital’s data is based on admissions and the Agency’s data is based on discharges. See the table below.

<b>2016 CMR Admissions by Referring Facility FH Oceanside</b>		
<b>Referring Facility</b>	<b>2016 Admissions</b>	<b>Percent of Total</b>
FHMMC	437	58.8%
Select LTACH	10	1.3%
Other FH Facilities	228	30.7%
<b>Outside Facilities</b>	<b>68</b>	<b>9.2%</b>
<b>Total CMR Admissions</b>	<b>743</b>	<b>100.0%</b>

Source: CON application #10520, Page 19

FHMMC asserts that the proposed CMR unit will increase the efficiency of CMR care within the Florida Hospital System, speed up patient referral/assessment turnaround times, eliminate transport cost/time and will streamline the referral/admission process from acute care to the CMR unit. The applicant elaborates on “screening turnaround times”, describing how FHMMC tracks these times within the CMR program. The applicant states that prior to the evacuation of FH Oceanside and relocation to FHMMC, the CMR screening turnaround time averaged 94.50 minutes from January through August 2017. From September through December 2017 (after the emergency relocation), FHMMC indicates that screening turnaround times for CMR averaged 70.75 minutes, a decrease of approximately 24 minutes (34 percent). FHMMC attributes the decreased turnaround time to having the rehabilitation team in-house. The applicant maintains that it is reasonable to assume that once the CON-approved permanent CMR unit space is complete, the screening/assessment and admission process will continue to be refined, resulting in even faster turnaround times for rehabilitation.

To further justify approval for the proposed project, the applicant explains that historically when a patient at FHMMC was assessed and admitted for CMR care at FH Oceanside, the process involved the patient being discharged from FHMMC, transported to FH Oceanside and admitted with a rehabilitation plan of care commencing within 24 hours—resulting in delayed rehabilitation care. FHMMC asserts that with in-house CMR services, patient assessment, admission approval and transfer to the CMR unit can occur within a one to two-hour timeframe, resulting in more effective processing times and shorter average lengths of stays (ALOS). The applicant contends that the depth and scope of medical and surgical services available at FHMMC will have a positive impact on ALOS compared to those at FH Oceanside.

Previously if patients at FH Oceanside needed services (including MRI, specialty consults or procedures), the patients would be transported to FHMMC for such services. The applicant asserts that the proposed CMR unit will provide streamlined coordination of care and seamless transition of care.

FHMMC details the 2017 monthly screening turnaround times and ALOS for CMR patients before and after the unit’s relocation from FH Oceanside. See the table below.

<b>Change in CMR Unit Screening Time (minutes) and ALOS (days) 2017 by Month Prior to and After Relocation to FHMMC</b>														
	<b>Before Relocation from FH Oceanside to FHMMC</b>									<b>After Relocation to FHMC</b>				
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Avg.</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Avg.</b>
<b>CMR Screen Times</b>	91	82	87	110	112	100	87	87	<b>94.50</b>	62	63	74	84	<b>70.75</b>
<b>ALOS</b>	15.2	15.1	16.1	15.5	16.7	17.0	17.8	15.2	<b>16.1</b>	15.7	14.9	12.1	14.5	<b>14.3</b>

Source: CON application #10520, Pages 20-21

Regarding projected utilization of the proposed relocated CMR unit, the applicant states that FH Oceanside operated a highly utilized 40-bed CMR unit, accommodating approximately 11,000-12,000 patient days with an ADC of 30 to 33 patients annually. FHMMC indicates that FH Oceanside’s CMR unit was somewhat inefficient as evidenced by the 15 to 16-day ALOS, and expresses that the inefficiencies were not related to the actual provision of rehabilitation care but were a result of the delays inherent to the assessment, admission and transfer process between FH Oceanside and FHMMC. The applicant contends that FHMMC will be able to accommodate at least the same number of patients in 32 beds than were served in 40 beds at FH Oceanside, based solely on an ALOS that is more consistent with other CMR units within the Florida Hospital System.

The applicant states that in the past four years, the national ALOS for acute inpatient physical rehabilitation services has declined from 13.1 to 12.7 days, and projects that FHMMC’s ALOS will be approximately 13 days upon the completed renovation. The applicant provided the projected CMR utilization for the first two years of operation. See the table below.

<b>FHMMC Projected CMR Utilization First Two Years of Operation</b>		
	<b>Year One 2019</b>	<b>Year Two 2020</b>
Beds	32	32
Admissions	788	804
Patient Days	10,250	10,455
ALOS	13.0	13.0
ADC	28.1	28.6
<b>Occupancy</b>	<b>87.8%</b>	<b>89.5%</b>

Source: CON application #10520, page 46

The applicant maintains that the permanent relocation of 32 CMR beds from FH Oceanside to FHMMC will ensure that needed acute inpatient physical rehabilitation services continue to be available and accessible for patients of the FHMMC system and for residents of District 4, specifically Volusia and Flagler Counties. The applicant affirms that the relocated CMR beds have operated on a medical/surgical unit at FHMMC since FH Oceanside sustained significant interior and exterior damage during Hurricane Irma in September 2017. FHMMC acknowledges that the space currently being utilized was not designed to accommodate the provision of CMR services and does not readily contain the type of support and therapy space that are found in CMR units.

The applicant states that while FHMMC has repurposed four patient rooms to function as therapy, gym, dining and activity space, the proposed 12<sup>th</sup> floor location will be renovated specifically for CMR services and will include the following:

- ✓ Fully ADA-compliant bathrooms with showers in all 32 private rooms
- ✓ Large therapy gym with panoramic views of surrounding protected wetlands and green space, which offers a healing environment of care
- ✓ Large windows in all patient rooms, offering an abundance of natural light
- ✓ In-room sleeping area for family or caregivers
- ✓ Flex dining space that can be utilized for activity space during non-dining hours
- ✓ Track system running throughout the unit that affords patients the opportunity to become mobile more quickly through increased ambulation

In conclusion, the applicant asserts that the proposed location at FHMMC will eliminate treatment delays for its own patients who have sought treatment at FH Oceanside. As previously mentioned by the applicant, FHMMC was the single largest referral source to FH Oceanside's CMR unit and accounted for nearly 60 percent of the CMR unit's admissions in the last full year of operation. FHMMC indicates that the proposed location will eliminate weather-related disruptions in care. Lastly, the applicant notes that FH Oceanside and FHMMC operate under the same license (Agency hospital license #4201) therefore, the proposed CMR unit will not increase the number of CMR beds in District 4 and ensures that valuable rehabilitation services in the area will not be lost as a result of the devastation of Hurricane Irma.

**2. Agency Rule Criteria:**

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

**a. General Provisions:**

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

The applicant indicates that the CMR program will be licensed and operate as part of FHMMC.

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

The applicant indicates that the proposed relocation of CMR services at FHMMC will operate as a separately organized 32-bed unit. The applicant notes that the project will involve renovation of the 12<sup>th</sup> floor to provide an optimal treatment environment for acute inpatient rehabilitation services.

FHMMC states that the proposed unit will have all private patient rooms including private bathrooms with showers that are wheelchair accessible. The applicant states that a full description of the physical layout and configuration of the unit with accompanying schematic drawings are presented in Schedule 9 of CON application #10520.

- (3) Minimum Number of Beds. A general hospital providing comprehensive medical rehabilitation inpatient services should normally have a minimum of 20 comprehensive rehabilitation inpatient beds. A specialty hospital providing CMR inpatient services shall have a minimum of 60 CMR inpatient beds.**

The applicant proposes to establish a new 32-bed CMR and states that the proposed project relocates beds and does not increase the inventory of CMR beds in District 4. The reviewer notes that the total bed complement for the district will decrease by eight with approval of the proposed project.

- (4) Medicare and Medicaid Participation. Applicants proposing to establish a new comprehensive medical rehabilitation service shall state in their application that they will participate in the Medicare and Medicaid programs.**

FHMMC indicates that it currently participates in the Medicare and Medicaid programs in its existing acute care operations and will continue to do so in the proposed program.

The applicant notes that FH Oceanside and FHMMC operate under the same Medicare and Medicaid provider numbers, as well as the same Agency license number.

**b. Required Staffing and Services**

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

The applicant states that FH Oceanside's CMR unit currently operates under the supervision of a physical medicine and rehabilitation specialist (physiatrist) who is board-certified and has more than two years of experience in the medical management of inpatients requiring rehabilitation services and the proposed unit will continue to operate under the supervision of the same physician. FHMMC identifies Dr. David Gaughan as the current Medical Director of Rehabilitation within the FHMMC system. The applicant notes that Dr. Gaughan is board-certified by the American Board of Physical Medicine and Rehabilitation and was re-boarded in 2003 and 2013.

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

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

FHMMC indicates it will provide the following services:

- Rehabilitation nursing
- Physical therapy
- Occupational therapy
- Speech pathology/audiology
- Social services
- Psychological services
- Case management
- Orthotic/prosthetic services
- Respiratory therapy

The applicant provides a detailed description of each service listed above on pages 30-32 of CON application #10520 and attests to having extensive experience in recruiting and retaining qualified staff who are skilled in the above-mentioned services. FHMMC does not anticipate that the proposed project will have an impact on staffing.

**c. Criteria for Determination of Need:**

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

The proposed project is outside the fixed need pool. However, the proposed project does not add to the CMR licensed bed inventory within District 4, but rather relocates one existing 40-bed CMR unit (FH Oceanside) to a new 32-bed CMR unit at FHMMC, all within Volusia County, District 4. The reviewer notes that approval of the proposed project results in an eight-bed decrease to the District 4 inventory of CMR beds.

- (2) Most Recent Average Annual District Occupancy Rate. Regardless of whether bed need is shown under the need formula in Rule 59C-1.039 (5) (c), no additional comprehensive medical rehabilitation inpatient beds shall normally be approved for a district unless the average annual occupancy rate of the licensed comprehensive medical rehabilitation inpatient beds in the district was at least 80 percent for the 12-month period ending six months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

The reviewer notes the annual occupancy rate of CMR beds in District 4 was 78.27 percent for the most recent 12-month period (July 2016-June 2017). The applicant indicates that the proposed project is a relocation of CMR beds within District 4, therefore this criterion is not applicable.

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

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

The applicant states that FHMMC is not a disproportionate share hospital but attests to affording access to patients of all payor groups and provides a significant percentage of care to Medicaid and charity patients.

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

FHMMC states that it is an existing Medicaid provider and will serve Medicaid patients in the proposed CMR unit. The applicant projects 4.0 percent of its CMR patient days will be for Medicaid and Medicaid HMO patients.

The reviewer notes that the applicant proposed a condition of 2.5 percent of the 32-bed CMR unit's total annual patient days upon approval of the proposed project. The applicant maintains that the proposed condition is consistent with the conditions associated with CON #6923 (FH Oceanside).

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

The reviewer notes that according to Florida DOH website: <http://www.floridahealth.gov/licensing-and-regulation/trauma-system/documents/traumacenterlisting2018.pdf>, last updated January 16, 2018, FHMMC is not a listed trauma center. According to the same source, the reviewer notes that FH Oceanside is not a listed trauma center.

The applicant states that while it is not a designated trauma center, FHMMC operates a 24-hour emergency department that accommodates more than 60,000 visits annually.

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

The applicant states that this criterion is not applicable as the proposed project is for the delicensing, closure and permanent relocation of 32 existing CMR beds at FH Oceanside to FHMMC. The applicant indicates that FH Oceanside and FHMMC are 7.5 miles apart within Volusia County.

- e. Quality of Care**

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

FHMMC states that the CMR unit currently operates in compliance with licensure standards in Chapter 59A-3, Florida Administrative Code, as well as CMS Medicare conditions of participation and will continue to do so following the implementation of the permanent relocation of FH Oceanside's CMR unit to FHMMC. The applicant states that the CMR unit currently has CARF accreditation, which extends to the relocated unit. FHMMC includes a copy of the CARF accreditation certificate in Exhibit E of CON application #10520.

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

- (1) Age group to be served**

The applicant states that FHMMC will focus primarily on the adult population (18+) as this age group is the primary user of inpatient CMR services.



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

FHMMC states that the CMR unit at FH Oceanside provides services for a number of specialized conditions that will carry over into the proposed relocated CMR unit, these services include:

- Stroke
- Spinal cord injury
- Congenital deformity
- Amputation
- Major multiple trauma
- Femur fracture (Hip)
- Brain injury
- Neurological disorders (MS, Motor Neuron diseases, MD, Polyneuropathy, Parkinson's)
- Burns
- Systemic vasculitis with joint inflammation
- Severe or advanced osteoarthritis
- Knee and hip joint replacement

The applicant states that treatment objectives determine the specific modalities, procedures or events that will be utilized in the proposed unit, in order to reduce or eliminate discernible problems and facilitate the achievement of identified long-term function goals. FHMMC provides a partial list of rehabilitation specific equipment, along with description of its capability and functions on pages 36-37 of CON application #10520.

Of note, the applicant proposed a condition to install a ceiling track system throughout the CMR unit. FHMMC identifies that it will install a Prism Medical ceiling track system that will start in patient rooms—from bed to bathroom, then into the hallway, around the unit and into the therapy gym/other common areas. The applicant maintains that the system results in better outcomes and increased return to functionality for patients. FHMMC notes that no other District 4 provider offers a track mobility system beginning in the patient room.

In addition to rehabilitative services, FHMMC describes offering a wide range of medical and surgical services including:

- Diabetes and endocrinology
- General surgery
- Home health and hospice through sister-facility FH Flagler
- Imaging

- Labor and delivery, including a Level II NICU
- Pediatric emergency department and pediatric inpatient unit
- Women and children's services
- Wound care and hyperbaric medicine

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

The applicant maintains that it currently has extensive CMR staff in-house, as well as experience in the recruitment of qualified therapy staff. The applicant notes that when the CMR unit at FH Oceanside was evacuated and temporarily relocated to FHMMC as a result of Hurricane Irma, existing staff transferred with the patients and have continued to provide care within the CMR unit. FHMMC states that these same rehabilitation staff members have continued to provide care within the relocated CMR unit and anticipates that these same staff members will continue to provide care once the proposed project is complete.

FHMMC provides the following staffing pattern for year one (ending December 31, 2019) and year two (ending December 31, 2020) of the proposed CMR unit. The applicant notes that the projected staffing levels meet and exceed JCAHO requirements. The reviewer notes that the applicant's projected numerical values for staffing patterns are identical for year one and year two of operations totaling 74.0 full time employees (FTEs).

<b>Florida Hospital Memorial Medical Center (CON application #10520) Projected Year One (Ending 12/31/2019) and Year Two (Ending 12/31/2020) Staffing Pattern</b>	
	<b>Year One 2019 and Year Two 2020</b>
<b>Administration</b>	
Nursing Director	1.0
Nursing Manager	1.0
Asst. Nursing Manager	3.6
PPS Coordinator	1.0
Case Manager	2.5
Social Worker	1.0
<b>Physicians</b>	
Medical Director	0.5
<b>Nursing</b>	
RN	24.9
PCT (patient care tech)	14.4
Unit Liaison	3.0
<b>Ancillary</b>	
Physical Therapist	3.2
Occupational Therapist	3.2
Speech Therapy	2.0
Certified Occup. Therapist Assistant	5.4
Physical Therapist Assistant	4.2
PT Supervisor	1.0
OT Supervisor	1.0
Activities COTA	1.0
<b>Total</b>	<b>74.0</b>

Source: CON application #10520, Schedule 6A

The applicant notes that given the unusual situation that the applicant provided CMR services at FH Oceanside prior to Hurricane Irma and currently provides temporary CMR services in a 32-bed unit at FHMMC, all needed staff are currently available and employed. FHMMC indicates that costs associated with certain ancillary and support services are projected with costs including a portion for salaries and benefits for ancillary, administrative and support staff.

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

FHMMC states that it currently utilizes a variety of recruitment sources and tools to fill open positions within the CMR service line, including promoting from within Florida Hospital System when possible, utilization of Florida Hospital/Adventist Health System-wide recruitment personnel/resources, utilization of professional recruitment agencies/services when necessary and advertisement in local, state and national media/professional publications. The applicant indicates that the Florida Hospital System has relationships with educational programs and can access potential recruits from those institutions.

**(5) Expected sources of patient referrals.**

FHMMC anticipates the majority of inpatient CMR unit admissions will originate from Florida Hospital Systems’ acute care units, with the majority originating from FHMMC itself. The applicant states that given the depth of FHMMC’s current expertise in the provision of physical rehabilitation in the inpatient setting, including specialty programming and care for high acuity patients in need of CMR services, it is likely that patients will continue to be referred from outside facilities for care.

FHMMC expresses that it does not anticipate a shift in referral sources for inpatient CMR services, given that FH Oceanside and FHMMC are both located in Volusia County, and approximately 7.5 miles apart—thereby essentially serving the same service area.

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

FHMMC’s Schedule 7A projects the following patient days by payer types for the proposed CMR unit’s first two years of operation (ending December 31, 2019 and December 31, 2020 respectively).

<b>Projected CMR Patient Days by Payor, Year One and Year Two of Operation</b>				
<b>Payor</b>	<b>Year One 2019</b>	<b>Percent of Total</b>	<b>Year Two 2020</b>	<b>Percent of Total</b>
Self-pay	104	1.0%	104	1.0%
Medicaid	260	2.5%	260	2.5%
Medicaid HMO	156	1.5%	156	1.5%
Medicare	6,647	64.8%	6,788	65.0%
Medicare HMO	1,847	18.0%	1,886	18.1%
Other Managed Care	1,236	12.1%	1,248	12.0%
<b>Total</b>	<b>10,250</b>	<b>100.0%</b>	<b>10,442</b>	<b>100.0%</b>

Source: CON application #10520, Schedule 7A

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

The applicant states that as part of the Adventist Health System, FHMMC accepts all patients, regardless of ability to pay. The applicant maintains that Adventist/Florida Hospital facilities are among the most financially accessible in the entire state, noting that in CY 2016, FHMMC and FH Oceanside (operating under the same license) provided more than \$56 million in bad debt and charity care.

The applicant states that FHMMC's charitable mission, policies and procedures for financial assistance and full write-off of medical bills currently extends to the CMR unit and will continue to apply to patients who need financial assistance for rehabilitation services once the unit is permanently relocated to FHMMC. The applicant provides a copy of its charity policy in Exhibit I of CON application #10520.

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

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

The applicant states that FHMMC currently reports to the Agency or its designee, utilization data including CMR discharges and patient days by quarter and asserts that it will continue to do so once the beds are permanently relocated to the FHMMC campus.

**3. Statutory Review Criteria:**

- a. Is need for the project evidenced by the availability, quality of care, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area?**

The applicant reiterates the assertion that the permanent relocation of 32 CMR beds from FH Oceanside to FHMMC will ensure that needed acute inpatient physical rehabilitation services continue to be available and accessible for patients of the FHMMC system as well as for District 4 residents, specifically Volusia and Flagler Counties. The applicant states that the CMR beds at FHMMC have operated on a medical/surgical unit since FH Oceanside sustained significant interior and exterior damage during Hurricane Irma in September 2017.

FHMMC maintains that the proposed location will eliminate treatment delays for its own patients who would have sought CMR services at FH Oceanside. The applicant maintains that FHMMC was the single largest referral source to FH Oceanside, accounting for nearly 60 percent of CMR admissions in CY 2016. The applicant asserts that FHMMC's location will eliminate weather-related disruptions in care given the inland location and mitigation of concerns related to the facility's ability to withstand hurricane force wind and rain, as well as the potential closure

of Granada Bridge when sustained winds are forecasted to exceed 40 miles per hour. FHMMC maintains that the permanent transfer of CMR beds will ensure that valuable rehabilitation services in the area will not be lost as a result of the structural damage FH Oceanside sustained which led to need for the proposed project.

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

FHMMC attests to having a long history of providing quality care to the residents of Volusia County and the surrounding areas. The applicant states that FHMMC is currently accredited by The Joint Commission and maintains that the hospital provides a high level of quality care within its existing programs, utilizing the Plan-Do-Study-Act model of performance evaluation and improvement for several key variables. The applicant briefly describes and provides a copy of its Performance Improvement Plan (Exhibit F of CON application #10520), noting that the plan includes measurable objectives, timeframes to measure objectives, effectiveness and efficiency, as well as program evaluation completed by patients.

The applicant states that FHMMC's focus on compassionate, community-focused care backed by state of the art technology and experience, has earned it a myriad of awards and accreditations for clinical excellence and patient safety including:

*Overall Hospital*

- ❖ Top 100 Hospital by Truven Health Analytics-2016 and 2017
- ❖ Everest Award by Truven Health Analytics-2016
- ❖ CMS 4 Star Rating
- ❖ HIMMS Analytics Stage 7 Award
- ❖ Governor's Sterling Award for Excellence-2011
- ❖ National Quality Approval Seal-The Joint Commission
- ❖ Leapfrog Hospital Safety Score "A" Rating (every year since program inception)
- ❖ Reader's Choice Award for "Best Hospital" Daytona Beach News-Journal & Hometown News (2013-2017)
- ❖ "Best Rehab" and "Best Pediatrics" (2017)

*Cardiovascular Services*

- ❖ Get With The Guidelines@ Stroke Gold Plus Quality Achievement Award American Heart Association/American Heart Association
- ❖ Primary Stroke Center -AHCA
- ❖ Platinum-Level Fit-Friendly Worksite-American Heart Association
- ❖ First certified diabetes education program in Volusia County-American Diabetes Association

*Imaging Services*

- ❖ Breast Imaging Center of Excellence–American College of Radiology

- ❖ Fully accredited for all imaging modalities–American College of Radiology

*Cancer Care*

- ❖ Only Accredited Breast Center in Volusia and Flagler Counties – National Accreditation Program for Breast Centers
- ❖ Accredited with Commendation–Commission on Cancer
- ❖ Accredited–American College of Radiation Oncologists

*Women’s Health*

- ❖ Center of Excellence for Women’s Health Surgeries–American Institute of Minimally Invasive Surgery
- ❖ Recognized for safety in early-elective deliveries–March of Dimes
- ❖ Baby Friendly Designation for breast feeding practices

FHMMC provides a comprehensive list of awards and accreditations on page 48 of CON application #10520. The applicant declares that all of these activities, accreditations and certifications ensure FHMMC’s rehabilitation programs provide high quality care and a high level of expertise. The applicant proclaims that FHMMC System of facilities has a clear organization-wide commitment to quality of care, consistent with the larger Florida Hospital System’s overarching objective of providing patients with effective, high quality compassionate care.

Agency records indicate for the 36-month period ending March 12, 2018, Adventist Health System (controlling interest) had 34 substantiated complaints among a total of 5,618 licensed beds distributed among 24 facilities. FHMMC had two substantiated complaints, one each in the categories of Emergency Access and EMTALA<sup>1</sup> during the same 36-month period. A single complaint can encompass multiple complaint categories. The substantiated complaint categories for Adventist Health System are listed below.

<sup>1</sup> The Emergency Medical Treatment and Active Labor Act (EMTALA) ensures public access to emergency services regardless of ability to pay. Section 1867 of the Social Security Act imposes specific obligations on Medicare-participating hospitals that offer emergency services to provide a medical screening examination (MSE) when a request is made for examination or treatment for an emergency medical condition (EMC), including active labor, regardless of an individual's ability to pay. Hospitals are then required to provide stabilizing treatment for patients with EMCs. If a hospital is unable to stabilize a patient within its capability, or if the patient requests, an appropriate transfer should be implemented. <https://www.cms.gov/Regulations-and-Guidance/Legislation/EMTALA/index.html>

<b>Adventist Health System Substantiated Complaint Categories 36 Months Ending March 12, 2018</b>	
<b>Complaint Category</b>	<b>Number Substantiated</b>
Emergency Access	6
Admission, Transfer & Discharge	2
EMTALA	3
Quality of Care/Treatment	7
Nursing Services	4
Physician Services	1
Administration/Personnel	2
Resident/Patient/Client Assessment	2
Infection Control	3
Resident/Patient/Client Rights	2
Life Safety Code	2
<b>Total</b>	<b>34</b>

Source: Florida Agency for Healthcare Administration Complaint Records

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

**Analysis:**

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

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



<b>Adventist Health System (in thousands)</b>		
	<b>Dec-17</b>	<b>Dec-16</b>
Current Assets	\$8,263,575	\$7,413,654
Total Assets	\$15,467,851	\$14,245,138
Current Liabilities	\$2,581,249	\$2,407,451
Total Liabilities	\$5,899,066	\$5,843,977
Net Assets	\$9,568,785	\$8,401,161
Total Revenues	\$10,083,125	\$9,651,689
Excess of Revenues Over Expenses	\$1,123,166	\$755,719
Cash Flow from Operations	\$1,473,583	\$1,043,701
<b>Short-Term Analysis</b>		
Current Ratio (CA/CL)	3.2	3.1
Cash Flow to Current Liabilities (CFO/CL)	57.09%	43.35%
<b>Long-Term Analysis</b>		
Long-Term Debt to Net Assets (TL-CL/NA)	34.7%	40.9%
Total Margin (ER/TR)	11.14%	7.83%
<b>Measure of Available Funding</b>		
Working Capital	\$5,682,326	\$5,006,203

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

**Capital Requirements and Funding:**

The applicant indicates on Schedule 2 capital projects totaling \$70,808,113, which includes this project (\$14,495,604), four-year capital plan, current maturities of long-term debt, and contingency. The applicant provided a copy of its December 31, 2017 and 2016 audited financial statements. These statements were analyzed for the purpose of evaluating the applicant’s ability to provide the capital and operational funding necessary to implement the project. Based on our analysis above, the applicant has an adequate financial position.

**Conclusion:**

Funding for this project and all expected projects should be available as needed.

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

**Analysis:**

Our comparison is of the applicant’s estimates to all currently operating rehabilitation hospitals in Florida.

The applicant will be compared to the latest AHCA filings for other rehabilitative hospitals, which consists of fiscal year end 2016. Inflation adjustments were based on the new CMS Market Basket, 3rd Quarter, 2017.

	PROJECTIONS PER APPLICANT		Group Data		
	Total	PPD	Highest	Median	Lowest
Net Revenues	14,236,038	1,363	2,314	1,644	1,491
Total Expenses	12,597,469	1,206	2,330	1,319	1,137
Operating Income	1,638,569	157	521	274	(31)
Operating Margin	11.51%				
	Days	Percent			
Occupancy	10,442	89.40%	98.49%	76%	54%
Medicaid/MDCD HMO	416	3.98%	8.24%	1%	0%
Medicare/MCARE HMO	8,674	83.07%	90.18%	63%	45%

A net revenue per patient day (NRPD), cost per patient day (CPD), and operating income per patient day (OIPD) closer to the median values are considered more reasonable.

CPD and OIPD are both within the control group range. NRPD is lower than the lowest in the control group. NRPD may be understated. The projections are considered reasonable.

**Conclusion:**

This project appears to be financially feasible.

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

**Analysis:**

Strictly from a financial perspective, the type of competition that would result in increased efficiencies, service, and quality is limited in health care. Cost-effectiveness through competition is typically achieved via a combination of competitive pricing that forces more efficient cost to

remain profitable and offering higher quality and additional services to attract patients from competitors. In addition, competitive forces truly do not begin to take shape until existing business' market share is threatened. The existing health care system's barrier to price-based competition via fixed price payers limits any significant gains in cost-effectiveness and quality that would be generated from competition.

**Conclusion:**

Strictly from review of the submitted financial schedules, the proposed project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

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

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

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

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

The table below illustrates the Medicaid/Medicaid HMO days and percentages, as well as charity care percentages, provided by FHMMC for FY 2016, according to the Florida Hospital Uniform Reporting System

(FHURS). Per FHURS, FHMMC provided 12.59 percent of patient days to Medicaid/Medicaid HMO and 0.92 percent of patient days to charity care. See the table below.

<b>FHMMC Medicaid/Medicaid HMO and Charity Care Data FY 2016</b>				
<b>Applicant/Area</b>	<b>Medicaid and Medicaid HMO Days</b>	<b>Medicaid and Medicaid HMO Percentage</b>	<b>Percent of Charity Care</b>	<b>Percent Combined Medicaid, Medicaid HMO and Charity Care</b>
FHMMC	10,427	12.59%	0.92%	13.51%

Source: FHURS data for FY 2016

FHMMC expresses its commitment to financial accessibility within the communities it serves and asserts that there are numerous policies and procedures in place to ensure that all patients have access to high quality medical and surgical care regardless of payment source. The applicant reports that for CY 2016, FHMMC and FH Oceanside provided a combined \$56.2 million of bad debt and charity care. Additionally, FHMMC states that for the period ending December 31, 2016, Medicaid recipients accounted for 12.6 percent of its total inpatient days. See the table below.

<b>FHMMC Three-Year Financial Access Summary</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Medicaid Patient Days	3,684	2,886	3,116
Medicaid HMO Patient Days	4,008	5,672	7,261
Medicaid + Medicaid HMO Total Patient Days	7,692	8,558	10,427
Bad Debt	\$22,708,669	\$45,137,935	\$47,060,056
Charity Care	\$23,288,465	\$11,431,684	\$9,147,198
Bad Debt + Charity Care	\$45,997,134	\$56,569,619	\$56,207,254
Total Revenue	\$1,002,232,053	\$1,157,142,681	\$1,296,262,397
Bad Debt + Charity Care Percent of Total Revenue	4.6%	4.9%	4.3%

Source: CON application #10520, Page 52

The applicant’s Schedule 7A indicates 4.0 percent Medicaid/Medicaid HMO and 1.0 percent self-pay/charity, total annual patient days for year one (ending December 31, 2019) and year two (ending December 31, 2020) respectively. FHMMC conditions the proposed project to provide a minimum of 2.5 percent of its total annual CMR patient days to Medicaid and charity care patients on a combined basis.

**F. SUMMARY**

**Memorial Health System, Inc. d/b/a Florida Hospital Memorial Medical Center (CON application #10520)**, proposes to establish a new 32-bed CMR unit at FHMMC, through the delicensure and transfer of 32 beds from FH Oceanside in District 4, Volusia County, Florida. The proposed project would not increase the net number of CMR beds within the district.

The project involves 25,637 GSF of renovation. The renovation cost is \$9,835,604. Total project cost is \$14,445,604. Project cost includes building, equipment, project development and start-up costs.

The applicant proposes three conditions to CON approval on the application's Schedule C.

**Need**

In Volume 44, Number 13 of the Florida Administrative Register, dated January 19, 2018 a fixed need pool of zero beds was published for CMR beds for District 4 for the July 2023 planning horizon. Therefore, the applicant is applying outside the fixed need pool.

As of January 19, 2018, District 4 had 260 licensed and five approved CMR beds (Florida Hospital Oceanside E160006). During the 12-month period ending June 30, 2017, District 4 experienced 78.27 percent utilization on 260 licensed CMR beds.

The applicant maintains that the permanent relocation of 32 CMR beds from FH Oceanside to FHMMC will ensure that needed acute inpatient physical rehabilitation services remain available and accessible for patients of the FHMMC system as well as District 4 residents, specifically Volusia and Flagler Counties. The applicant contends that the proposed project will:

- Provide continued access to highly utilized CMR services in Volusia County and District 4
- Increase the efficiency of operation of CMR services within the FHMMC system
- Have no impact on existing facilities or patients given that FH Oceanside and FHMMC serve the same service area and the majority of the hospital's CMR admissions originated from FHMMC on an annual basis

- Will not increase the inventory of CMR beds in Volusia County, as the proposal is a forced relocation of existing bed capacity from one facility to another, resulting from structural damage sustained during Hurricane Irma in September 2017
- Ensure that weather-related service interruption is no longer an issue for rehabilitation patients within the FHMMC system.

*CON application #10520 proposes to relocate an existing CMR program in Volusia County, from an area significantly damaged by Hurricane Irma with a history of weather-related evacuations. The geographical evidence presented by the applicant in weighing and balancing the “not normal circumstances” outside of published need along with the applicable statutory and rule criteria, including 408.035 (1), Florida Statutes, and 59C-1.039, Florida Administrative Code, merits approval of the proposed project.*

### **Quality of Care**

FHMMC demonstrated the ability to provide quality care.

Agency records indicate for the 36-month period ending March 12, 2018, Adventist Health System (controlling interest) had 34 substantiated complaints among a total of 5,618 licensed beds distributed among 24 facilities. FHMMC had two substantiated complaints, one each in the categories of Emergency Access and EMTALA during the same 36-month period.

### **Cost/Financial Analysis**

The proposed project appears to be financially feasible. Funding for the proposed project and all expected projects should be available as needed. Strictly from review of the submitted financial schedules, the proposed project is not likely to have a material impact on competition to promote quality and cost-effectiveness.

### **Medicaid/Indigent Care**

The applicant’s Schedule 7A indicates 4.0 percent Medicaid/Medicaid HMO and 1.0 percent self-pay/charity, total annual patient days for year one (ending December 31, 2019) and year two (ending December 31, 2020) respectively.

FHMMC conditions the proposed project to provide a minimum of 2.5 percent of its total annual CMR patient days to Medicaid and charity care patients on a combined basis. The reviewer notes that this condition is consistent with CON #6923 (FH Oceanside).

**Architectural Analysis**

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

**G. RECOMMENDATION**

Approve CON application #10520 to establish a new 32-bed CMR unit in District 4, Volusia County. The total project cost is \$14,445,604. The project involves 25,637 GSF of renovation and a renovation cost of \$9,835,604.

**CONDITIONS:**

- Permanent closure of existing CMR unit at Florida Hospital Oceanside
  - Specially, the applicant will:
    - Close the 40-bed CMR unit at Florida Hospital Oceanside
    - Permanently delicense eight of the 40 CMR beds
    - Relocate 32 of the 40 CMR beds to Florida Hospital Memorial Medical Center
- Specialized CMR equipment:
  - The applicant will purchase the Handicare Prism Ceiling Track System and install it throughout the proposed CMR unit at FHMMC.
- Financial Accessibility:
  - A minimum of 2.5 percent of the 32-bed CMR unit's total annual patient days, which is consistent with the conditions associated with CON #6923, shall be provided to Medicaid and charity care patients on a combined basis.

**AUTHORIZATION FOR AGENCY ACTION**

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

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

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