

STATE AGENCY ACTION REPORT
ON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

HealthSouth Rehabilitation Hospital of Seminole County, LLC
CON #10127
505 East Huntland Drive, Suite #270
Austin, Texas 78752

Authorized Representative: Ronald T. Luke
(512) 371-8166

Central Florida Regional Hospital, Inc.
CON #10128
1401 West Seminole Boulevard
Sanford, Florida 32771

Authorized Representative: Wendy H. Brandon, CEO
(407) 302-7392

2. Service District/Subdistrict

District 7 (Brevard, Orange, Osceola and Seminole Counties)

B. PUBLIC HEARING

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

Letters of Support:

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) included 14 letters of support. These letters were dated during September 10, through October 11, 2011. Two were not signed.

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Brenda Carey, Chairman of the Seminole County Board of County Commissioners, indicates that it would greatly benefit our residents to have an inpatient rehabilitation facility in our community so that our citizens do not have to go to Orange County to receive these services. She indicates that the project would be a “great opportunity” for Seminole County residents in that HealthSouth projects it will employ “80 plus full-time employees in the first year with an average salary of \$55,000”. Chairman Carey also states that the project would be “a \$20 million dollar investment for land, facilities and equipment [and] would not only generate new tax revenue for the county, but also create construction jobs and other opportunities for our local companies to supply equipment and services.”

CEO of the Senior Resource Alliance an area agency on aging, Randall Hunt, states “a freestanding facility will be a neutral provider that will actively lend support to such programs as Aging in Place, Community Care for the Elderly and Communities for a Lifetime being promoted in Central Florida.” Bernice Higgins, board member for the Central Florida Stroke Club adds, “There is a need for a community partner that focuses on helping patients return to the community and educate the public about disabilities such as stroke.” Ms. Higgins indicates that a group of stroke survivors and their caregivers formed the Central Florida Stroke Club in 1973.

HealthSouth of Seminole County also received letters of support from the Center for Independent Living (a non-profit advocacy organization for persons with disabilities), Central Florida Area American Cancer Society and Associated Healthcare Advisors. Kathryn Moghadas of Associated Healthcare Advisors stated, “Seminole County needs these services. Aside from the medical needs the county can benefit from the economic impact that a facility like this would offer.” Ms. Moghadas indicates that her company is a “national medical management advisory firm”.

Dr. Margarita Correa, a board-certified physician in physical medicine and rehabilitation indicates Seminole County residents are not receiving inpatient rehabilitation despite the presence of quality providers in Orange County because they are loyal to one or the other of the big hospital systems (Florida Hospital and Orlando Regional). She states that Florida Hospital’s unit is operating at near full capacity and patients do not like to transfer between the hospital systems. Dr. Correa also indicates that the pressure for discharge from acute care hospitals does not afford families enough time to become familiar and comfortable with Lucerne (Orlando Regional’s CMR location). She states “there is a wide-spread lack of knowledge and misunderstanding among the public and the medical community about the differences between a skilled nursing facility with rehabilitation services and an inpatient rehabilitation hospital. A plastic surgeon, two home health

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care services, an associate dean of health care programs at Seminole State College and an independent retirement community voiced their support for this facility as well.

HealthSouth also included nine testimonials from patients and loved ones of patients who received care at various HealthSouth facilities in Florida. These testimonials had similar themes including: excellent rehab services, talented and dedicated staff members, care for the patient's well-being, and compassionate treatment.

Central Florida Regional Hospital, Inc. (CON #10128) included six letters of support. Five were dated during October 5th through 10th, 2011. One was not dated.

Brenda Carey, Chairman of the Seminole County Board of County Commissioners, indicates that this service is needed for the members of her county so they do not need to travel out of the county. She also states that Central Florida Regional is "an intricate part of the health care system in Seminole County". Ms. Carey maintains that financially this project would help the community by creating jobs, "approximately 38 full time employees with annual salary and benefits (of) approximately 2.7 million dollars" and with "over \$3.4 million on renovation and equipment creating construction jobs and other opportunities for our local companies to supply equipment and services".

Dr. Stephen M. Reed, orthopedic surgeon with Florida Orthopedic Associates, states that he has practiced in Sanford for 25 years and "Never before have I seen the need for the patient population that currently exists for aggressive inpatient rehabilitative services in the Seminole County area." He states that "currently the services are not readily available and therefore patients either choose not to receive aggressive rehabilitation treatment or have to leave the county for their inpatient rehabilitation care". Dr. Reed maintains that this especially places hardships on the elderly population.

Terrie Banks, Executive Director of Lake Mary Health and Rehabilitation Center; Katherine E. Hilgar, Administrator of Deltona Health Care and Joe Hager, Administrator of Orange City Nursing and Rehab Center each submitted a letter which states that there is a lack of aggressive inpatient rehabilitative services in Seminole County and that a "comprehensive inpatient rehabilitation unit in Sanford at Central Florida Regional Hospital will provide the best possible services and rehabilitation outcomes to the patients of Seminole and West Volusia County."

C. PROJECT SUMMARY

HealthSouth Rehabilitation Hospital of Seminole County (HRHSC), LLC (CON #10127) proposes to establish a 50-bed comprehensive medical rehabilitation (CMR) specialty hospital in Seminole County. HealthSouth indicates that although an exact location has not been determined, the facility will be in south Seminole County at a site that will be readily accessible to Orange and Seminole County patients and their families. The applicant proposes the following conditions to CON approval on the application's Schedule C.

1. The hospital will provide 1.5 percent of patient days to Medicaid patients and one percent of patient days to uninsured patients who meet the definition of charity care patients under Florida statutes. HealthSouth will work with acute care hospitals, state human service agencies and private organizations to identify uninsured persons in need of CMR inpatients services in District 7.

To be reported in the applicant's annual report to the Agency for Health Care Administration.

2. The hospital will institute a stroke rehabilitation program when it opens and will obtain specialty certification from the Joint Commission in stroke rehabilitation prior to the third year of operation.

To be measured by letters from The Joint Commission indicating stroke specialty certification and included in the applicant's annual condition compliance report in year three.

3. The hospital will provide an Auto Ambulator and the other equipment described below as part of a technology package when the hospital opens. If technological changes make better equipment available by the time of purchase the hospital may substitute more modern equipment that serves the same function.

- Auto Ambulator
- ReoGoAmbulator
- Balance Master
- Visipitch SaebFlex wrist splint and exercise station
- VitalStim
- Bioness
- Interactive Metronome

To be measured by letters confirming the acquisition of the above equipment or its technical equivalent in the applicant's annual report to the Agency for Health Care Administration.

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4. The hospital will be accredited by both the Joint Commission and the Commission on Accreditation of Rehabilitation Facilities. HRHSC will seek accreditation from The Joint Commission accreditation within the first year of operation and will seek accreditation from the Commission on Accreditation of Rehabilitation Facilities prior to the end of the third year of operation.

To be reported in the applicant's annual report to the Agency for Health Care Administration.
5. The medical director of the hospital will be a board-certified or board-eligible physiatrist with at least two years of experience in the medical management of inpatients requiring rehabilitation services.

To be measured by a copy of the applicant's Medical Director's CV/Resume and included in the applicant's first annual report to the Agency for Health Care Administration.
6. The hospital will provide, at no charge to the community, education programs on disabilities awareness and community reentry to improve the independence and quality of life of persons with disabilities and their caretakers. The hospital will make existing conference spaces available to support group meetings and for community education programs developed by HealthSouth and others.

To be measured by a list of all community education programs held that relate to this condition. The list will show the title of the course, the instructors, the dates of the courses and the intended audience and will be included in the applicant's annual report to the Agency for Health Care Administration.
7. HealthSouth will provide \$10,000 annually for three years (\$30,000 total commitment) for scholarships for nursing or allied health professionals at educational institutions in the service area. In order to qualify for scholarships, students will have to meet the following criteria:
 - Must be a Seminole or Orange County Resident
 - Must be registered in a degree program in nursing or rehabilitation therapy
 - Must maintain a 3.0 GPA

To be measured by documentation on the progress of the scholarship program in the applicant's annual report to the Agency for Health Care Administration.

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8. HealthSouth will provide \$5,000 annually for three years (\$15,000 total commitment) to sponsor community education programs jointly with disability advocacy groups located in the service area. Community interviews during the preparation of this application repeatedly showed that the level of community knowledge about rehabilitation options is low and the lack of knowledge may harm patients. These groups have indicated an interest in working with HealthSouth on community education programs:
- Center for Independent Living of Central Florida
 - Senior Resource Alliance/Area Agency on Aging
 - Central Florida Stroke Club
 - Brain Injury Support Group of Central Florida
- To be measured by documentation of the community education programs in the applicant's annual report to the Agency for Health Care Administration.*

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 Joint Commission and CARF accreditation (conditions 2 and 4) will not be cited as conditions to approval. Condition number 5, the facility medical director is required by administrative rule and as such does not require a report. Should the project be approved, the applicant's conditions would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code.

The total project cost is estimated at \$24,315,556. The project involves 54,932 gross square feet (GSF) of new construction. The project has a total construction cost of \$11,538,645.

Central Florida Regional Hospital (CFRH), Inc. (CON #10128) proposes to establish a 13-bed comprehensive medical rehabilitation program at Central Florida Regional Hospital in Sanford (Seminole County), Florida. Central Florida Regional Hospital, Inc. is a 226-bed Class I general hospital consisting of 208 acute care and 18 hospital-based skilled nursing unit (HBSNU) beds. The applicant indicates that it will utilize space presently containing 10 HBSNU and 15 acute care beds to establish the 13-bed CMR unit. Central Florida Regional states it will convert the remaining eight HBSNU beds to acute care and remove 12 acute care beds from its license resulting in a 214-bed facility with 201 acute care and 13 CMR beds.

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

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1. CFRH will provide 4.0 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (including self-pay) patients.
The compliance with this condition shall be measured as follows: inpatient days specific to the CMR unit shall be reported by payer category, including at a minimum Medicaid, Medicaid HMO and charity/self-pay. Total inpatient days specific to the CMR unit shall be reported also.
2. CFRH will seek and attain CARF (Commission on Accreditation of Rehabilitation Facilities) accreditation for its CMR program in the first 12 months of operation.
The compliance with this condition shall be determined by furnishing the Agency with an abridged copy of its application for CARF accreditation as well as a copy of its accreditation certificate.
3. The hospital will offer a comprehensive outpatient rehabilitation program, primarily for persons receiving CMR inpatient services at CFRH.
CFRH will provide a copy of the admission policy for the outpatient rehabilitation program and a count of the annual number of patients served.
4. CFRH will be accredited by the Joint Commission.
CFRH will include a copy of the certificate of accreditation received from the Joint Commission.
5. The medical director of the CMR program will be a board-certified or board-eligible psychiatrist with at least two years of experience in the medical management of inpatients requiring rehabilitation services.
CFRH will include the CV of the current medical director of the hospital.
6. There will be sufficient CRRN nurses to have at least one CRRN on every shift every day.
CFRH will include a copy of the written policy concerning CMR unit coverage by CRRNs.
7. Therapy services will be provided seven days a week.
CFRH will include a copy of the written policy concerning the provision of therapy services in the CMR unit.

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 CARF and Joint Commission accreditation (conditions 2 and 4) will not be cited as conditions to approval. Condition number 5, the facility medical director is required by administrative rule and as such does not require a report. Should the project be approved, the applicant's proposed conditions would be reported in the annual condition compliance report as required by Rule 59C-1.013 (3) Florida Administrative Code.

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The total project cost is estimated at \$4,220,359. The project involves 10,291 total gross square feet of renovation. The project has a total construction cost of \$2,366,930.

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, Marisol Novak analyzed the application with consultation from the financial analyst, Derron Hillman, who reviewed the financial data and Said Baniahmad of the Office of Plans and Construction, who reviewed the application for conformance with the architectural criteria.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

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

1. Fixed Need Pool

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

In Volume 37, Number 29, dated July 22, 2011 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for CMR beds in District 7 for the January 2017 planning horizon.

District 7 has 173 licensed and zero approved CMR beds. District 7's 173 licensed CMR beds experienced 59.89 percent utilization during the 12-month period ended December 31, 2010. The applicants are applying outside of the fixed need pool.

- 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 shown in the table below, District 7's 173 licensed CMR beds experienced an occupancy rate of 59.89 percent during the 12-month period ending December 31, 2010.

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Comprehensive Medical Rehabilitation Bed Utilization District 7 – January 2010 to December 2010			
Facility	Beds	County	Total Occupancy %
HealthSouth Sea Pines Rehab Hospital	90	Brevard	51.22%
Florida Hospital (Orlando)	10	Orange	94.41%
Orlando Regional Medical Center	53	Orange	59.18%
Winter Park Memorial Hospital	20	Orange	83.51%
District 7 Total	173		59.89%

Source: Florida Hospital Bed Need Projections & Service Utilization by District, July 2011 Batching Cycle.

In addition, the last five years of utilization for these facilities are illustrated below.

Facility	Beds	CY 2006	CY 2007	CY 2008	CY 2009	CY 2010
HealthSouth Sea Pines Rehab Hospital	90	40.63%	46.49%	50.44%	52.65%	51.22%
Florida Hospital (Orlando)*	10	64.44%	82.90%	89.86%	86.70%	94.41%
Orlando Regional Medical Center**	53	76.58%	82.47%	72.35%	52.93%	59.18%
Winter Park Memorial Hospital	20	49.01%	77.85%	80.26%	83.90%	83.51%
District 7	173	48.37%	47.05%	57.49%	47.46%	59.89%

*Florida Hospital converted 14 CMR beds to acute care beds effective October 1, 2006.

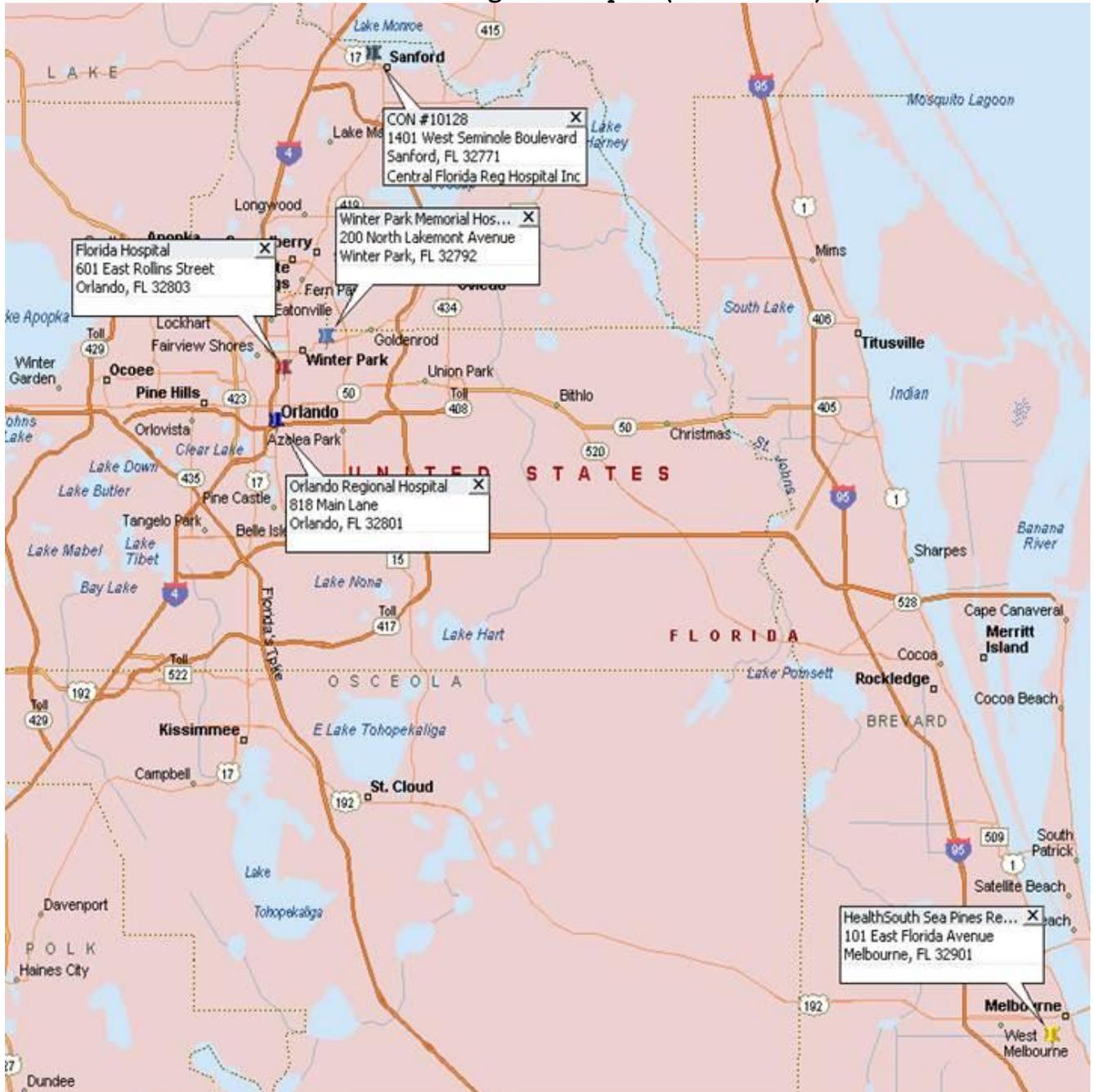
**Orlando Regional Medical Center added 18 CMR beds to its 35-bed unit effective September 30, 2008 via CON #9938. Dr. P. Phillips Hospital's 18-bed CMR unit was delicensed effective September 15, 2008. Orlando Regional's CMR unit was formerly licensed as Orlando Regional Lucerne Hospital until July 1, 2009. Dr. P. Phillips Hospital's (f/k/a Sand Lake Hospital) CMR beds had zero utilization for CY 2006-2008.

Source: Florida Hospital Bed Need Projections & Service Utilization by District for July 2007-2011 Batching Cycles.

The map below shows current District 7 CMR providers and Central Florida Regional's (CON #10128) proposed location. HealthSouth plans to locate the hospital in southern Seminole County but the exact site has not yet been determined.

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District 7 Comprehensive Medical Rehabilitation Facilities & Central Florida Regional Hospital (CON #10128)



Source: MapPoint 2006@Microsoft

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MapQuest directions obtained October 13, 2011 indicate that the existing facilities are located within the following approximate drive times/miles from Central Florida Regional Hospital (CON #10128):

- Florida Hospital – 27 minutes/22.52 miles.
- Winter Park Memorial Hospital – 29 minutes/20.90 miles
- Orlando Regional Medical Center – 32 minutes/25.45 miles
- HealthSouth Sea Pines Rehab Hospital—one hr. 28 minutes/81.34 miles.

c. Other Special or Not Normal Circumstances

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) contends that the fixed need pool does not identify the need for additional rehabilitation services anywhere in the state and has not for the past 12 batching cycles. The applicant contends that a major factor explaining the lack of formula need is the change in Medicare payment policy that took effect in 1994—this slowed development of new CMR programs in Florida for many years.

HealthSouth maintains that in order to understand the need for CMR services it is critical to have a full appreciation of the CMR-level of care, where it fits in the continuum of care and how it varies from alternative settings/levels of care. HealthSouth asserts that comprehensive medical rehabilitation is a distinct level of care serving a well-defined purpose and patient population. The applicant states that the key goal of comprehensive medical rehabilitation is to return patients to the community at the highest level of function possible. HealthSouth asserts that a critical need in accomplishing this goal is access for patients and families to services in order to achieve a patient's reintegration into the community.

The applicant states that to maximize the recovery of any patient it is important that the entire continuum of rehabilitation services be available to those with serious acute physical impairments such as paralysis, amputation and gait disturbance. HealthSouth contends that while CMR and skilled nursing facilities (SNF) are available in the proposed service area—a shortage of beds in some facilities and competitive friction in others—may result in patients being inappropriately referred to SNF programs.

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HealthSouth maintains that CMRs and SNFs are similar in some ways but are also different in significant ways. The applicant identifies the following partial list of differences in CMR and SNF levels of care:

- Patient diagnoses are limited in CMR
- Sites from which patients can be admitted
- Length of stay is shorter in CMR
- Interdisciplinary team approach
- Attending physician visits
- Medical director specialty
- Registered nurse availability
- Multiple and intensive therapy
- Physician must evaluate patient within 24 hours in CMR
- Individualized overall plan of care required within four days of admission in CMR
- CMRs are required to monitor rehabilitation outcomes
- Specialized teams can be developed in CMRs
- SNFs have higher mortality rate than CMRs
- CMRs have more specialized rehabilitation equipment

HealthSouth identifies three major circumstances that justify approval of the proposed project in the absence of published need. These include:

- Significantly low CMR use rates in the service area
- Mal-distribution of beds in District 7
- Failure of the major providers to expand capacity in response to need

The applicant indicates that it had two local health care consultants serve as HealthSouth Community Liaisons to assess the community needs for CMR services. During August 15 through October 6, 2011, these consultants contacted a broad group in the community including 16 health care providers (non-MD), executives and professionals, 15 physicians, 11 government officials and agency representatives, six business leaders, six former patients and families, four educators, and three support groups. HealthSouth indicates that the goal of this community outreach was to identify factors explaining the proposed service area's low CMR use rate despite the apparent availability of beds in District 7. The applicant indicates that most 'stakeholders' (persons contacted) spoke about the unmet need for inpatient rehabilitation services in Orange and Seminole Counties.

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HealthSouth states that rehabilitation is not a high product line for hospitals in the service area, so there are essentially no general awareness and public service education campaigns in the marketplace sponsored by hospitals or non-profit agencies. A common message in almost every stakeholder interview was that the community does not know the difference between comprehensive inpatient medical rehabilitation level of care and the skilled nursing facility level of care.

The applicant indicates most patients and their families learn about inpatient rehabilitation as a post-acute option from a hospital discharge planner or case manager but the time pressure for acute care discharge leaves little time for families to educate themselves and make a well-informed decision.

HealthSouth concludes that there is a definite unmet need for education about post-acute care options available after a serious injury or illness. Therefore, it proposes as a condition to CON approval to earmark \$5,000 annually for three years to partner with community organizations on educational offerings. HealthSouth indicates that representatives of the following organizations expressed interest in educational collaboration:

- Center for Independent Living of Central Florida
- Senior Resource Alliance/Area Agency on Aging
- Central Florida Stroke Club
- Brain Injury Support Group of Central Florida.

Letters of support from representatives of three of these organizations state a need for community education and for a community partner to promote CMR services.

The applicant states that HRHSC's proposed service area (Orange and Seminole Counties) is an acute care medical market that has a sufficient number of acute care discharges to support a CMR specialty hospital. HealthSouth indicates that the Agency's hospital discharge data for the service area's acute care hospitals by age group for 2008-2010, demonstrate that service area residents utilize CMR services at a rate significantly less than Floridians as a whole, especially among the older age cohorts. HRHSC points specifically to the age 75+ cohort in the service area who access CMR services at a rate 70 percent of other counties in Florida with a hospital based CMR provider. See the table below.

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Three-Year Average CMR Discharge Ratios in Service Area and State						
	Relevant Discharges Discharged to CMR Per 100					
	Relevant Discharges					
Facility County Designation	0-17	18-44	45-64	65-74	75+	Total
No IRF	0.00	0.11	0.21	0.31	0.34	0.25
Hospital Unit Only	0.15	0.58	0.97	1.72	2.09	1.31
Freestanding Only	0.41	0.74	1.43	2.67	3.71	2.10
Freestanding & Unit	0.16	0.55	1.44	2.78	3.67	2.07
Freestanding (only or with a Unit)	0.23	0.62	1.43	2.73	3.69	2.08
Florida Total	0.19	0.55	1.11	2.00	2.62	1.56
Orange County Facilities	0.24	0.73	0.99	1.74	1.84	1.13
Seminole County Facilities	0.00	0.17	0.25	0.45	0.42	0.31
Orange & Seminole Combined	0.24	0.62	0.84	1.49	1.48	0.97

Source: CON application #10127, page 46.

HRHSC asserts that there is a direct correlation between the presence of a freestanding in-county CMR provider and the CMR use rate in that county. The applicant states that counties with only a freestanding provider of CMR or with a freestanding and a hospital-based CMR have CMR use rates that are nearly double that of counties with only a hospital-based CMR provider or no provider at all. HRHSC notes that all CMR beds in the proposed service area are in hospital units.

The applicant contends that because Orange and Seminole County residents are not accessing CMR services near the rate that residents of other counties do, there is a capacity in the service area for a freestanding CMR hospital that is not aligned with a single acute care provider to provide inpatient rehabilitation services. HRHSC indicates that strong system affiliations and a high degree of competition between the acute care hospitals in Orlando and Seminole Counties offer another explanation for the low use rates of CMR services in the service area.

HRHSC maintains that there is a mal-distribution of beds in District 7 and that the proposed project would help to correct it. The applicant states that there are no CMR beds in Seminole County and no freestanding CMR hospital in Orange County. District 7 has 83 CMR beds in three Orange County acute care hospitals and HealthSouth's 90-bed freestanding hospital in Brevard County.

HealthSouth states that the population of District 7 is expected to grow by 9.4 percent (223,989 residents) between 2011 and 2016 with residents aged 65 to 74 making up the fastest growing segment of the population. HRHSC maintains that the growth in the elderly cohorts is significant because this age group typically utilizes health care services, including inpatient rehabilitation services, at a significantly higher rate. See the table below.

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District 7 Population Projections				
Age Cohort	2011	2016	Percent Change	CAGR
0-17	563,413	604,928	7.4%	1.4%
18-64	1,504,729	1,619,232	7.6%	1.5%
65-74	166,561	213,776	28.3%	5.1%
75+	146,404	167,160	14.2%	2.7%
Total	2,381,107	2,605,096	9.4%	1.8%

Source: CON application #10127, page 49.

The proposed service area for HRHSC, Orange and Seminole Counties, are expected to increase by 8.7 percent (134,521 residents) between 2011 and 2016 with the 65-74 age cohort as the fastest growing segment of the population. See the table below.

Population by Age Cohort for Orange and Seminole County				
Age Cohort	2011	2016	Percent Change	CAGR
Orange County				
0-17	285,207	308,676	8.2%	1.6%
18-64	725,974	784,961	8.1%	1.6%
65-74	60,542	78,656	29.9%	5.4%
75+	49,298	55,874	13.3%	2.5%
Total	1,121,021	1,228,167	9.6%	1.8%
Seminole County				
0-17	97,515	101,288	3.9%	0.8%
18-64	277,077	289,654	4.5%	0.9%
65-74	28,065	36,129	28.7%	5.2%
75+	22,806	25,767	13.0%	2.5%
Total	425,463	452,838	6.4%	1.3%
Combined				
0-17	382,722	409,964	7.1%	1.4%
18-64	1,003,051	1,074,615	7.1%	1.4%
65-74	88,607	114,785	29.5%	5.3%
75+	72,104	81,641	13.2%	2.5%
Total	1,546,484	1,681,005	8.7%	1.7%

Source: CON application #10127, page 50.

HealthSouth maintains that the Agency’s rule computes need for CMR beds for each district as a whole but does not address the distribution of CMR beds within a district or the effects of that distribution on the accessibility of CMR services to residents of the district. The applicant contends that “the combination of past CON decisions and lower utilization resulted in a mal-distribution of beds within and between counties within a district, which is true in District 7”. The table below is presented to demonstrate the mal-distribution of CMR beds relative to population at the county level in District 7.

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CMR Beds in District 7, 2001 and 2010					
County	CMR Beds	Population	Pop 65+	Occupancy	Bed/1,000 Pop Ratio
2001					
Brevard	90	487,178	96,218	84%	0.18
Orange	102	936,765	93,665	69%	0.11
Osceola	0	182,307	21,071		
Seminole	0	380,760	40,354		
Total	192	1,987,010	251,308	76%	0.10
2010					
Brevard	90	554,908	119,197	51%	0.16
Orange	83	1,112,526	106,613	69%	0.07
Osceola	0	273,931	29,179		
Seminole	0	423,952	49,258		
Total	173	2,365,317	304,247	60%	0.07

Source: CON application #10127, page 51.

The effect of this mal-distribution, the applicant contends, is extreme for Seminole County patients as it has the largest senior population and total population of any county in the state without CMR services.¹ HRHSC notes that Seminole County is larger than several counties with CMR services including Sarasota and Alachua Counties.

HealthSouth maintains that in other circumstances it would propose to partially meet the need for additional CMR services in the service area by relocating some beds from HealthSouth Sea Pines (in Brevard County) to the proposed facility. HealthSouth states that reducing the number of licensed beds at Sea Pines is not at its sole discretion and can only be done with the agreement of its partner. Among the reasons HealthSouth states that the partnership would not want to reduce the number of beds at Sea Pines are the highly seasonal demand for beds and the long-term growth of demand in Brevard County.

The applicant provides the current CMR utilization for District 7 for calendar year 2010. See the table below.

Comprehensive Medical Rehabilitation Bed Utilization District 7 – January 2010 to December 2010			
Facility	Beds	County	Total Occupancy %
HealthSouth Sea Pines Rehabilitation Hospital	90	Brevard	51.22%
Florida Hospital (Orlando)	10	Orange	94.41%
Orlando Regional Medical Center	53	Orange	59.18%
Winter Park Memorial Hospital	20	Orange	83.51%
District 7 Total	173		59.89%

Source: CON application #10127, page 56.

¹ The next largest population of 65 and older without CMR services is Osceola County with a 65 and older population of 30,357 compared to Seminole County's 65 and older population of 50,871. However, HealthSouth has CON #10097 approved to establish a 40-bed CMR hospital in Osceola County.

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HRHSC contends that there is a failure of major providers to expand CMR capacity in response to need in District 7. The applicant notes that the two Adventist facilities, Florida Hospital (Orlando) and Winter Park Memorial, have been operating at over 80 percent occupancy since 2007. HRHSC maintains that at these operating levels, there is no availability of a CMR bed when an Adventist patient is discharged. The applicant suggests that Adventist may prefer to discharge patients to fill their four nursing homes' beds rather than devote capital to expand CMR programs.

HealthSouth contends that Orlando Regional Medical Center (ORMC) has not had more than 34 operational CMR beds since 2002². HRHSC maintains that with 34 operational beds, ORMC's CMR unit operates at 90 percent occupancy but ORMC has not staffed any additional beds. HealthSouth contends that Orlando Regional Medical Center's CMR capacity is limited by ORMC's focus on spinal cord and traumatic brain injuries and the unit's ability to appropriately accommodate two disparate diagnoses in a semi-private room. Equipment needed for complex spinal cord injury patients take up a deal of space and may only permit one patient to a room. HealthSouth states that during certain phases of recovery, brain injury patients can be disoriented and inappropriate to place with another patient in a semi-private room. The applicant notes that Adventist Health and Orlando Health both provide high end CMR services for spinal cord injury, brain injury and neurological problems. However, HealthSouth contends that its analysis of public data indicates Adventist and Orlando Health may be referring patients with other diagnoses that qualify for CMR services to skilled nursing facilities.

HRHSC projected the number of CMR beds needed for the service area by relevant acute care discharges by age group from Orange and Seminole County hospitals from 2011 to 2017 based on the change in population by age group. The applicant indicates that during the three-year period ending December 31, 2010, Orange and Seminole county acute care hospitals referred 0.97 per 100 relevant discharges to inpatient rehabilitation programs. Using the average three-year referral rates per age cohorts and assuming no net migration for the projected service area, an average length of stay of 14 days and an additional five percent of admissions from sources other than acute care hospitals—the applicant projects an additional CMR bed need of four in 2014 and 12 beds in 2017. However, HealthSouth indicates that competitive dynamics between the acute care providers may prevent this from occurring. See the table below.

² The applicant bases this on Orlando Regional Medical Center's CMS Medicare Cost Report.

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Service Area CMR Bed Deficit: Status Quo								
	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017
Discharges to CMR at current 3 yr. avg. ratio (status quo)	1,767	1,691	1,728	1,777	1,829	1,882	1,938	1,995
Additional 5% from other sources	93	89	91	94	96	99	102	105
Total discharges to CMR at current 3-yr. avg. ratio (ALOS =14)	26,040	24,918	25,471	26,189	26,956	27,731	28,561	29,397
Average Daily Census	71.3	68.3	69.8	71.7	73.9	76.0	78.3	80.5
Bed Need at Current Ratio, 85% Occupancy	83.9	80.3	82.1	84.4	86.9	89.4	92.1	94.8
Current CMR Beds	83	83	83	83	83	83	83	83
Deficit					3.9	6.4	9.1	11.8

Source: CON application #10127, page 60.

The applicant contends that because the proposed service area has a population of 1.5 million people it should have a specialty CMR hospital with specialty certifications for stroke, traumatic brain injury and spinal cord injury.

HRHSC asserts that with the approval of the project, the CMR ratio for service area hospitals should increase to the average for Florida counties with freestanding CMR facilities. Using the applied average use rate by age for counties with a freestanding CMR provider to the proposed service area's projected relevant discharges by age the applicant calculated the projected number of CMR patients that would be generated in each year through 2017. According to the applicant's projections, the proposed facility will generate 1,605 additional CMR patients in 2014 with a growing number thereafter. These figures are achieved by dividing the relevant discharges of each age cohort by 100 and multiplying by current (CY 2008-2010) freestanding usage rate for the state of Florida. See the tables below.

**Three-Year Average Discharge Ratios
To CMR Per 100 Relevant Acute Care Discharges
Counties with CMR Beds Compared to the Proposed Service Area**

Age Cohort	0-17	18-44	45-64	65-74	75+	Total
Freestanding (only or with a Unit)	0.23	0.62	1.43	2.73	3.69	2.08
Orange & Seminole Combined	0.23	0.62	0.84	1.49	1.48	0.97

Source: CON application #10127, page 46.

Service Area Relevant Discharges by Age Group*								
CY 2010 & Projected 2011-2017								
Age Cohort	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017
0-17	15,067	15,111	15,235	15,452	15,691	15,926	16,186	16,443
18-44	35,810	35,936	36,254	36,793	37,385	37,924	38,476	39,015
45-64	56,083	56,353	56,923	57,844	58,851	59,776	60,426	61,053
65-74	26,820	28,100	29,548	31,211	32,962	34,702	36,402	38,130
75+	35,785	36,189	36,790	37,620	38,516	39,527	40,975	42,440
Total	169,565	171,688	174,750	178,920	183,406	187,855	192,465	197,081

Source: CON application #10127, page 58.

Note: *HealthSouth indicates that CY 2010 actual relevant discharges exclude obstetrics, normal newborns, NICU, mental health, substance abuse and all patients discharged to death or hospice.

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Service Area CMR Discharges by Age Group with and without HRHSC Presence*								
Without HRHSC								
Pop./Age	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017
0-17	38	36	36	37	37	38	38	39
18-44	219	224	226	230	234	237	240	244
45-64	522	476	481	488	497	505	510	515
65-74	427	418	439	464	490	516	541	567
75+	561	537	546	558	572	587	608	630
Total	1,767	1,691	1,728	1,777	1,829	1,882	1,938	1,995
With HRHSC								
Pop./Age		CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017
0-17		36	36	37	37	38	38	39
18-44		223	225	228	232	235	239	242
45-64		808	816	830	844	857	867	876
65-74		768	808	853	901	949	995	1,042
75+		1,334	1,356	1,387	1,420	1,457	1,511	1,565
Total		3,169	3,241	3,334	3,434	3,536	3,649	3,763

Source: CON application #10127, page 62.

Note: *HealthSouth indicates that CY 2010 is actual CMR discharges.

The applicant maintains that using the projected discharges with HRHSC, it is possible to project the number of beds needed at the proposed facility using these assumptions:

- The discharge to CMR generated by the current rate will continue to go to other facilities and not to HRHSC
- Because approximately five percent of total patients at freestanding CMR facilities do not come directly from acute care hospitals, the projected number of admissions from acute care hospitals is divided by 0.95
- The average length of stay is assumed to be 14.0 days
- The targeted occupancy rate is 0.85, taken from the Agency for Health Care Administration fixed need formula for CMR beds.

Service Area CMR Discharges by Age Group with HRHSC				
	CY 2014	CY 2015	CY 2016	CY 2017
Projected Discharges without additional CMR beds	1,605	1,654	1,711	1,769
Additional 5% from Other Source	84	87	90	93
Total Additional Discharges at Freestanding Ratio	1,689	1,741	1,801	1,862
Total Additional Days at Freestanding Ratio (ALOS = 14)	23,650	24,378	25,217	26,064
Average Daily Census	64.8	66.8	69.1	71.4
Additional Bed Need at Freestanding Ratio, 85% Occupancy	76.2	78.6	81.3	84.0

Source: CON application #10127, page 62.

HRHSC contends that while it expects to increase the demand for CMR services in Orange and Seminole Counties, the actual utilization of HRHSC is expected to grow slower than the projected demand. The applicant expects that it will be able to achieve 85 percent occupancy (average daily census of 42) on 50 CMR beds by the third year of operation in 2016.

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HRHSC proposes to increase the use rate for CMR services primarily by offering education to discharge planners and physicians at area hospitals. The applicant states it will employ multiple FTE rehab liaisons, with clinical backgrounds, to maintain these relationships as well as provide continuing education programs³. HRHSC contends that often without the knowledge and training provided by HealthSouth's rehab liaisons, hospital discharge planners and even physicians may be unsure whether a patient would be eligible for CMR services. The applicant asserts that with The Joint Commission's certification in stroke rehabilitation combined with HealthSouth's community education efforts, patient assessment expertise, physician integration measures, clinical feedback, HealthSouth's advanced therapy technology and HealthSouth's specially designed electronic health record system—HRHSC expects to deliver improved outcomes and meaningful clinical pathways.

HRHSC states it will make family involvement in recovery a priority as it asserts that it is important that spouses and family members are prepared to care for the patient. HealthSouth states that it has found that daily family involvement in care and training directly impacts the patients' ability to return to the community as opposed to an institutional setting. Furthermore, the presence of family can provide reassurance to patients and that this aids in cognition and provides a feeling of security. HealthSouth states that it is often able to make accommodations for family member to stay overnight.

The applicant maintains that the gap between the expected CMR discharge rate in counties with freestanding CMR providers and the service area's current rate means that the proposed 50-bed CMR facility can be developed without having an adverse impact on any existing provider. HRHSC asserts that the approval of a CMR facility in Seminole County will not prevent any existing CMR provider in the service area from continuing to perform its mission in the health care system. Furthermore, the applicant indicates that the proposed project should have no material impact on the utilization of any existing unit because most of the admissions to HRHSC should be persons who would have been discharged to SNFs or settings other than a CMR program. HRHSC indicates that the number of Orange and Seminole County residents who currently utilize CMR programs in District 7, other than those in Orange County, is *de minimis*.

³ Three FTEs are allocated to rehab liaisons in the applicant's year two & three Schedule 6's. The application does not include a Schedule 6 for year one but HealthSouth does propose to condition project approval to provide \$5,000 annually for three years (\$15,000 total commitment) to sponsor community education programs.

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Central Florida Regional Hospital, Inc. (CON #10128) states several “not normal” circumstances justify approval of its proposal to establish a 13-bed CMR unit. These include:

- Seminole County is the most populous county in Florida without any existing or approved CMR beds.
- The population of Central Florida Regional Hospital’s primary service area (PSA) is greater than several Florida counties with licensed and approved CMR beds. There are 26 counties in Florida where CMR beds are located and 11 (42 percent) of these counties have fewer current residents than the PSA.
- There has not been a published need for CMR beds in several years. Because existing CMR providers can add beds via the CON exemption process, it is unlikely that there will be a net need for CMR beds projected anywhere in the state. This, coupled with the increasingly localized nature of CMR service delivery, constitutes a “not normal” circumstance.
- An additional “not normal” circumstance is that CMR CON Rule 59C-1.039 has not been amended since 1995. Thus the rule does not account for the many subsequent changes in health care such as Medicare reimbursement changes affecting CMR, U.S. Centers for Medicare and Medicaid Services (CMS) policy changes, current medical literature, and the resultant change in CMR service delivery away from the regional referral model and toward a more locally-based step-down model that emphasizes and enhances patient continuity of care.
- Available data indicates that CMR units do not function as regional referral centers but instead primarily serve their own acute care discharges and other residents of their home counties.
- Huge gaps between the age-adjusted rates of acute care discharges to CMR among District 7 hospitals and the State as a whole, making it obvious that CMR is greatly underutilized in District 7 and the PSA.
- The estimated and projected difference between expected and actual discharges to CMR beds from District 7 hospitals and among PSA residents supports a “not normal” need of between 12 and 15 additional CMR beds.
- This shortfall in CMR utilization represents a suppressed demand that will drive the utilization of the proposed 13-bed unit. Thus, the proposal is unlikely to have a significant adverse impact on any existing provider.

District 7 consists of four counties: Brevard, Orange, Osceola and Seminole. Currently, there are 173 licensed CMR beds in District 7 all located in either Brevard or Orange County. There are no CMR beds approved via CON or exemption. According to the applicant, the shortest driving time and distance from Central Florida Regional for inpatient CMR services is to Florida Hospital and is approximately 33 minutes and

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23 miles (courtesy of Bing Maps). The reviewer used MapQuest and found Florida Hospital to be 27 minutes and 22.52 miles away. Central Florida Regional states that CMR inpatient facilities in Florida overwhelmingly serve patients from their home counties, underscoring the increasingly localized nature of CMR service delivery. However, because Central Florida Regional’s location borders with western Volusia County (District 4), it is expected that its CMR unit will derive a considerable portion of its patients from Volusia County.

CFRH maintains that inpatient CMR utilization in District 7 significantly lags behind other areas of the state. The applicant states that District 7 ranks eighth out of 11 districts in total number of resident CMR discharges during 2010. The table below depicts the number of CMR discharges by age cohort and by the district of residence as well as the state totals for the 2010 calendar year.

**CY 2010 CMR Discharges
By Patient Age Cohort & District of Residence**

District	0-14	15-44	45-54	55-64	65-74	75+	Total
1	6	59	63	119	193	302	742
2	13	92	160	332	624	1,142	2,363
3	15	141	171	360	702	1,409	2,798
4	51	255	265	473	771	1,367	3,182
5	9	109	177	334	571	1,543	2,743
6	19	182	186	297	526	858	2,068
7	23	201	243	402	617	1,123	2,609
8	5	86	152	341	686	1,611	2,881
9	15	163	191	308	579	1,562	2,818
10	20	271	350	747	929	2,378	4,695
11	18	381	459	832	1,485	2,861	6,036
State	194	1,940	2,417	4,545	7,683	16,156	32,935

Source: CON application #10128, page 19.

Central Florida Regional also includes population by district which shows that District 7 has 2,365,317 residents as of July 2010 and is the second most populated district in Florida—only District 11 (Miami-Dade and Monroe Counties) has a larger population.

The applicant asserts that the lag in inpatient CMR utilization in District 7 is more apparent when use rates are compared among districts and to the State of Florida as a whole. CFRH states that District 7’s CMR utilization rate was 110.3 per 100,000 compared to the State of Florida’s rate of 175.3 per 100,000. The applicant concludes that by this measure, the residents of District 7 receive significantly fewer CMR services than the typical Floridian. See the table below.

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**CMR Discharge Rate
By Patient Age Cohort & District of Residence
For July 1, 2010**

District	0-14	15-44	45-54	55-64	65-74	75+	Total
1	4.5	20.6	61.8	137.5	343.4	611.5	104.1
2	10.4	28.4	157.7	383.3	1,189.1	2548.1	321.6
3	5.9	24.8	80.2	164.9	384.9	756.1	172.6
4	14.0	33.8	89.7	187.1	485.3	910.4	161.2
5	4.2	24.0	87.4	175.3	404.7	946.0	200.7
6	4.3	21.2	61.1	113.3	290.8	462.5	92.7
7	5.0	20.4	70.2	152.1	386.4	776.7	110.3
8	2.0	18.0	72.8	143.9	342.4	723.4	180.7
9	4.7	25.8	72.4	125.6	304.3	661.6	149.2
10	5.9	39.1	133.0	382.5	779.5	1,798.4	269.4
11	3.6	36.8	124.6	291.9	785.3	1,604.5	236.2
State	5.7	27.4	90.6	195.6	471.2	954.2	175.3

Source: CON application #10128, page 20.

Central Florida Regional indicates that the proposed CMR program will primarily serve patients being discharged from the acute care setting within the hospital, and residents of its PSA, which consists of northern and central Seminole County and western Volusia County. The PSA consists of seven zip codes and comprises a total population of 245,749. See the table below.

Primary Service Area Population by Age Cohort & Zip Code as of July 1, 2010							
Zip	0-14	15-44	45-54	55-64	65-74	75+	Total
32713	2,798	5,644	2,773	2,809	2,022	1,896	17,942
32725	8,409	16,919	6,841	5,257	3,830	4,312	45,567
32738	9,409	18,131	7,473	4,648	2,445	2,177	44,283
32746	8,002	16,798	6,910	5,234	2,455	1,935	41,334
32763	3,180	5,840	2,448	2,197	2,083	2,855	18,603
32771	9,710	19,079	7,088	5,616	3,236	3,197	47,925
32773	6,150	13,414	4,394	3,043	1,625	1,471	30,096
Total	47,658	95,824	37,925	28,804	17,696	17,843	245,749

Source: CON application #10128, page 23.

The applicant asserts that its PSA population is greater than 11 Florida counties with licensed and approved CMR beds. CFRH also contends that the elderly population (age 65+) is a larger percentage of the PSA total population compared to Seminole County or District 7. From the population by zip code provided by the applicant, Central Florida Regional Hospital's PSA elderly population is 14.5 percent (35,539) of the PSA total compared to 12 percent (49,258) in Seminole County and 13.1 percent (304,247) in District 7. The applicant maintains that this is a significant number as persons 65+ are the most intensive users of CMR services.

Central Florida Regional Hospital provides the following table with the utilization of CMR beds by its PSA residents, which indicates that 97 primary service area residents were discharged from the inpatient CMR setting during calendar year 2010.

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Central Florida Regional Hospital, Inc.'s Primary Service Area Resident CMR Discharges Calendar Year 2010			
Facility	Discharges	Patient Days	Average Length of Stay
Orlando Regional Medical Center	23	360	15.7
Florida Hospital Oceanside	21	296	14.1
Winter Park Memorial Hospital	20	229	11.5
Florida Hospital	15	198	13.2
Brooks Rehabilitation Hospital	9	171	19.0
HealthSouth Sea Pines Rehabilitation Hospital	3	44	14.7
Winter Haven Hospital	2	32	16.0
Memorial Regional Hospital South	2	30	15.0
University Community Hospital	1	28	28.0
Shands Rehab Hospital	1	9	9.0
Total	97	1,397	14.4

Source: CON application #10128, page 24.

Note: The reviewer was unable to verify this data as the applicant cited no source for these figures.

Primarily these patients utilized services at Orlando Regional Medical Center, Florida Hospital Oceanside, Winter Park Memorial Hospital and Florida Hospital (Orlando). The applicant states that its PSA residents account for only a small proportion (3.6 percent or 1,083 patient days) of these four facilities overall CMR volume (30,273 total CMR patient days). During CY 2010, PSA residents' average daily census was 3.83 beds (1,397/365).

In discussing District 7 CMR utilization, the applicant contends that the lower occupancies experienced at larger CMR facilities (those with 40 or more beds) are partially a function of Medicare's "60% rule". Federal legislation passed in 2007 set a guideline that at least 60 percent of patients discharged from an inpatient rehabilitation facility had to be treated for one of 13 conditions in order for the facility to maintain IRF status and be compensated under the IRF prospective payment system. Consequently, many older facilities that were established with larger bed inventories predicated on a greater ability to admit more varied types of cases have difficulties filling their beds. Central Florida Regional asserts that these Medicare reimbursement changes are significant to utilization as the majority of CMR patients are elderly and primarily covered by the Medicare program. The CON CMR rule has not been amended since 1995, and therefore does not account for the federal regulatory changes and recent trends in CMR services.

The applicant contends that there is a sharp difference between the average utilization of larger versus smaller hospital-based CMR units—a gap of over 17 percentage points. CFRH states that this phenomena extends to non-acute care hospital-based CMR units such as HealthSouth Sea Pines a 90-bed rehabilitation hospital that reported 51.2 percent occupancy during calendar year 2010. See the table below.

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Comparison of Large and Small Hospital-Based CMR Units Calendar Year 2010			
	Beds	Patient Days	% Occupancy
Large CMR Unit (total)	827	143,159	48.0%
Small CMR Unit (total)	442	104,617	65.2%
Large CMR Unit (average)	59	10,226	48.0%
Small CMR Unit (average)	22	5,231	65.2%

Source: CON application #10128, page 26.

Central Florida Regional Hospital maintains that SNFs are generally not an acceptable alternative to CMR services as CMR patients receive more physician visits and more treatment by specialty care physicians than SNF patients. Moreover, the applicant states that nursing homes in Seminole and Volusia County are full with average occupancies of greater than 93 and 85 percent respectively.⁴

CFRH asserts that CMR facilities and nursing homes provide different levels of service and nursing homes are not staffed or equipped to provide intensive rehabilitation services that hospital-based CMR can provide. The applicant maintains that approval of this project will greatly benefit patients discharged from any acute care setting in the service area.

Central Florida Regional contends that CMR facilities do not generally function as regional referral centers and states that on average 89 percent of CMR discharges from hospital-based CMR units and 84 percent⁵ of CMR discharges from freestanding CMR hospitals were residents of the county in which the freestanding facility is located. The applicant indicates that it received a number of letters of support strongly stating that the lack of inpatient CMR beds at CFRH represents a substantial unmet need and imposes an unfair burden on patients and families.⁶

Central Florida Regional Hospital included a table with the expected versus recorded number of inpatient CMR discharges attributable to PSA residents during calendar year 2010. The applicant states that these numbers are derived from previous tables and from the AHCA discharge database⁷. CFRH states that expected discharges in the table are the product of the statewide discharge rates and the July 2010 primary service area population estimates.

⁴ According to *The Florida Nursing Home Utilization by District and Subdistrict July 2010-June 2011*, Volusia County's nursing home utilization for 2010 was 84.25 percent (616,851 patient days out of a total 732,190 bed days). Seminole County's nursing home utilization for 2010 was 93.24 percent (398,849 patient days out of a total 427,780 bed days).

⁵ These percentages are based on Florida resident discharges.

⁶ The applicant included six letters, three of them identical form letters.

⁷ The reviewer was unable to verify these numbers.

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Expected versus Actual CMR Discharges in the Primary Service Area for Calendar Year 2010							
Population Age	0-14	15-44	45-54	55-64	65-74	75+	Total
Discharge Rate	5.7	27.4	90.6	195.6	471.2	954.2	175.3
PSA Population (7/1/10)	47,658	95,824	37,925	28,804	17,696	17,843	245,749
Expected Discharges	3	26	34	56	83	170	372
Actual Discharges	3	13	14	20	23	24	97
Expected-Actual	--	13	20	36	60	146	275
Statewide Average Length of Stay							
	17.91	15.84	13.86	13.56	13.39	14.00	13.92
Expected Patient Days	54	412	471	759	1,112	2,379	5,187
Actual Patient Days	42	245	222	267	334	287	1,397
Expected-Actual	12	167	249	492	778	2,092	3,790
Net Bed Need @ 85% occupancy							
							12.2

Source: CON application #10128, page 31.

The applicant contends that this 3,790 patient day shortfall forms the basis for a quantitative estimate of need for the proposed 13-bed CMR unit. Assuming the 85 percent occupancy used in Rule 59C-1.039, Central Florida Regional concludes that the net need for CMR beds in District 7 is 12.2. The applicant concludes that this represents an unmet need under not normal circumstances beyond the current level of service being provided by existing CMR units. Central Florida Regional states that implicit in this finding is that the project will have no significant adverse impact on existing CMR providers.

The applicant maintains that the substitution of statewide average use rates for the lower rates actually generated by PSA residents during 2010 is a reasonable health planning approach. Central Florida Regional Hospital particularly points to elderly patients who prefer to choose rehabilitation facilities in close proximity to their acute care setting or home even if the service is not optimal to their needs. The applicant contends that the actual CMR use rate within the primary service area is suppressed due to the unavailability of the service within the PSA. Central Florida Regional concludes that the presence of the proposed CMR program will increase options for patients thereby resulting in rising CMR use rates approximating the statewide norm.

The applicant forecasts bed need for calendar year 2014 (the first year of operation of the proposed CMR program). See the table below.

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Expected versus Actual CMR Discharges in the Primary Service Area Forecasted for Calendar Year 2014							
Population Age	0-14	15-44	45-54	55-64	65-74	75+	Total
Discharge Rate	5.7	27.4	90.6	195.6	471.2	954.2	175.3
PSA Population (7/1/14)	50,087	100,036	37,788	33,360	22,311	19,327	262,908
Expected Discharges	3	27	34	65	105	184	372
Actual Discharges	3	13	14	20	23	24	97
Expected-Actual	--	14	20	45	82	160	321
Statewide Average Length of Stay							
Expected Patient Days	17.91	15.84	13.86	13.56	13.39	14.00	13.92
Actual Patient Days	54	428	471	881	1,406	2,575	5,815
Expected-Actual	42	245	222	267	334	287	1,397
Expected-Actual	12	183	249	614	1,072	2,288	4,418
Net Bed Need @ 85% occupancy							
							14.2

Source: CON application #10128, page 32.

CFRH states that the 4,418 day patient day shortfall equates to a PSA CMR bed need of 14.2 beds. The applicant projects the forecasted PSA shortfall of patient days for CMR services in 2015 is 4,598 resulting in a 14.8 bed need. Central Florida Regional restates its argument that this represents an unmet need under not normal circumstances beyond the forecast level of service that would be provided by existing CMR units.

The applicant provides a utilization forecast for the proposed CMR unit for the first two years of operation predicated on the assumption that statewide average rates of utilization will prevail within the PSA and:

- A 70 percent capture rate of the difference between expected and actual primary service area discharges
- An average length of stay (ALOS) of 12.9 days.⁸ The applicant states that this represents the actual CMR ALOS experienced by PSA residents and is lower than the statewide average of 13.92.
- A figure of 20 percent has been employed to calculate the proposed “out-of-area” draw of the CMR unit. This is the actual proportion experienced by District 7 CMR providers during 2010.

⁸ The applicant’s data showed the PSA resident ALOS in CMR beds during CY 2010 was 14.4 days, so the use of 12.9 days is conservative.

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Central Florida Regional Hospital (CON #10128) Projected CMR Utilization for Calendar Year 2014		
For the Service Area	Discharges (with a 70% capture rate)	225
	Days (with an ALOS of 12.9 days)	2,899
	Average Daily Census	7.9
Out of Area	Discharges (with a 20% out-of-area draw)	56
	Days (at 20%)	725
	Average Daily Census	2.0
Program Total	Discharges	281
	Days	3,624
	Average Daily Census	9.9
Occupancy for the 13 beds = 76%		

Source: CON application #10128, page 34.

Using this same formula, the applicant forecasts 313 total discharges with an average daily census of 11.1 and an occupancy rate of 85 percent for 2015 (year two of operation).

Central Florida Regional indicates that elderly persons (age 65+) are expected to be the primary users of the proposed CMR unit and as such the majority of the patients are projected to be Medicare or Medicare HMO.

The applicant concludes that the 13-bed CMR unit is unlikely to have a significant adverse impact on existing District 7 providers because:

- CMR inpatient facilities in Florida overwhelmingly serve patients from their home counties and currently there is no CMR inpatient beds licensed or approved for Seminole County.
- The unique location of Central Florida Regional Hospital at the border with another service district means that it is expected that the proposed CMR unit will derive a considerable portion of its volume from adjacent areas within western Volusia County.
- As previously discussed, inpatient CMR utilization in District 7 significantly lags behind other areas of the state.
- The establishment of the proposed CMR unit will help bring District 7 CMR use rates more in line with statewide norms and that utilization will be driven primarily by the shortfall between expected discharges and the actual, suppressed, demand.

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.

3. General Provisions:

- (a) **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.**

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that it will provide CMR inpatient services in a hospital licensed as a specialty hospital.

Central Florida Regional Hospital, Inc. (CON #10128) operates Central Florida Regional Hospital, a general hospital with 226 licensed beds. The proposed unit will be located in a general hospital at 1401 West Seminole Boulevard, Sanford, Florida 32771.

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that the proposed hospital will be dedicated to providing CMR inpatient services and the entire facility will be solely dedicated to CMR services. The proposed facility will be freestanding.

Central Florida Regional Hospital, Inc. (CON #10128) the proposed CMR program will be provided in a separate hospital unit on the second floor of Central Florida Regional Hospital. This unit, which currently houses a transitional care unit, will be substantially renovated to meet regulatory requirements and the needs of persons with physical disabilities. The applicant states that all of the patient rooms will be single-bed rooms with toilet and bathing facilities designed specifically to accommodate a person in a wheelchair and patients with limited mobility.

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) proposes to construct a specialty hospital with 50 CMR inpatient beds. The applicant states that the Agency has previously approved CON applications for facilities with fewer than 60 beds, including HealthSouth in Marion County.

The applicant asserts that HealthSouth has successfully developed specialty hospitals dedicated to CMR services of less than 60 beds and that HealthSouth currently operates several hospitals of less than 60 beds. As a result of its experience as the largest operator of CMR specialty hospitals in the U.S., HealthSouth states that facilities with fewer than 60 beds can be economically feasible and provide high quality programs.

Central Florida Regional Hospital, Inc. (CON #10128) proposes a 13-bed unit. The applicant contends that there have been numerous instances in the past in which the Agency has approved CMR inpatient facilities/units with lower numbers of beds than set forth in the above recommendation.

- (d) **Conformance with Criteria for Approval. A CON for the establishment of new CMR inpatient services shall not normally be approved unless the applicant meets the applicable review criteria in Section 408.035, Florida Statutes, and the standards of need determination criteria set forth in this rule.**

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that it demonstrates that it meets the applicable review criteria in Section 408.035, Florida Statutes, and the standards and need determination criteria set forth in this rule, or it has identified special circumstances in the Orange and Seminole County service area that allow the Agency to approve this application and be consistent with its prior decisions.

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Central Florida Regional Hospital, Inc. (CON #10128) states that the project described in CON application #10128 meets applicable review criteria in Section 408.035, Florida Statutes and the standards and need determination criteria set forth in this rule. The applicant maintains that the responses it provided demonstrate the consistency of this project with this.

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) conditions this application on participation in the Medicare and Medicaid programs. All HealthSouth rehabilitation hospitals in Florida participate in both programs. HealthSouth's Schedule 7B projects Medicare comprises 77.5 and 77.6 percent of the facility's year one and year two total patient days, respectively. Medicaid/Medicaid HMO is projected to be 1.5 percent of year one and year two total patient days.

Central Florida Regional Hospital, Inc. (CON #10128) states that it currently participates in the Medicare and Medicaid programs in its existing acute and sub-acute care operations and will continue to do so in the proposed rehabilitation unit. The unit will be a provider-based unit for reimbursement purposes, billing under the hospital's existing provider number. Medicare and Medicare HMO patients are expected to be 78.9 percent of total rehabilitation unit discharges and Medicaid and Medicaid HMO patients are expected to be 4.3 percent of total rehabilitation unit discharges during the first two years of operation.

(4) Required Staffing and Services.

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that CMR services in the proposed facility will be provided under a medical director of rehabilitation who is a board-certified or board-eligible psychiatrist and has at least two years of experience in the medical management of inpatients

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requiring rehabilitation services. HRHSC will hire the most appropriate physician to fill the position prior to the proposed facility accepting patients.

The applicant states that the medical director will be contracted on an hourly basis. The estimated cost included in year one is \$125,000, adjusted by inflation of 2.5 percent in year two and year three. These funds cover only the administrative function and not direct patient services.

Central Florida Regional Hospital, Inc. (CON #10128) states that the proposed unit will be operated under the direct medical supervision of a board certified physical medicine and rehabilitation specialist (physiatrist). The applicant anticipates recruiting a physician with the assistance of HCA's corporate physician recruitment office.

CFRH states that one physician will serve as the medical director and manage the rehabilitation needs (e.g. be the attending physician) and that the proposed program will couple the expertise of the rehab physician with that of an internal medicine physician with geriatric medicine specialization in the development of the rehab plan of care, the coordination of care and the delivery of services. The applicant's Schedule 6A for years one and two shows 0.5 FTE for the medical director position.

(b) 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**

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) provides a detailed response indicating that it will have all of the above plus respiratory therapy services.

Central Florida Regional Hospital, Inc. (CON #10128) states that all the identified services are currently available to patients at CFRH with the exception of rehabilitation nursing. If approved, rehabilitation nursing care will be provided 24 hours a day, seven days a week by registered nurses especially skilled and experienced in rehabilitation services. The applicant also states that the proposed unit will have clinical pharmacology services and other spiritual services.

(5) Criteria for Determination of Need:

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

HealthSouth Rehabilitation Hospital of Martin County, LLC (CON #10127) states that according to the numeric need methodology there is no need for additional CMR beds in District 7. However, the applicant has previously presented its explanation of the “not normal” circumstances existing within the service area, which it contends justify approval in the absence of published need.

Central Florida Regional Hospital, Inc. (CON #10128) states that the issue of need for CMR services and access to care is addressed in detail in response to Question E.1. “Fixed Need Pool” and Question 3.a. regarding availability, quality, efficiency, accessibility and extent of utilization.

- (b) Most Recent Average Annual District Occupancy Rate. Regardless of whether bed need is shown under the need formula in paragraph (5) (c), no additional comprehensive medical rehabilitation inpatient beds shall normally be approved for a district unless the average annual occupancy rate of the licensed comprehensive medical rehabilitation inpatient beds in the district was at least 80 percent for the 12-month period ending 6 months prior to the beginning date of the quarter of the publication of the fixed bed need pool.**

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that the most recent occupancy rate for CMR beds in District 7 was 59.89 percent for the 12-month period ending December 31, 2011. HRHSC asserts that the previously presented explanation of the circumstances existing in the service

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area justify approval of this application. Specifically, the applicant cites a mal-distribution of CMR beds in District 7. Additionally, HealthSouth contends that because existing facilities are able to expand their bed count without CON review; it is unlikely there will ever be a published need in District 7. The applicant states that the Agency has recently approved CMR programs with zero published need.

Central Florida Regional Hospital, Inc. (CON #10128) did not address this question directly but did discuss these points extensively; previously in the applicant's response to the fixed need pool and its presentation of "not normal" circumstances.

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

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that as a matter of law, HealthSouth cannot meet the requirements of this preference factor. HealthSouth will be designated as a Class III (specialty hospital) freestanding CMR hospital serving the needs of patients and residents of Seminole County. HRHSC is not a disproportionate share provider as determined by the provision of Section 409.911, Florida Statutes.

However, the applicant states that the hospital will participate in indigent care through the indigent care assessment and will provide the state and community at large with tax revenues that provide programs and services to underserved persons. HRHSC asserts that HealthSouth Corporation has a Financial Hardship, Discount and Charity Policy and a No Insurance Discount Policy that will be applicable to the applicant. Details of these programs are outlined in Attachment 15 of CON application #10127.

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Central Florida Regional Hospital, Inc. (CON #10128) states that it is not a disproportionate share hospital or a designated trauma center. However, the applicant states that CFRH provides a significant proportion of its services to Medicaid-eligible persons as well as indigent, uninsured and underinsured patients. CFRH will serve all patients without regard to ability to pay in its proposed 13-bed CMR unit.

2. An applicant proposing to serve Medicaid-eligible persons.

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states all HealthSouth rehabilitation hospitals in Florida participate in the Medicaid program and HRHSC will serve Medicaid patients. The applicant will condition the approval of this CON application on providing 1.5 percent of the facility's total annual patient days to Medicaid patients.

Central Florida Regional Hospital, Inc. (CON #10128) states that the applicant currently participates in the Medicaid program and will serve Medicaid patients. The applicant will condition the approval of this CON on providing 4.0 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (including self-pay) patients.

3. An applicant that is a designated trauma center, as defined in section 10D-66.108, Florida Administrative Code.

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that it cannot meet the requirements of this preference factor. HRHSC is not proposing the development of a designated trauma center, as defined in Section 10D-66.108, Florida Administrative Code and cannot qualify for trauma center status as it is proposing a specialty hospital.

Central Florida Regional Hospital, Inc. (CON #10128) is not a designated trauma center.

(6) 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.

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that the access standard has been met for District 7 and all other districts since 1991. The applicant contends that this standard is a worst case criterion and does not take into account the actual dynamics of patient referrals for CMR services. HRHSC asserts

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that if CMR services are not offered in Seminole County in a freestanding hospital that is not affiliated with an acute care hospital, many patients will not have reasonable access regardless of driving times because of age, medical fragility and a desire for continuity of care of patients by their physicians.

Central Florida Regional Hospital, Inc. (CON #10128) states that need and “access to care is addressed in detail in (its) response to Question E.1. ‘Fixed Need Pool” and Question 3.a. regarding availability, quality, efficiency, accessibility and extent of utilization”.

(7) Quality of Care.

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) cites that each of HealthSouth’s Florida Hospitals is in substantial compliance with Agency standards for program licensure as described by Section 59A-3, Florida Administrative Code. The applicant states that HealthSouth has invested in state-of-the-art quality measurement systems to carefully monitor processes and outcomes, these are in turn regularly measured; HRHSC asserts this system will be implemented at the proposed facility.

The applicant states that the facility will have the ongoing ability to internally and externally monitor the quality of care provided and to implement improvement activities when needed.

The Quality and Clinical Excellence Programs, as stated by HRHSC, focuses on four major areas: clinical outcomes, patient experience, technology and innovation, and culture of safety.

HealthSouth routinely measures patient outcomes data via UDSMR benchmarks. The applicant includes additional facts about UDSMR in Attachment 7 of CON #10127.

Central Florida Regional Hospital, Inc. (CON #10128) states that CFRH and all HCA affiliated hospitals in Florida, currently operate in compliance with licensure standards described in Chapter 59A-3, Florida Administrative Code, as well as with CMS Medicare conditions of participation, and will continue to do so

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following implementation of the proposed inpatient CMR unit. CFRH states that CON application #10128 is consistent with Agency standards and that it will seek and obtain CARF accreditation within the first year of operation.

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

(a) Age group to be served.

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that it will provide CMR services to patients of all ages.

Central Florida Regional Hospital, Inc. (CON #10128) states that it will serve adults 18 and older. The applicant indicates that based upon the analysis of population demographics of the service area, it anticipates that approximately 24 percent of admissions to the proposed unit will be age 18-64 and 76 percent will be age 65 and older.

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) supplied a description of the following specialty programs it proposes to provide:

- Stroke Rehabilitation Program
- Lymphedema Management Program
- Neurological Rehabilitation Program
- Arthritis Program
- Wound Care Program
- Spinal Cord Injury Program
- Orthopedic Rehabilitation Program
- Spasticity Management Program
- Hand Rehabilitation Treatment
- Balance and Vestibular Program
- Fibromyalgia Rehabilitation Program
- Chronic Pain Management Program

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Central Florida Regional Hospital, Inc. (CON #10128) supplied a description of the following specialty programs it proposes to provide:

- Stroke Rehabilitation Program
- Lymphedema Management Program
- Arthritis Program
- Wound Care Program
- Orthopedic Rehabilitation Program
- Spasticity Management Program
- Balance and Vestibular Program

- (c) 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.**

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127): Schedule 6 indicates that during year two (2015) of operation, the applicant plans to have the following staff:

- Medical Director (by contract and not counted as an FTE)
- Administration (21.25 FTEs)
- Nursing Staff (51.25 FTEs) includes 2.0 FTE unit secretaries
- Ancillary (25.8 FTEs)
- Dietary (7.71 FTEs)
- Social Services (2.0 FTEs)
- Housekeeping (5.17 FTEs)
- Laundry (by contract, no stated FTE)
- Plant Maintenance (2.5 FTEs)

As previously stated, the medical director of rehabilitation services will be a board-certified or board-eligible physiatrist with at least two years of experience in the medical management of inpatients requiring rehabilitation services.

HealthSouth provides a list of sample training topics and course categories available to its employees. Attachment 6 of the application included HealthSouth's 2011 'Catalog of Learning', a document showing classroom courses, management courses, clinical training courses, etc., including supervisor level staff access to 43 Harvard business courses.

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Central Florida Regional Hospital, Inc. (CON #10128):

Schedule 6 indicates that during year two (2015) of operation, the applicant plans to have the following staff:

- Medical Director (0.5 FTE)
- Administration (5 FTEs)
- Nursing Staff (13.2 FTEs) includes 1.0 FTE unit secretary
- Ancillary (7.7 FTEs)
- Dietary (No stated FTE)
- Social Services (1.0 FTEs)
- Housekeeping (2.1 FTEs)
- Laundry (No stated FTE)
- Plant Maintenance (1.0 FTEs)

As previously stated, the applicant shall provide medical direction by a board-certified psychiatrist with at least two years' experience in the medical management of inpatients requiring rehabilitation services. CFRH lists a brief overview of the training and experience requirements for key direct care staff positions.

The applicant states that it will train all medical staff and employees on the significance of a culture of safety.

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that it is prepared to put forth special efforts to attract quality staff required for its rehabilitation programs and has initiated a number of innovative approaches to recruit and retain staff throughout its Florida facilities as well as throughout its corporate structure. Methods of staff recruitment include:

- In-house job posting
- Corporate recruiting
- Employment open house
- Professional recruitment firms
- Participation in local job fairs

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- Referral bonuses for select positions
- Advertising in local newspapers, specialty newsletter/magazines
- Advertising in colleges that have specialty programs
- Strong clinical affiliations program with allied health fields with a wide variety of universities
- Participation in professional conferences and educational events on a local and regional level
- HealthSouth Corporation clinical travelers
- Hard to fill positions are advertised in specialty journals
- Flyers mailed to home addresses from nationwide mailing lists

HealthSouth has residency programs with several schools of allied health, actively participates in professional organizations, both locally and nationally, and if necessary offers a sign-up bonus to attract high quality personnel. HealthSouth also has established affiliations with health professional education programs including medical schools, schools of nursing, local vocational/technical schools, and graduate programs for psychologists, physical therapy, occupational therapy, speech therapy and therapeutic recreation. The applicant states that in addition to local recruitment efforts, it can rely on support from HealthSouth's corporate recruiting department to assist in recruitment of all professional areas.

Retention activities include providing benefits such as corporate sponsored continuing education capabilities (Rehabilitation Training Network), generous continuing education allowances, reimbursement for professional licenses, reimbursement of national dues, annual merit pay increases, medical and dental insurance coverage, paid holidays and sick leave, flexible spending accounts, 401K retirement investment plan, life insurance, employee stock benefit plan, various employee recognition programs and activities, management development programs, mentoring programs, tuition reimbursement assistance for staff attending relevant courses and seminars, and a scholarship program. The applicant states it will have an ongoing human resources program to coordinate the needs of its personnel.

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Central Florida Regional Hospital, Inc. (CON #10128)

anticipates no unusual difficulties in filling the total 30 FTEs forecasted as necessary to meet patient care needs. The applicant maintains that while the proposed unit represents a new service for the hospital, it will not represent an increase in net licensed beds. Therefore, many of the personnel required for the unit will be reassigned from the existing hospital, including the transitional care unit. Others will be recruited as necessary through various methods including:

- promotion from within the facility
- promotion and recruitment within HCA
- utilization of corporate recruitment personnel and resources
- utilization of professional recruiting agencies and services when necessary
- advertisements in local, state and national media and professional publications.

(e) Expected sources of patient referrals.

HealthSouth Rehabilitation Hospital of Seminole County, LLC

(CON #10127) states that the primary source of patient referrals will be through area health care providers. HRHSC states that since it does not operate any acute care general hospitals, it can expect to receive patient referrals from general hospitals in the area. HealthSouth's past experience has shown this to be true.

The applicant states that HealthSouth has a track record of successfully developing freestanding CMR hospitals in medical markets where multiple acute care hospitals have CMR units. HRHSC maintains that as a national provider of inpatient rehabilitation HealthSouth has been successful in developing a regional presence at the majority of facilities that HealthSouth operates.

HRHSC states that other referral resources include nursing homes, physicians, assisted living facilities, home health agencies, and word of mouth. Furthermore, a small number of patients may live out of state.

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Central Florida Regional Hospital, Inc. (CON #10128) expects to draw referrals to the proposed unit from a number of sources. The applicant indicates that many admissions to the CMR unit will arise from among CFRH's acute care patients, including patients that would presently be treated in the existing SNU (skilled nursing unit) but who need a more aggressive level of medical rehabilitation. The applicant states that additional referrals are expected from area nursing homes and other acute care hospitals in the area.

- (f) 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.**

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states it will achieve 80 percent occupancy in the third year of operation. The projected patient days reflect a payer mix of 80 percent Medicare and Medicare managed care, 1.5 percent Medicaid, 1.0 percent charity care as defined by Florida Statutes and 17.5 percent commercial managed care and other.

Schedule 7B and its notes indicate that during years one and two the facility's total annual patient days will have the following payer mix: 80 percent Medicare and Medicare HMO, 1.5 percent Medicaid and Medicaid HMO, 1.0 percent charity care, and 17.5 percent managed care, commercial and other.

Central Florida Regional Hospital, Inc. (CON #10128) presents the following table showing payer type in years one and two of the proposed unit.

**Central Florida Regional Hospital, Inc. (CON #10128)
Projected CMR Payer Mix:
Calendar Years 2014 & 2015**

Payer	Year One (2014)		Year Two (2015)	
	Days	Percent	Days	Percent
Medicare	2,612	72.1%	2,912	72.1%
Medicare HMO	246	6.8%	274	6.8%
Medicaid	140	3.9%	156	3.9%
Medicaid HMO	13	0.4%	14	0.3%
Other HMO/PPO	522	14.4%	582	14.4%
Commercial	0	0.0%	0	0.0%
Other	45	1.2%	51	1.3%
Self-Pay/Charity	45	1.2%	50	1.2%
	3,624	100.0%	4,039	100.0%

Source: CON application #10128, page 120.

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states it will treat all patients regardless of their ability to pay should they meet clinical admission requirements. The applicant restates its proposed conditions to provide 1.5 percent of the facility's total annual patient days to Medicaid patients and 1.0 percent to charity care patients as defined by Florida Statutes. HRHSC states that uninsured patients that do not qualify for charity care receive a discount from billed charges for prompt pay.

Central Florida Regional Hospital, Inc. (CON #10128) states it extends and will continue to extend services to all patients in need of care regardless of the ability to pay or source of payment. Medicaid-sponsored, self-pay and indigent patients are currently served by the applicant. CFRH asserts that the proposed project will ensure accessibility by these patients to needed inpatient rehabilitation services. The applicant estimates that 1.2 percent of the project's total annual patient days will be provided to self-pay and charity patients.

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

- (a) **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.**
- (b) **Within 45 days after the end of each calendar year, facilities shall provide a report of the number of comprehensive medical rehabilitation inpatient days which occurred during the year, by principal diagnosis coded consistent with the International Classification of Disease (ICD-9).**

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that it will participate in the Agency's data collection activities and with the local health council in accordance with Chapter 408 of the Florida Statutes.

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Central Florida Regional Hospital, Inc. (CON #10128) indicates that it currently reports inpatient acute care discharge data to the Agency and its designee consistent with this provision. The applicant states that it will collect and report data for patients discharged from the proposed inpatient rehabilitation unit.

3. Statutory Review Criteria

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

District 7 has 173 licensed CMR beds which experienced an occupancy rate of 59.89 percent during the 12-month period ending December 31, 2010. There are no CON approved CMR beds pending licensure as of July 22, 2011.

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) contends that because of circumstances unique to the medical market of the service area, residents of Seminole and Orange Counties do not have reasonable access to CMR services. The applicant maintains that the lack of reasonable access to CMR services reduces the quality of health care and worsens patient outcomes in this medical market.

The applicant indicates that none of the major acute care providers have placed a high priority on providing adequate CMR services. HealthSouth contends that while it specializes in CMR services, acute care services demand capital and management attention that leaves few resources for CMR services. HRHSC maintains that referring rehabilitation patients to SNF programs in District 7 is not an alternative to additional CMR beds because the ability and willingness of nursing homes to provide rehabilitation services will be reduced going forward due to changes to the Medicare payment system.

HRHSC states that it has previously demonstrated that CMR use rates in the service are significantly lower than Florida averages for counties with freestanding CMR hospitals. This low use rate in Orange and Seminole Counties, the applicant indicates, will mean that the proposed project should have minimal, if any, impact on existing CMR providers in District 7.

HRHSC contends that because no CMR program exists in Seminole County, SNFs have been used as a substitute for CMR services since they do provide certain (less intense) rehabilitation services.

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The applicant cites changes in the Medicare payment systems for SNFs substantially reduce the financial incentive to provide rehabilitation services. HRHSC states that there are numerous situations in which SNF-level care cannot be substituted for CMR-level care referring to MedPAC data that shows readmission to acute care from SNF is 22 percent compared to a 9.4 percent readmission rate for inpatient rehabilitation providers. The applicant details 14 major differences in the two settings, these differences are listed below:

- Patient diagnoses are limited in CMR
- Sites from which patients can be admitted
- Length of stay is shorter in CMR
- Interdisciplinary team approach
- Attending physician visits
- Medical Director specialty
- Registered nurse availability
- Multiple and intensive therapy
- Physician must evaluate patient within 24 hours in CMR
- Individualized overall plan of care required within four days of admission in CMR
- CMRs are required to monitor rehabilitation outcomes
- Specialized teams can be developed in CMRs
- SNFs have higher mortality rate than CMRs
- CMRs have more specialized rehabilitation equipment

The applicant also included a comparison chart of CMR and SNF settings, it is recreated below.

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**HealthSouth CON #10127
Comparison of CMR and SNF Settings**

Characteristics	Inpatient Rehabilitation	Skilled Nursing
Admission Criteria	60% of admissions must come from CMS 13 categories 42 CFR 412.23(b)(2)(ii) Require preadmission screening within 48 hours immediately preceding the CMR admission. 42 CFR 412.622(a)(4)(i)(A)	Admission to SNF within 30 days of hospital discharge 42 CFR 409.30(b) Require 3 consecutive days medically necessary hospital stay 42 CFR 409.30(a)(1)
ALOS	15 to 16 days	30+ days
Attending Physician Visits	Face-to-face visits 3 days+ per week 42 CFR 412.622(a)(3)(iv)	At least every 30 days 42 CFR 483.40(c)(1)
Multi-Disciplinary team approach	Interdisciplinary team approach at least once per week Required 42 CFR 412.622(a)(5) 42 CFR 412.23(b)(7)	Not required
MD or DO Medical Director Specialty	Licensed physician with specialized training and experience 42 CFR 412.622(a)(3)(iv): Full time basis Medical Director required 42 CFR 412.23(b)(i)	Family Practice, Internal Medicine
RN oversight/availability	24 hours per day/ 7 days a week 42 CFR 482.23(b)(5)	8 consecutive hours per day, 7 days per week 42 CFR 483.30(b)(1)
Nursing hours per patient day	6.0 – 8.0 hours	2.5 – 4.0 hours Skilled nursing 7 days a week; or therapy 5 days a week; or Combination of nursing and therapy 7 days a week 42 CFR 409.31(b)(1) 42 CFR 409.34(a)(1)
Multiple and Intensive Therapy	3 hours per day minimum at least 5 days per week or at least 15 hours within a 7 consecutive day period; one of the multiple therapy disciplines must be PT or OT; therapy must be initiated within 42 CFR 412.622(a)(3)(i) &(ii)	No minimum See above for level of requirement on “daily basis”
Post-Admission Physician Evaluation	Within 24 hours of Admission 42 CFR 412.622(a)(4)(ii)	No Requirement
Individualized Overall Plan of Care	Within 4 days of admission 42 CFR 412.622(a)(4)(iii)	No Requirement

Source: CON application #10127, page 108.

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The applicant notes that Orange and Seminole Counties' 795 community nursing home beds averaged 88.9 percent utilization for the 12 months ending June 30, 2010⁹. HealthSouth notes that as of April 2011, Orange and Seminole Counties combined had 5,246 community nursing home beds and provided a chart showing the percent annual occupancy by facility from CY 2006-2010. The reviewer provided the following table.

**District 7-2 (Orange County) & District 7-4 (Seminole County)
Community Nursing Home Occupancy
Calendar Years 2006 - 2010**

County	Bed Total	2006	2007	2008	2009	2010
Orange County, Subdistrict 7-2	4,074*	89.14%	87.27%	86.53%	86.96%	88.86%
Seminole County, Subdistrict 7-4	1,172	93.71%	93.76%	93.46%	91.81%	92.44%

*In the April 2007 Nursing Home Utilization publication, Orange County had 4,176 listed total beds, 102 beds from Sunbelt Health Care & Subacute Center were inactive as it closed January 27, 2006.

Source: *Florida Nursing Home Utilization by District and Subdistrict* April edition for each of the named years.

HRHSC states that it would be very difficult for another hospital to refer patients to the existing highly utilized CMR programs in Orange County. The applicant maintains that operational and physical capacity constraints of the CMR providers in the service area have denied patients adequate access to CMR programs. HRHSC states that the proposed facility will ensure that Orange and Seminole County patients have the opportunity for reasonably accessible CMR services.

The applicant asserts that the decision on whether a CMR or SNF program is best for persons recovering from illness or injuries must be determined by a physician on a case-by-case basis based on medical need. Therefore, it is essential to quality of care that there be one CMR program in any medical market that has sufficient population to support it so that patients, caregivers and physicians are able to select the rehabilitation program that will maximize that patient's recovery, independence and productivity.

HRHSC states that part of HealthSouth's company-wide mission is that it is paramount to provide its patients with the finest clinicians, technology, facilities and programs available. HealthSouth maintains that it sets only the highest standards of performance and continually strives to uphold and improve its reputation for excellence. Additionally, HealthSouth indicates that it has invested in state-of-the-art quality measurement systems to carefully monitor processes and outcomes, allowing each facility to maintain the highest possible levels of quality.

⁹ This appears to be a cut and paste error by the applicant, as Martin County has 795 beds which averaged 88.86 percent occupancy during the 12 months ended June 30, 2010.

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The applicant indicates that the proposed facility will be developed in an efficient manner in that the project will be accomplished within two years of approval and is projected to commence operations at the beginning of 2013. However, throughout the application the first year of operation begins January 2014. In addition to providing care in an accessible, acceptable and effective manner, the applicant asserts that the proposed facility will also be an efficient/cost-effective provider of comprehensive medical rehabilitation services. HealthSouth illustrates, using data from the Centers for Medicare and Medicaid Services, that its hospitals have lower costs per discharge and lower payment per discharge than other programs. The table below was provided by the applicant to illustrate this point.

CMS FY 2011 IRF Rate Setting File Analysis

	Freestanding	Units	Total	HealthSouth
Number of IRFs	230	941	1,171	91
Average # of Discharges per IRF	708	243	335	942
Outlier Payments as % of Total Payments	1.45%	4.08%	3.00%	0.26%
Average Estimated Total Payment per Discharge for FY 2011	\$16,777	\$17,231	\$17,042	\$16,197
Average Estimated Cost per Discharge for FY 2011	\$14,202	\$17,940	\$16,386	\$12,347

Source: CON application #10127, page 117.

The applicant concludes that HealthSouth is one of the most highly qualified providers of CMR services in the country, providing CMR services in a cost-effective fashion.

Central Florida Regional Hospital, Inc. (CON #10128) makes no representations regarding the adequacy of the quality of care available at the existing providers of inpatient comprehensive medical rehabilitation in the district. The applicant asserts that the need for the proposed project is not dependent upon an assertion of an absence of quality preventing utilization but by the greatly below average utilization of CMR services by residents of the primary service area and District 7.

CFRH restates that need arises out of the vast gap between actual and expected discharges from acute care to CMR in District 7 coupled with contemporary practices regarding CMR services. The applicant asserts that primarily, CMR services function as a step-down level of care for patients as part of their overall path to recovery from illness or injury. CFRH refers back to its answer to E.1., and argues that the substantial underutilization of CMR services has been driven in part by changing Medicare reimbursement regulations rendering larger hospital-based CMR units obsolete and resulting in CMR beds in too few hospitals.

CFRH maintains that its PSA residents do not utilize District 7 inpatient CMR providers to any appreciable extent and refers to its chart showing the PSA discharges to CMR during CY 2010. The applicant contends that reliance on any of these providers' results in less than optimal

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continuity of care for primary service area residents discharged from the acute setting. CFRH states that many acute care patients upon discharge go to a SNF or other long-term unit where they receive limited non-comprehensive rehabilitative services or simply forgo treatment. The applicant indicates that given traffic congestion in the greater Orlando area, even the shortest distance (Florida Hospital Orlando, 23 miles), is bound to disrupt the continuity of treatment of a patient residing in central or northern Seminole County or western Volusia County.

CFRH asserts that the approval of HealthSouth's proposed facility would do nothing to foster competition in District 7, and in fact, would lessen it. The applicant states that in CY 2010, HealthSouth provided nearly 45 percent (44.49 percent based on HealthSouth Sea Pines 16,827 of District 7's total 37,817 days) of the total CMR patient days reported by District 7 providers. CFRH indicates that approval of a new HealthSouth hospital would only serve to worsen the disparity between HealthSouth and all other providers in the district.

Additionally, CFRH maintains that over the last five years, HealthSouth's District 7 occupancy has ranged between 43 percent and 53 percent. Thus, the applicant concludes, based on the AHCA standard of 85 percent occupancy, HealthSouth Sea Pines has been chronically underutilized.

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

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that it has no current operations or operating history. The applicant indicates that the facility's quality care will be based on HealthSouth's experience, knowledge and accreditation principles. HRHSC will seek both Joint Commission and CARF accreditation. The applicant maintains it will implement appropriate protocols to maintain a superior quality of care upon licensure. According to the applicant, HealthSouth Rehabilitation Hospitals consistently rank above the national average in two important categories: "Would You Recommend" and "Overall Quality of Care". Furthermore, HealthSouth hospitals consistently meet or exceed national averages for functional outcomes in patients. HRHSC asserts it will mirror HealthSouth's intensive rehabilitation programs that get sicker patients better faster, translating to higher overall outcomes and cost savings.

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HRHSC states that during 2009, HealthSouth Rehabilitation Hospitals began utilizing Press Ganey, a leader in health care improvement for more than 20 years, to measure their patients' experience. The applicant states that the performance of the proposed facility will be measured periodically via patient outcome survey, compliance hotlines and focus groups.

Further, HealthSouth Corporation devotes significant resources to developing, implementing and maintaining state-of-the-art systems and technology which enables HealthSouth facilities to provide the highest quality of patient care. Examples of HealthSouth systems and technology include:

- Risk Management Reporting System
- Equipment (with embedded technology)
- Rehabilitation Technologies (e.g. AutoAmbulator)
- Automated Medical Records System
- Computerized Order Entry System
- Clinical Education.

HealthSouth has 97 rehabilitation hospitals, 32 outpatient rehabilitation facilities and 25 licensed hospital-based home health agencies serving people in 26 states and Puerto Rico.

Agency data obtained on October 14, 2011 indicates that the nine HealthSouth Hospitals¹⁰ (763 total beds) had a total of eight substantiated complaints during the previous 36 months. A single complaint can encompass multiple complaint categories. A table below has these listed by complaint categories.

HealthSouth Substantiated Complaint Categories for the Past 36 Months

Complaint Category	Number Substantiated
Nursing Services	6
Quality of Care/Treatment	3
Resident/Patient/Client Rights	1
Resident/Patient/Client Assessment	1
Restraints/Seclusion/General	1
Medicine Prob/Errors/Formulary	1
Dietary Services	1
Plan of Care	1

Source: Agency for Health Care Administration complaint records.

¹⁰ HealthSouth has two CONs approved to establish comprehensive medical rehabilitation hospitals: CON #10097 for a 50-bed facility in Marion County (District 3) and CON #10118 for a 34-bed facility in Martin County (District 9).

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Central Florida Regional Hospital, Inc. (CON #10128) holds license #4032 to operate Central Florida Regional Hospital at 1401 West Seminole Boulevard, Sanford, Florida 32771. Central Florida Regional Hospital was founded in 1927 by a group of doctors in Sanford and has evolved into a 226-bed medical/surgical facility and health care complex specializing in heart and vascular care, cardiac rehabilitation, comprehensive cancer care, neurohealth sciences and spine care. The applicant asserts that CFRH's level of service and team of professionals rank among the best in the nation with over 220 physicians, 1,000 health care professionals and 100 volunteers. During fiscal year 2010, Central Florida Regional accounted for a total economic impact to the local community exceeding \$105,800,000.

CFRH has accreditation by the Joint Commission. The applicant provides a list of recent award and recognitions relative to its quality of care including the Action Registry—GWTG Gold Performance Achievement Award from the American College of Cardiology and the American Heart Association for acute myocardial infarction. CFRH also includes a list of highly specialized care that it provides to the residents of its service area. The applicant maintains that the aforementioned program list provides evidence of its experience, ability and commitment to developing, implementing and operating high quality organized programs of specialized care.

Central Florida Regional Hospital presents a detailed discussion of its ability to provide quality care and patient safety initiatives including a partial list of relevant initiatives with direct or continuity of care applicability to the proposed project. These include:

- Documentation standards
- Electronic bar coding medication system
- Electronic bar coding transfusion system
- Infection prevention

In addition, the applicant states that from an organizational perspective the proposed facility will be incorporated in the CFRH's existing care delivery and performance improvement structure. CFRH currently uses a performance improvement plan, included in Tab 5 of CON application #10128 and will develop a rehabilitation center specific performance improvement policy and procedure statement¹¹. The applicant also provides sample outcomes measurement and program evaluation policies currently in place at a sister facility (Lawnwood Regional Medical Center) in Tab 10 of CON application #10128.

¹¹ A draft version of CFRH's Rehabilitation Policies were in Tab 7 of CON application #10128.

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CFRH asserts that clinical continuity of care is of primary importance to the acute care patient in need of comprehensive inpatient rehabilitation services. Over the past decade, rehab patients have more co-morbid conditions that need to be medically managed along with their physical disability. The applicant contends that a CMR program at CFRH will allow for the shortest amount of time between discharge from an acute care facility and admission to a CMR program and patients will gain the direct benefit of having the same physicians manage their medical care in conjunction with a rehabilitation physician.

The applicant indicates that it is a subsidiary of Hospital Corporation of America (HCA) and HCA is the nation's second largest provider of inpatient rehabilitation facility services. HCA has a number of programs and support services available to assist affiliates in the design, construction, start-up and continuing operation of high quality inpatient rehabilitation programs. HCA comprehensive inpatient rehabilitation programs utilize a wide variety of state-of-the-art rehabilitation equipment; a partial list is included on pages 71-72 of CON application #10128.

Specifically in Florida, HCA operates six CMR programs at existing general acute care hospitals with a total of 205 beds. The applicant points to Lawnwood Regional Medical Center's CMR outcomes as characteristic of inpatient rehabilitation performance at HCA-affiliated CMR programs. The applicant states that for calendar year 2010, Lawnwood's CMR program treated 684 patients with an average length of stay of 12.8 days and an average daily census of approximately 24.

HCA has 44 licensed hospitals in Florida with a total of 10,509 beds. Agency data obtained October 14, 2011 indicates that HCA affiliated hospitals had 145 substantiated complaints during the previous 36 months. A single complaint can encompass multiple complaint categories. The table below has these listed by complaint categories.

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HCA Substantiated Complaint Categories in the Past 36 Months

Complaint Category	Number Substantiated
Nursing Services	37
Quality of Care/Treatment	30
Emergency Access	25
Resident/Patient/Client Assessment	17
Resident/Patient/Client Rights	17
EMTALA	15
Patient Rights	8
Admission, Transfer & Discharge Rights	7
Plan of Care	4
Discharge Planning	4
Restraints/Seclusion General	4
Medicine Prob/Errors/Formulary	3
Administration/Personnel	3
Infection Control	3
Physical Environment	3
Physician Services	3
Dietary Services	2
Resident/Patient/Client Abuse	2
Falsification of Records/Reports	2
Cause for Denial	1
Chapter 394/Baker Act	1
Environment	1
Specimen Handling	1
State Licensure	1

Source: Agency for Health Care Administration complaint records.

CFRH had six substantiated complaints during the previous 36 months in these categories: quality of care/treatment (three complaints), discharge planning, emergency access and EMTALA.

- 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.**

HealthSouth Rehabilitation Hospital of Seminole County, LLC

(CON #10127): The applicant is a development stage company which was created primarily for the purpose of obtaining a CON for a CMR hospital in Seminole County, Florida. According to the audit, the applicant has no assets, liabilities, or operations as of August 31, 2011. The applicant is an indirect wholly owned subsidiary of HealthSouth Corporation (Parent).

The applicant also provided a copy of the December 31, 2010, 10-K for its parent. These statements were analyzed for the purpose of evaluating the parent's ability to provide the capital and operational funding necessary to implement the project.

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Short-Term Position - Parent:

The parent's current ratio of 1.1 is below average and indicates current assets are approximately 1.1 times current liabilities, an adequate position. The working capital (current assets less current liabilities) of \$46.9 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.9 is above average and a good position. Overall, the parent has an adequate short-term position. (See Table 1).

Long-Term Position - Parent:

The ratio of long-term debt to net assets of 4.2 is well above average and indicates that long-term debt exceeds equity. With long-term debt exceeding equity, the applicant may have difficulty acquiring future debt in an arms-length transaction. The ratio of cash flow to assets of 14.0 percent is above average and a good position. The most recent year had revenues in excess of expenses of \$203.9 million which resulted in a 10.2 percent operating margin. Overall, the parent has an adequate long-term position. (See Table 1).

Capital Requirements:

The applicant indicates on Schedule 2 capital projects totaling \$24.5 million which includes this project and capital equipment purchases in years one, two, and three of the project. In addition, the applicant is projecting a year one operating loss of \$1,082,463. The applicant will have to fund this loss until profitability can be achieved.

Available Capital:

The applicant indicates on Schedule 3 of its application that funding for the project will be provided by the parent. Attachment 20 of CON application #10127 includes a letter from Edmund Fay, HealthSouth Senior Vice President and Treasurer that indicates that the parent will make funding available for this project. The parent's 2010, 10-K report shows \$46.9 million in working capital and \$331.0 million in cash flow from operations.

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TABLE 1		
HealthSouth Rehabilitation Hospital of Seminole County, LLC CON #10127		
	HealthSouth(Parent)	HealthSouth(Parent)
	12/31/10	12/31/09
Current Assets (CA)	\$406,200,000	\$426,000,000
Cash and Current Investment	\$48,400,000	\$80,900,000
Total Assets (TA)	\$2,372,100,000	\$1,681,500,000
Current Liabilities (CL)	\$359,300,000	\$391,200,000
Goodwill	\$431,300,000	\$418,700,000
Total Liabilities (TL)	\$1,986,900,000	\$2,191,700,000
Net Assets (NA)	\$385,200,000	(\$510,200,000)
Total Revenues (TR)	\$1,999,300,000	\$1,911,100,000
Interest Expense (Int)	\$125,900,000	\$125,800,000
Excess of Revenues Over Expenses (ER)	\$203,900,000	\$123,500,000
Cash Flow from Operations (CFO)	\$331,000,000	\$406,100,000
Working Capital	\$46,900,000	\$34,800,000
FINANCIAL RATIOS		
	12/31/10	12/31/09
Current Ratio (CA/CL)	1.1	1.1
Cash Flow to Current Liabilities (CFO/CL)	0.9	1.0
Long-Term Debt to Net Assets (TL-CL/NA)	4.2	-3.5
Times Interest Earned (ER+Int/Int)	2.6	2.0
Net Assets to Total Assets (NA/TA)	16.2%	-30.3%
Operating Margin (ER/TR)	10.2%	6.5%
Return on Assets (ER/TA)	8.6%	7.3%
Operating Cash Flow to Assets (CFO/TA)	14.0%	24.2%

Conclusion:

Funding for this project and the entire capital budget should be available as needed.

Central Florida Regional Hospital, Inc. (CON #10128): The audited financial statements of the applicant for the periods ending December 31, 2009 and 2010 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The applicant indicated that its parent company HCA would provide funding for this project. Therefore, we have also evaluated the parent's December 31, 2010, 10-K to evaluate the parent's ability to fund the project.

Short-Term Position - Applicant:

The applicant's current ratio of 2.1 is average and indicates current assets are approximately 2.1 times current liabilities, an adequate position. The working capital (current assets less current liabilities) of \$10.9 million is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.7 is above average and an adequate position. Overall, the applicant has an adequate short-term position. (See Table 1).

Short-Term Position - Parent:

The parent's current ratio of 1.6 is slightly below average and indicates current assets are approximately 1.6 times current liabilities, an adequate position. The working capital (current assets less current liabilities) of \$2.7 billion is a measure of excess liquidity that could be used to fund capital projects. The ratio of cash flow to current liabilities of 0.7 is slightly above average and an adequate position. Overall, the parent has an adequate short-term position. (See Table 1).

Long-Term Position - Applicant:

The ratio of long-term debt to net assets of 0.9 is above average and indicates the applicant is highly leveraged and may have difficulty obtaining non-related party debt financing if necessary. The ratio of cash flow to assets of 9.3 percent is above average and a good position. The most recent year had revenues in excess of expenses of \$2.5 million which resulted in a 1.6 percent operating margin. Overall, the applicant has an adequate long-term position. (See Table 1).

Long-Term Position - Parent:

The ratio of long-term debt to net assets of negative 2.8 is below average and indicates that long-term debt exceeds equity. With long-term debt exceeding equity, the parent may have difficulty obtaining future debt financing if necessary. The ratio of cash flow to assets of 12.9 percent is above average and a good position. The most recent year had revenues in excess of expenses of \$2.2 billion which resulted in a 7.3 percent operating margin. Overall, the parent has an adequate long-term position. (See Table 1).

Capital Requirements:

The applicant indicates on Schedule 2 capital projects totaling \$12.9 million which includes this project, an electrophysiology lab and routine capital for three years.

Available Capital:

The applicant indicates on Schedule 3 of its application that funding for the project will be provided by the parent. As of December 31, 2010, the parent had \$2.7 billion in working capital and generated cash from operations of approximately \$3.1 billion. In addition, as of December 31, 2010, the applicant had \$10.9 million in working capital and generated cash from operations of approximately \$6.6 million.

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TABLE 1		
Central Florida Regional Hospital, Inc. CON #10128		
	HCA(Parent)	Applicant
	12/31/10	12/31/10
Current Assets (CA)	\$6,919,000,000	\$20,697,654
Cash and Current Investment	\$411,000,000	\$36,107
Total Assets (TA)	\$23,852,000,000	\$70,262,295
Current Liabilities (CL)	\$4,269,000,000	\$9,761,959
Goodwill	\$2,693,000,000	\$8,906,539
Total Liabilities (TL)	\$34,646,000,000	\$38,841,836
Net Assets (NA)	(\$10,794,000,000)	\$31,420,459
Total Revenues (TR)	\$30,683,000,000	\$157,075,487
Interest Expense (Int)	\$2,097,000,000	\$2,686,764
Excess of Revenues Over Expenses (ER)	\$2,231,000,000	\$2,525,367
Cash Flow from Operations (CFO)	\$3,085,000,000	\$6,563,333
Working Capital	\$2,650,000,000	\$10,935,695
FINANCIAL RATIOS		
	12/31/10	12/31/10
Current Ratio (CA/CL)	1.6	2.1
Cash Flow to Current Liabilities (CFO/CL)	0.7	0.7
Long-Term Debt to Net Assets (TL-CL/NA)	-2.8	0.9
Times Interest Earned (ER+Int/Int)	2.1	1.9
Net Assets to Total Assets (NA/TA)	-45.3%	44.7%
Operating Margin (ER/TR)	7.3%	1.6%
Return on Assets (ER/TA)	9.4%	3.6%
Operating Cash Flow to Assets (CFO/TA)	12.9%	9.3%

Conclusion:

Funding for this project and the entire capital budget 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.

A comparison of the applicants' estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go

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beyond the relevant range of outcomes, revenues and expenses may, either, go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

HealthSouth Rehabilitation Hospital of Seminole County, LLC

(CON #10127): The applicant will be compared to hospitals in the Rehabilitation Hospital Group (Group 18). We do not have case mix data available for rehabilitation hospitals so an intensity factor of 0.9722 was calculated for the applicant by taking the projected average length of stay indicated and dividing it by the weighted average length of stay for the peer group. This methodology is used to adjust the group values to reflect the intensity of the patient as measured by length of stay. Per diem rates are projected to increase by an average of 3.0 percent per year. Inflation adjustments were based on the new CMS Market Basket, 2nd Quarter, 2011.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application and compared to the control group as a calculated amount per adjusted patient day.

Projected net revenue per adjusted patient day (NRAPD) of \$1,089 in year one and \$1,162 in year two is between the control group lowest and median values of \$989 and \$1,139 in year one and \$1,018 and \$1,172 in year two. With net revenues falling between the lowest and median level, the facility is expected to consume health care resources in proportion to the services provided. (See Table 2).

Anticipated costs per adjusted patient day (CAPD) of \$1,215 in year one is higher than the control group's highest of \$1,207. The anticipated CAPD of \$1,034 in year two is between the control group median and highest values of \$992 and \$1,242. With projected cost between the median and highest value in the control group, the year two costs appear reasonable. (See Table 2). The applicant is projecting a decrease in CAPD between year one and year two of \$181, or 14.9 percent. It should be noted that this application is for a new facility. The first year of operation has a below average occupancy rate. The low occupancy rate decreases economies of scale and as the occupancy rate increases, CAPD would be expected to decrease. This also explains why the CAPD exceeds the group maximum value in year one.

The year two projected operating income for the project of \$1.6 million computes to an operating margin per adjusted patient day of \$127 or 11.0 percent which is between the control group lowest and median values of \$8 and \$145.

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TABLE 2

HealthSouth Rehabilitation Hospital of Seminole County

CON #10127

2009 DATA Peer Group 18

	Dec-15	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	28,964,447	2,282	1,817	705	511
INPATIENT AMBULATORY	0	0	7	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	1,400	982	766
OUTPATIENT SERVICES	171,947	14	605	153	73
TOTAL PATIENT SERVICES REV.	29,136,394	2,296	3,075	1,814	1,598
OTHER OPERATING REVENUE	32,958	3	40	3	2
TOTAL REVENUE	29,169,352	2,299	3,079	1,816	1,601
DEDUCTIONS FROM REVENUE	14,425,240	1,137	0	0	0
NET REVENUES	14,744,112	1,162	1,582	1,172	1,018
EXPENSES					
ROUTINE	3,839,602	303	546	205	173
ANCILLARY	3,089,703	243	344	236	198
AMBULATORY	0	0	0	0	0
TOTAL PATIENT CARE COST	6,929,305	546	0	0	0
ADMIN. AND OVERHEAD	4,130,244	325	0	0	0
PROPERTY	2,066,822	163	0	0	0
TOTAL OVERHEAD EXPENSE	6,197,066	488	692	532	382
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	13,126,371	1,034	1,242	992	795
OPERATING INCOME	1,617,741	127	317	145	8
		11.0%			
PATIENT DAYS	12,601				
ADJUSTED PATIENT DAYS	12,690				
TOTAL BED DAYS AVAILABLE	18,250				
ADJ. FACTOR	0.9930				
TOTAL NUMBER OF BEDS	50				
PERCENT OCCUPANCY	69.05%				
			VALUES NOT ADJUSTED		
			FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			81.6%	73.2%	52.7%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	126	1.0%			
MEDICAID	95	0.8%	10.6%	2.4%	0.0%
MEDICAID HMO	95	0.8%			
MEDICARE	9,771	77.5%	84.3%	75.8%	54.4%
MEDICARE HMO	308	2.4%			
INSURANCE	32	0.3%			
HMO/PPO	1,764	14.0%	42.1%	19.4%	10.1%
OTHER	410	3.3%			
TOTAL	12,601	100%			

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Conclusion:

This project appears to be financially feasible.

Central Florida Regional Hospital, Inc. (CON #10128): Because this is an application for a CMR unit within an existing hospital, we evaluated both the unit and the impact to the overall hospital. Projected net revenue of the CMR unit will be compared to hospitals in the Rehabilitation Hospital Group (Group 18). We do not have case mix data available for rehabilitation hospitals so an intensity factor of 0.8958 was calculated for the applicant by taking the projected average length of stay indicated and dividing it by the weighted average length of stay for the peer group. This methodology is used to adjust the group values to reflect the intensity of the patient as measured by length of stay. Projected net revenue and expenses of the hospital including the project will be compared to hospitals in the Large Suburban Hospital Group (Group 6) of which the applicant is included. Per diem rates are projected to increase by an average of 3.0 percent per year. Inflation adjustments were based on the new CMS Market Basket, 2nd Quarter, 2011.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial portion of the application and compared to the control group as a calculated amount per adjusted patient day. For the total hospital comparison, we used the applicant's historic adjustment factor for patient days.

CMR Unit: Projected net revenue per adjusted patient day (NRAPD) of \$1,247 in year one and \$1,274 in year two is between the control group median and highest values of \$1,050 and \$1,417 in year one and \$1,080 and \$1,458 in year two. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. We did not evaluate the cost of the unit on a standalone basis since our comparative group is made up of freestanding CMR hospitals which would have different overhead and economies of scale versus a unit within an existing hospital. (See Table 2).

Total Hospital (Including the project): Projected net revenue per adjusted patient day (NRAPD) of \$1,782 in year one and \$1,817 in year two is between the control group lowest and median values of \$1,641 and \$2,125 in year one and \$1,689 and \$2,187 in year two. With net revenues falling between the lowest and median level, the facility is

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expected to consume health care resources in proportion to the services provided. (See Table 3). The applicant's NRAPD in fiscal year 2009 was reported as \$1,792. The difference in the NRAPD reported in 2009 and the year two projected NRAPD of \$1,817 results in an average compound annual increase of approximately 0.2 percent. This level of increase is lower than the inflation percentage outlined in the CMS Market Basket, 2nd Quarter, 2011, index. Increasing net revenue at a slower rate than inflation is a conservative assumption and therefore reasonable. Net revenues appear reasonable.

Anticipated costs per adjusted patient day (CAPD) of \$1,739 in year one and \$1,769 in year two is lower than the control group's lowest values of \$1,780 in year one and \$1,832 in year two. With projected cost lower than the lowest value in the control group, the costs appear understated and beyond the range of efficiency. (See Table 3). The applicant's CAPD in 2009 was reported as \$1,774. The difference in the CAPD reported in 2009 and the year two projected CAPD of \$1,769 results in an average compound annual increase of approximately negative 0.05 percent. This level of increase is lower than the inflation percentage outlined in the CMS Market Basket, 2nd Quarter, 2011, index. Expecting a net decrease in operating cost six years into the future is an unrealistic assumption. Expenses appear to be understated for the combined hospital operations.

The year two projected operating income for the hospital of \$3,718,534 computes to an operating margin per adjusted patient day of \$48 or 2.7 percent which is between the control group median and highest values of \$47 and \$443. Both the margin per day and percentage is higher than the levels reported in 2009 of \$18 or 1.0 percent. As discussed above expenses appear to be understated; however, revenues were understated as well. The profitability of the applicant is more likely to be closer to historic operating results. (See Table 3).

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TABLE 2 (Project Only)

Central Florida Regional Hospital

CON #10128

2009 DATA Peer Group 18

	Dec-15	YEAR 2	VALUES ADJUSTED		
	YEAR 2	ACTIVITY	FOR INFLATION		
	<u>ACTIVITY</u>	<u>PER DAY</u>	<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
ROUTINE SERVICES	17,845,915	4,418	1,674	650	471
INPATIENT AMBULATORY	0	0	7	0	0
INPATIENT SURGERY	0	0	0	0	0
INPATIENT ANCILLARY SERVICES	0	0	1,290	904	706
OUTPATIENT SERVICES	0	0	557	141	67
TOTAL PATIENT SERVICES REV.	17,845,915	4,418	2,833	1,672	1,472
OTHER OPERATING REVENUE	0	0	37	3	1
TOTAL REVENUE	17,845,915	4,418	2,837	1,673	1,475
DEDUCTIONS FROM REVENUE	12,701,886	3,145	0	0	0
NET REVENUES	5,144,029	1,274	1,458	1,080	938
EXPENSES					
ROUTINE	1,195,895	296	503	189	159
ANCILLARY	1,144,229	283	317	218	183
AMBULATORY	423,981	105	0	0	0
TOTAL PATIENT CARE COST	2,764,105	684	0	0	0
ADMIN. AND OVERHEAD	1,375,200	340	0	0	0
PROPERTY	453,964	112	0	0	0
TOTAL OVERHEAD EXPENSE	1,829,164	453	637	490	352
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	4,593,269	1,137	1,145	914	733
OPERATING INCOME	550,760	136	317	145	8
		10.7%			
PATIENT DAYS	4,039				
ADJUSTED PATIENT DAYS	4,039				
TOTAL BED DAYS AVAILABLE	4,745				
ADJ. FACTOR	1.0000				
TOTAL NUMBER OF BEDS	13				
PERCENT OCCUPANCY	85.12%				
			VALUES NOT ADJUSTED		
			FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
			81.6%	73.2%	52.7%
PAYER TYPE	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
SELF PAY	50	1.2%			
MEDICAID	156	3.9%	10.6%	2.4%	0.0%
MEDICAID HMO	14	0.3%			
MEDICARE	2,912	72.1%	84.3%	75.8%	54.4%
MEDICARE HMO	274	6.8%			
INSURANCE	0	0.0%			
HMO/PPO	582	14.4%	42.1%	19.4%	10.1%
OTHER	51	1.3%			
TOTAL	4,039	100%			

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TABLE 3 (Hospital Including Project)

**Central Florida Regional Hospital
CON #10128
2009 DATA Peer Group 6**

	Dec-15 YEAR 2 ACTIVITY	YEAR 2 ACTIVITY PER DAY	VALUES ADJUSTED FOR INFLATION		
			<u>Highest</u>	<u>Median</u>	<u>Lowest</u>
NET REVENUES	139,430,586	1,817	2,803	2,187	1,689
EXPENSES					
ROUTINE	54,860,322	715	436	344	212
ANCILLARY	27,291,823	356	1,075	802	579
AMBULATORY	15,209,576	198	0	0	0
TOTAL PATIENT CARE COST	97,361,721	1,269	0	0	0
ADMIN. AND OVERHEAD	25,300,595	330	0	0	0
PROPERTY	13,049,736	170	0	0	0
TOTAL OVERHEAD EXPENSE	38,350,331	500	1,151	886	662
OTHER OPERATING EXPENSE	0	0	0	0	0
TOTAL EXPENSES	135,712,052	1,769	2,492	2,111	1,832
 OPERATING INCOME	 3,718,534	 48 2.7%	 443	 47	 -262
PATIENT DAYS	46,260				
ADJUSTED PATIENT DAYS	76,737				
TOTAL BED DAYS AVAILABLE	78,110				
ADJ. FACTOR	0.6028				
TOTAL NUMBER OF BEDS	214				
PERCENT OCCUPANCY	59.22%		79.9%	59.0%	34.2%

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.**

There are four existing CMR programs in District 7 with a total of 173 licensed CMR beds. There is no existing CMR program in Seminole County.

General economic theory indicates that competition ultimately leads to lower costs and better quality. However; in the health care industry there are several significant barriers to competition:

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Price-Based Competition is Limited - Medicare and Medicaid account for 73.9 percent of CMR hospital charges in Florida, while HMO/PPOs account for approximately 21.0 percent of charges. While HMO/PPOs negotiate prices, fixed price government payers like Medicare and Medicaid do not. Therefore price-based competition is limited to non-government fixed price payers. Price-based competition is further restricted as Medicare reimbursement in many cases is seen as the starting point for price negotiation among non-government payers.

The User and Purchaser of Health Care are Often Different – Roughly 94.9 percent of CMR hospital charges in Florida are from Medicare, Medicaid, and HMO/PPOs. The individuals covered by these payers pay little to none of the costs for the services received. Since the user is not paying the full cost directly for service, there is no incentive to shop around for the best deal. This further makes price-based competition irrelevant.

Information Gap for Consumers – Price is not the only way to compete for patients, quality of care is another area in which hospitals can compete. However, there is a lack of information for consumers and a lack of consensus when it comes to quality measures. In recent years there have been new tools made available to consumers to close this gap. However, transparency alone will not be sufficient to shrink the information gap. The consumer information must be presented in a manner that the consumer can easily interpret and understand. The beneficial effects of economic competition are the result of informed choices by consumers.

In addition to the above barriers to competition, a study presented in The Dartmouth Atlas of Health Care 2008 suggests that the primary cost driver in Medicare payments is availability of medical resources. The study found that excess supply of medical resources (beds, doctors, equipment, specialist, etc.) was highly correlated with higher cost per patient. Despite the higher costs, the study also found slightly lower quality outcomes. This is contrary to the economic theory of supply and demand in which excess supply leads to lower price in a competitive market. The study illustrates the weakness in the link between supply and demand and suggests that more choices lead to higher utilization in the health care industry as consumers explore all alternatives without regard to the overall cost per treatment or the quality of outcomes.

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) projects that 77.6 percent of patient days are expected to come from Medicare with 17.2 percent from HMOs.

Central Florida Regional Hospital, Inc. (CON #10128) projects that 72.1 percent of patient days are expected to come from Medicare with 21.6 percent from HMOs.

Conclusion (Both):

Due to the health care industry's existing barriers in consumer based competition, the project will not likely foster the type competition generally expected 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 or 59A-4, Florida Administrative Code.**

The architectural review of the applications 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 owner.

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) proposes to create a 50-bed comprehensive medical rehabilitation hospital in Seminole County. The site for the new hospital has not been selected, but the narrative indicates that the site will be 5.5 to 6.5 acres. The applicant acknowledges that Disaster Preparedness issue will be criteria in selecting a site, building design and construction.

The proposed hospital is divided into four smoke compartments. The patient rooms and support functions for the nursing unit is separated from public, administration and outpatient areas. All patient rooms are ADA accessible private rooms with accessible toilet/shower rooms with visual privacy. The facility's proposed dining, lounge and recreation areas would meet the minimum requirement of 55 square feet of space per patient. All other required support space are provided and adequately sized and located. Occupational, physical therapy and outpatient rehabilitation services are incorporated into the therapy department which includes a large therapy gym.

Plans submitted by the applicant indicate that the building will be fully sprinklered with construction type FBC Type II-A and NFPA 220 Type II(1,1,1). Both construction types are sufficient for the occupancy and building size (with sprinklered area increase). The project information on the plan indicates that the project will comply with current codes. Some additional architectural, mechanical and electrical physical plant standards such as the nurse call, generator requirements and door hardware will need to be addressed as more detailed construction documents are produced, but the physical constraints of the spaces should accommodate these requirements.

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The estimated construction costs and project completion forecast appear to be reasonable.

The design as presented does not indicate any major impediments that would prevent the design and construction of a code compliant facility.

Central Florida Regional Hospital, Inc. (CON #10128) proposes to create a 13-bed comprehensive medical rehabilitation (CMR) unit at Central Florida Regional Hospital in Sanford, Seminole County. The new CMR unit would be created by renovating an existing area on the second floor of the hospital presently occupied by a skilled nursing unit (10 beds) and acute care (15 beds).

The patient rooms occupy the perimeter of the floor with most support spaces located on the interior. All 13 patient rooms are private ADA accessible rooms with accessible toilet/shower rooms with visual privacy.

The applicant's narrative proposes to provide patient living areas such as day rooms, group activity and dining within the unit. However, the submitted plan does not show the dining area; if dining is part of the proposed unit additional space will need to be allocated for patient living requirement of 55 square feet of space per patient. It is noted that the proposed project does meet the required 35 square feet per patient for activity and day space. A physical therapy/occupational therapy room is incorporated in unit. All other required support space is provided and adequately sized and located.

The architectural narrative indicates that the project will comply with current codes. Some additional architectural, mechanical and electrical standards such as the nurse call, generator requirements, and door hardware will need to be addressed as more detailed construction documents are produced. Some modifications will be needed to meet current code requirements, but the physical constraints of the spaces should accommodate these changes.

The estimated construction costs and project completion forecast appear to be reasonable.

The design as presented does not indicate any major impediments that would prevent the design and construction of a code compliant facility.

- 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.**

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) states that it has no past or current operations. However, HealthSouth (the parent) does have an extensive history of services to Medicaid patients and the medically indigent. HealthSouth has nine operating CMR hospitals in Florida. The table below illustrates the payer mix for these hospitals for 2008-2010, medically indigent patients are included in the “self-pay” category.

**HealthSouth Rehabilitation Hospitals of Florida
Payer Mix for 2008-2010**

Payer	Total Discharges			Patient Days		
	2008	2009	2010	2008	2009	2010
Medicare	9,896	10,939	10,496	143,706	156,770	150,669
Medicaid	362	393	313	5,796	5,720	5,084
Commercial	2,115	1,569	1,541	32,631	23,470	21,992
Self-Pay/Charity	92	67	77	1,180	953	1,613
Other	522	460	188	11,424	9,162	3,040
Total	12,987	13,428	12,616	194,737	196,075	182,399
	Percentage of Total Discharges			Percentage of Patient Days		
	2008	2009	2010	2008	2009	2010
Medicare	76.2%	81.5%	83.2%	73.8%	80.0%	82.6%
Medicaid	2.8%	2.9%	2.5%	3.0%	2.9%	2.8%
Commercial	16.3%	11.7%	12.2%	16.8%	12.0%	12.1%
Self-Pay/Charity	0.7%	0.5%	0.6%	0.6%	0.5%	0.9%
Other	4.0%	3.4%	1.5%	5.9%	4.7%	1.7%

Source: CON application #10127, page 130.

HRHSC proposes to provide CMR services to Medicaid patients and the medically indigent. HRHSC agrees to provide 1.5 percent of the facility’s total annual patient days to Medicaid and Medicaid HMO patients, and to provide 1.0 percent of the facility’s total annual patient days to patients who meet the statutory definition of “charity care” patients. The applicant states that services to the latter category will include any professional fees for psychiatrists overseeing the patient’s rehabilitation while at HRHSC.

Central Florida Regional Hospital, Inc. (CON #10128) states that it currently extends and will continue to extend services to all patients in need of care regardless of the ability to pay. The applicant asserts that Medicaid-sponsored, self-pay and indigent patients are currently served by the hospital, and this policy will continue in the future, including for the proposed CMR unit.

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CFRH states that it is a significant provider of indigent care. The applicant provided Central Florida Regional Hospital's admissions by payer for fiscal years 2009-2010.

CFRH Admissions by Payer for Fiscal Years 2009 & 2010				
	2009		2010	
	Admits	Percent	Admits	Percent
Medicare	3,892	39.7%	3,977	41.5%
Medicare HMO	1,494	15.2%	1,353	14.1%
Medicaid	951	9.7%	967	10.1%
Medicaid HMO	479	4.9%	419	4.4%
Other HMO/PPO	1,802	18.4%	1,854	19.4%
Commercial	33	0.3%	32	0.3%
Other	315	3.2%	285	3.0%
Self-Pay/Charity	836	8.5%	689	7.2%
Total	9,802	100.0%	9,576	100.0%

Source: CON application #10128, page 119.

Central Florida Regional Hospital indicates that combined Medicaid and charity represented 21.7 percent of its FY 2010 admissions. The applicant's projected CMR utilization by payer class for the first two years of operation (2014 and 2015) is presented in the table below.

Central Florida Regional Hospital (CON #10128)				
Projected CMR Payer Mix				
Payer	Year One (2014)		Year Two (2015)	
	Days	Percent	Days	Percent
Medicare	2,612	72.1%	2,912	72.1%
Medicare HMO	246	6.8%	274	6.8%
Medicaid	140	3.9%	156	3.9%
Medicaid HMO	13	0.4%	14	0.3%
Other HMO/PPO	522	14.4%	582	14.4%
Commercial	0	0.0%	0	0.0%
Other	45	1.2%	51	1.3%
Self-Pay/Charity	45	1.2%	50	1.2%
	3,624	100.0%	4,039	100.0%

Source: CON application #10128, page 120.

Central Florida Regional Hospital states that revenue projections are based on the experience of other CMR units at HCA sister facilities. The applicant is proposing to condition the proposed project to provide at least four percent of total annual patient days to Medicaid and charity patients.

F. SUMMARY

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) proposes to establish a 50-bed CMR specialty hospital in Seminole County. The applicant indicates the facility will be located in south Seminole County at a site that is readily accessible to Orange and Seminole County patients and their families.

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The applicant proposes eight conditions to CON approval on the application's Schedule C. The total project cost is estimated at \$24,315,556. The project involves 54,932 GSF of new construction. Total construction cost is \$11,538,645.

Central Florida Regional Hospital, Inc. (CON #10128) proposes to establish a 13-bed CMR unit utilizing space that currently houses 10 HBSNU and 15 acute care beds at the 226-bed Central Florida Regional Hospital located in Sanford, Seminole County, Florida. The applicant indicates that it will convert the remaining eight HBSNU beds to acute care and remove 12 acute care beds from its license. Upon licensure of the project Central Florida Regional Hospital would consist of 214 beds; 201 acute care and 13 CMR beds.

The applicant proposes seven conditions to CON approval on the application's Schedule C. The total project cost is estimated at \$4,220,359. The project involves 10,291 total GSF of renovation at a total construction cost of \$2,366,930.

Need:

In Volume 37, Number 29, dated July 22, 2011 of the Florida Administrative Weekly, a fixed need pool of zero beds was published for CMR beds in District 7 for the January 2017 planning horizon.

District 7 has 173 licensed and zero approved CMR beds. District 7's 173 licensed CMR beds experienced 59.89 percent utilization during the 12-month period ended December 31, 2010. The applicants are applying outside of the fixed need pool.

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) provided 14 letters of support indicating there is need for CMR services in service area.

HealthSouth identifies three major circumstances that justify approval of the proposed project in the absence of published need. These include:

- Significantly low CMR use rates in the service area
- Mal-distribution of beds in District 7
- Failure of a major provider to expand capacity in response to need

HRHSC indicates that its data support a need for 76 CMR beds in 2014 and 84 CMR beds in 2017. HealthSouth maintains that CMR services are significantly underutilized in Seminole County despite Seminole County having the largest elderly population in the state without a CMR provider.

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The applicant contends that service area residents utilize CMR services at a rate significantly less than Floridians as a whole especially among the older age cohorts.

Central Florida Regional Hospital, Inc. (CON #10128) provided six letters of support indicating there is need for CMR services in the service area.

CFRH states that CMR inpatient facilities in Florida overwhelmingly serve patients from their home counties, underscoring the increasingly localized nature of CMR service delivery.

The applicant indicates that the proposed CMR program will primarily serve patients being discharged from the acute care setting within the hospital and residents of its primary service area consisting of northern and central Seminole County and western Volusia County.

Central Florida Regional Hospital states that the 4,418 day patient day shortfall equates to a CMR bed need within the primary service area of 14.2 beds in 2014 and in 2015 it results in a 4,598 patient day shortfall resulting in a 14.8 bed need.

Quality of Care:

HealthSouth Rehabilitation Hospital of Seminole County, LLC (CON #10127) as a new entity does not have a history of providing quality care. The applicant indicates that the facility's quality care will be based on HealthSouth's experience, knowledge and accreditation principles.

Agency data show that the nine HealthSouth Hospitals (763 total beds) had a total of eight substantiated complaints in eight categories during the previous 36 months.

Central Florida Regional Hospital, Inc. (CON #10128) states that Central Florida Regional Hospital's level of service and team of professionals rank among the best in the nation with over 220 physicians, 1,000 health care professionals and 100 volunteers.

Agency data show that Central Florida Regional Hospital had six substantiated complaints and HCA's 44 hospitals (10,509 beds) had a total of 145 substantiated complaints during the previous 36 months.

Both applicants demonstrated the ability to provide quality care.

Medicaid/Indigent Care:

HealthSouth Rehabilitation Hospital of Seminole County, LLC

(CON #10127): The applicant's parent, HealthSouth Corporation has a history of providing services to Medicaid and medically indigent patients. During 2010, the applicant provided 2.5 percent of their total patient days to Medicaid patients and 0.6 percent to charity care patients.

The applicant proposes to condition CON approval to provide 1.5 percent of the 50-bed facility's total annual patient days to Medicaid patients and 1.0 percent of patient days to uninsured patients who meet the definition of charity care patients under Florida Statutes.

Central Florida Regional Hospital, Inc. (CON #10128) has a history of providing care to Medicaid and medically indigent patients. The applicant states that combined Medicaid and charity represented 21.7 percent of its FY 2010 admissions.

The applicant is proposing to condition the certificate of need for the proposed project upon its commitment to provide at least four percent of total annual patient days to Medicaid and charity patients.

Cost/Financial Analysis:

HealthSouth Rehabilitation Hospital of Seminole County, LLC

(CON #10127): The applicant's parent, HealthSouth Corporation has an adequate short-term and long-term position. HealthSouth provided a letter indicating it will fund the project.

Central Florida Regional Hospital, Inc. (CON #10128): The applicant's parent, HCA will be providing funding on this project. HCA has an adequate short-term and long-term position. The applicant has an adequate short-term position and long-term position.

Both: Funding for the projects and the entire capital budget should be available as needed. The projects appear to be financially feasible.

Architectural Analysis:

HealthSouth Rehabilitation Hospital of Seminole County, LLC

(CON #10127) states that the site for the new hospital has not been selected but the narrative indicates that the applicant acknowledges that Disaster Preparedness issue will be criteria in selecting a site, building design and construction.

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The project information on the plan indicates that the project will comply with current codes.

Some additional architectural, mechanical and electrical physical plant standards such as the nurse call, generator requirements, and door hardware will need to be addressed as more detailed construction documents are produced, but the physical constraints of the spaces should accommodate these requirements.

Central Florida Regional Hospital, Inc. (CON #10128) proposes to create a 13-bed CMR unit that would be created by renovating existing area on second floor of the hospital presently occupied by skilled nursing unit (10 beds) and acute care (15 beds).

The architectural narrative indicates that the project will comply with current codes. Some additional architectural, mechanical and electrical standards such as the nurse call, generator requirements, and door hardware will need to be addressed as more detailed construction documents are produced. Some modifications will be needed to meet current code requirements, but the physical constraints of the spaces should accommodate these changes.

Both: Estimated construction costs and project completion forecast appear to be reasonable.

G. RECOMMENDATION

Approve CON #10128 to establish a 13-bed comprehensive medical rehabilitation program at Central Florida Regional Hospital in Sanford, Seminole County, Florida. The total project cost is \$4,220,359. The project involves 10,291 GSF of renovation and a total construction cost of \$2,366,930.

CONDITIONS:

1. CFRH will provide 4.0 percent of its annual CMR patient days to the combination of Medicaid, Medicaid HMO and charity (including self-pay) patients.
The compliance with this condition shall be measured as follows: inpatient days specific to the CMR unit shall be reported by payer category, including at a minimum Medicaid, Medicaid HMO and charity/self-pay. Total inpatient days specific to the CMR unit shall be reported also.

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2. The hospital will offer a comprehensive outpatient rehabilitation program, primarily for persons receiving CMR inpatient services at CFRH.
CFRH will provide a copy of the admission policy for the outpatient rehabilitation program and a count of the annual number of patients served.
3. The medical director of the CMR program will be a board-certified or board-eligible psychiatrist with at least two years of experience in the medical management of inpatients requiring rehabilitation services.
CFRH will include the CV of the current medical director of the hospital.
4. There will be sufficient CRRN nurses to have at least one CRRN on every shift every day.
CFRH will include a copy of the written policy concerning CMR unit coverage by CRRNs.
5. Therapy services will be provided seven days a week.
CFRH will include a copy of the written policy concerning the provision of therapy services in the CMR unit.

Deny CON #10127.

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: _____

James B. McLemore
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation