

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

**A. PROJECT IDENTIFICATION**

1. Applicant/CON Action Number

**Hernando HMA, Inc./CON #9478**  
d/b/a Brooksville Regional Hospital  
55 Ponce De Leon Blvd.  
Brooksville, Florida 34601

Authorized Representative: Thomas D. Barb, Executive Director  
(352) 544-6021

2. Service District/Subdistrict

District 3/Subdistrict 6 (Hernando County)

**B. PUBLIC HEARING**

A public hearing was not held or requested. However, the applicant did submit over 230 letters of support for the proposed project from various physicians, provider organizations, governmental representatives and private citizens. The majority of the support letters attest to the quality of care offered at Brooksville Regional Hospital and the need to accommodate new technology.

There were also three letters of opposition to the project, submitted by Oak Hill Hospital, and two private citizens in the county. The letter on behalf of Oak Hill Hospital opposes the project based on a reduction of access for some Hernando County residents and an adverse financial impact on Oak Hill. The other two letters of opposition also expressed concerns regarding access for area residents.

**C. PROJECT SUMMARY**

**Hernando HMA, Inc.. (CON #9478)** proposes to construct a replacement facility for the currently licensed 91 bed Brooksville Regional Hospital. The selected site is approximately three miles west of the hospital's current location.

The hospital is owned by the residents of Hernando County but is licensed and operated by Hernando HMA, Inc., pursuant to a 30-year lease with the county. Hernando HMA, Inc. is a wholly owned subsidiary of Health Management Associates, Inc. The applicant currently operates two acute care hospitals in Hernando County under a single license; the Brooksville facility and the 75-bed Spring Hill Regional Hospital.

The current Brooksville Regional Hospital was originally built in three phases that range from 26 to 37 years of age. It has been extensively renovated over the years. However, despite renovations, because of the age of the building, the hospital is non-compliant with some aspects of updated building codes and newer laws such as the Americans with Disabilities Act. The hospital is not currently required to meet many of these requirements because it was constructed prior to the implementation of these codes and laws.

The proposed replacement hospital will be comprised of 181,844 gross square feet with construction costs of \$32,400,000 and will meet all current codes and regulations. A total project cost of \$52,066,835 is expected. The replacement facility is projected to be operational by October 1, 2004.

The applicant is only willing to accept a condition regarding the specific site for the facility.

**D. REVIEW PROCEDURE**

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

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

Rule 59C-1.010(2) (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, M. Riley Gibson, analyzed the application with consultation from the financial analyst, Roger Bell, who reviewed the financial data and architect Joel Hill who evaluated the architectural and the schematic drawings.

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

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

**1. Fixed Need Pool**

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

On July 27, 2001, AHCA published a fixed need pool (FNP) in Volume 27, Number 30, Florida Administrative Weekly (F.A.W.) of zero (0) for additional hospital acute care beds in District 3, Subdistrict 6/Hernando County.

District 3, Subdistrict 6 has a total of 370 licensed beds that experienced an occupancy rate of 65.96 percent for the reporting period January 2000 through December 2000. The currently licensed 91 acute care beds at Brooksville Regional reported an average occupancy of 62.13 percent for the reported timeframe. Its sister hospital, Spring Hill Regional Hospital, with 75 beds, reported an average occupancy of 69.99 percent. Oak Hill Hospital reported an average occupancy rate of 66.20 percent for its 204 acute care beds. The subdistrict's average occupancy rate is slightly above the District 3 average of 64.54 percent.

The proposed project is not submitted in response to the fixed need pool, as the applicant is not seeking to add beds to the hospital or the subdistrict. However, the proposed project is subject to review in accordance with Chapter 59C-1.004(1)(b), which requires review of the new construction or establishment of additional health care facilities, including a replacement health care facility when the proposed project site is not located on the same site as the existing health care facility.

The applicant addressed several factors in support of the proposed. These are presented in a summarized form below:

**Problems with the current facility and site:** The applicant secured the architectural firm of Helman Hurley Charvat Peacock/Architects, Inc. to evaluate the physical plant and site of the current hospital and prepare a report of findings relative to the condition of the hospital. The applicant provided a copy of this detailed report, which is summarized as follows:

The report finds that the facility has numerous life safety code deficiencies including no lightning protection system, an electrical system requiring major code upgrades, corridors less than the eight-foot code minimum, ADA deficiencies, and inadequate air-handling units. With regard to functional deficiencies, the report notes that the surgery suite is inadequate and undersized, lab and pharmacy are remote from other departments, ER deficiencies, CT Scan room deficiencies, no connection between the North and South patient towers, non segregated elevators that mix visitors, patients, deliveries, and trash; cardiac rehab is remote from physical therapy area, and most of the radiology rooms are too small. Generational deficiencies include an aging physical plant with 250-ton chillers, which are 13 and 17 years old; through the wall air handling units, which are costly to operate and maintain; and inadequate chilled water pumps. Image deficiencies include a main entry, which is inaccessible after heavy rains, poor visibility due to location of building and obstructed patient room views to outdoors.

With regard to site deficiencies, it was determined that the current site of the hospital was too small to realistically and cost-effectively undergo total replacement or major renovation of the total facility on site. Also, total replacement or major renovation on site would require the closure of the hospital until all work was completed.

**Improved access to Brooksville Regional through relocation.** The applicant states that the areas east of Brooksville were, and continue to be, sparsely populated with the growth in the county in the areas west of Brooksville. In selecting a site, the applicant deemed it reasonable to locate on or near a major roadway and closer to the areas of population growth. The site selected is adjacent to State Route 50, which is considered the major east-west access corridor in the county. The site is approximately three miles west of the current location of the hospital and approximates 95 acres, with approximately 25 acres designated for use in constructing the replacement hospital. The applicant contends that the proposed site offers many advantages. First, the location is purported as being readily accessible to all Hernando County residents via both emergency vehicles and private transportation. Second, the applicant engaged a traffic-engineering firm to assess travel time for county residents to the current site as well as the proposed site. A summary of the results of this study is provided in the following table:

**Summary of Traffic Engineering Study Results  
Travel Time for Selected Locations in Hernando County  
To Existing and New Sites For Brooksville Regional Hospital**

<b>From</b>	<b>To</b>	<b>Travel Distance (Miles)</b>	<b>Avg. off Peak Travel Time (Min)</b>	<b>Avg. Peak Travel Time (Min.)</b>
SR 50 at I-75	Existing Site	10.9	14	17
	New Site	13.6	16	21
Us 98 at Suncoast Pkwy	Existing Site	11.7	14	22
	New Site	14.7	15	16
SR 50 at Barclay Rd.	Existing Site	6.5	8	11
	New Site	3.2	4	5
Croom Rd at Weatherly Rd.	Existing Site	5.9	10	12
	New Site	8.6	13	16
Powell Rd at Barclay Rd.	Existing Site	8.2	10	12
	New Site	6.1	10	11
Powell Rd. at US 41	Existing Site	4.5	6	6
	New Site	6.4	8	10
Emerson Rd at Powell Rd.	Existing Site	5.4	8	10
	New Site	10.3	13	16

**Source: Applicant Travel Study Summary/CON Application, page 27**

As shown above by the commissioned travel study summary, it appears that all Hernando County residents will have reasonable access to the proposed replacement hospital. In fact, the applicant contends that although the average peak travel time is increased by an overall average of approximately five minutes to county residents traveling along the routes studied, new location is on a more easily accessible road, offering an easier route for many residents.

The applicant also references another study commissioned by the county and conducted by TriBrook Healthcare Consultants that concluded that relocating the hospital to the proposed site "will have minimal, if any, impact upon the delivery of inpatient services to residents of central and eastern Hernando County over the long-term." The TriBrook study further concluded that "Travel times of thirty minutes and longer are considered reasonable and customary in planning the location of acute inpatient services. The proposed site would, in fact, bring a larger population base within this thirty minutes travel time."

Although the travel study shows that residents of east Hernando County can access the replacement hospital in less than 30 minutes, many of the residents east of I-75 currently and may continue to seek hospital services at Pasco Regional Medical Center in Dade City, due to its close proximity. The applicant presented data to show that 42 percent of all EMS transports for Hernando County residents east of I-75 are taken to Pasco Regional. According to the executive director of Pasco Regional, approximately 600 ER visits annually are received from Hernando County. It is likely that many residents in this eastern area of the county will continue to use Pasco Regional due to proximity. However, the construction of a new modern facility in Hernando County with the various amenities and a site large enough to accommodate physician office space and other provider options should attract an unknown number of these residents now traveling to Pasco County for services.

Another consideration presented by the applicant is that the size of the new site can accommodate not only the hospital but also future development of medical office buildings and other health related services. The development of on site medical office buildings and other services is not possible at the current site due to the lack of sufficient land for expansion.

**Population growth patterns.** In further support of the proposed relocation and construction of a new Brooksville Regional Hospital, the applicant addressed the population growth in Hernando County, which is expected to provide increasing numbers of inpatients and outpatients for the hospital.

The applicant presented a zip code map of Hernando County indicating the locations of the existing acute care hospitals and the major road systems. Brooksville Regional is located in central Hernando and is the easternmost hospital in the county. Oak Hill Regional is located in western Hernando along State Road 50, with Spring Hill Regional located in southwestern Hernando.

The applicant referenced Claritas, Inc. population projections since AHCA population projections do not provide zip code level detail. The primary growth in the county is expected to be west of I-75 with an estimated population of 128,289 residents or 97 percent of the county's total population. While the zip codes east of I-75 is projected to grow by only 170 residents between 2001 and 2006, zip codes west of I-75 are expected to increase by 10,883. The age characteristics of the population also reflect a disparity between the east zip codes and the west zip codes, with the 65 and over population in the eastern area representing 17 percent while the western area represents 31 percent of total population. As previously discussed, many of the residents east of I-75 currently seek hospital services at Pasco Regional in Dade City due to the close proximity of that hospital to these residents. In fact, Pasco Regional and East Pasco Medical Center captured nearly 60 percent of the residents of the identified zip codes in the eastern portion of Hernando County. The applicant contends that since there is virtually no change in travel times for the east county residents between the current hospital and the proposed site, access for this eastern population is not expected to be affected by the relocation of the hospital.

In summary, the applicant presented a reasonable discussion and analysis in support of the need for the replacement and relocation of the Brooksville Regional Hospital.

**2. Local Health Plan Preferences**

**Is need for the project proposed supported by the applicable district plan? ss. 408.035(1); 408037(1), Florida Statutes.**

The North Central Florida Health Planning Council, Inc. adopted eleven acute care preferences in October 2000 for both competing and non-competing applications. However, the local health planning preferences only address the expansion of acute care services, establishment of new services, addition of beds or the transfer of beds. The replacement of an existing hospital is not specifically addressed by any of the local preferences.

**3. Agency Rule Preferences**

**Does the project respond to preferences stated in agency rules? Indicate how each applicable criteria for the type of service proposed is met. Ch. 59C-1.031-.044, Florida Administrative Code.**

The following criteria and standards found in Chapter 59C-01.038(6) of the Florida Administrative Code are applicable to a request for additional acute care beds. Although the proposed project does not involve a request for additional beds, a capital expenditure will be incurred as a result of building a replacement hospital.

- a. Priority consideration for initiation of new acute care services or capital expenditures shall be given to applicants with a documented history of providing services to medically indigent patients or a commitment to do so.**

The applicant's history of providing services to medically indigent patients or a commitment to do so is considered an important factor in examining access to quality health care. The applicant asserts a history of providing Medicaid and charity care and a commitment to continue doing so in the future. Hernando HMA, Inc., which operates Brooksville Regional and Spring Hill Regional under a single license, is designated as a Medicaid Disproportionate Share Hospital for State Fiscal Year 2001-2002. For FY 2000, the applicant provided 71 percent of the total charity care offered by hospitals in Hernando County. According to the most recent Financial Data Report (1999) prepared by the Agency, the following summarizes the levels of charity care provided by both Brooksville Regional and Spring Hill Regional and a comparison with the Subdistrict 6 and District 3 average:

**Medicaid and Charity Care Provision**

<b>Provider</b>	<b>Medicaid Provision</b>	<b>Charity Care Provision</b>
Brooksville Regional	5.8%	1.1%
Spring Hill Regional	2.0%	0.7%
Subdistrict 6 (includes Oak Hill)	3.8%	0.8%
District 3	8.3%	2.3%
District 3 (excluding Shands)	6.3%	1.2%

**Source: 1999 Hospital Financial Guide**

According to the above table, the applicant provides Medicaid and charity care at a lesser level than the District 3 average. However, the district averages are skewed by the inclusion of Shands due to its higher than average Medicaid and charity care provisions. The exclusion of the Shands percentages for these payor groups, reduces the overall District 3 averages to 6.3 percent for Medicaid and 1.2 percent for charity care. These district averages are still higher than the applicant's averages. However, the applicant hospitals do provide the majority of care for these payor groups based in the subdistrict. Oak Hill Hospital, the other hospital in Subdistrict 6, Hernando County provided 3.6 percent of total patient days for Medicaid patients and 0.6 percent for charity care patients.

According to Financial Schedule 7A, the applicant projects that Medicaid patient days will represent 7.2 percent of its total patient days in the second year of operation of the proposed replacement facility. Charity care in year two is projected at \$4,294,635 without this project and \$4,719,208 in the proposed replacement facility.

- b. When there are competing applications within a subdistrict, priority consideration shall be given to the applications, which meet the need for additional acute care beds in a particular service through the conversion of existing underutilized beds.**

There are no competing applications within the subdistrict and the applicant does not propose additional acute care beds through the conversion of existing underutilized beds.

**4. Statutory Review Criteria**

- a. Is need for the project evidenced by the availability, quality of care, efficiency, accessibility and extent of utilization of existing health care facilities and health services in the applicant's service area? ss. 408.035(2), 408.035(7), Florida Statutes.**

The applicant responds that the relocation of Brooksville Regional to a new, much larger site will permit it to build a replacement facility while maintaining the availability of existing services. The various documentation provided by the applicant regarding current inadequacies and problem areas both within and on the property of the existing hospital, reasonably demonstrates that the replacement of the current hospital on the existing site is not feasible without closing the facility for an extended period of time. This would have an obvious impact on availability of acute care services in the county.

In response to quality of care and efficiency, the applicant again addresses the various life safety, functional, operational, and image deficiencies previously discussed. The proposed project is expected to enhance the quality of care provided through the provision of appropriately sized patient care areas, ancillary, and support departments. The replacement of aging mechanical systems is also expected to improve patients' comfort while in the hospital. The applicant also states that the efficiency of operations at the current facility is a daily challenge due to the design of the facility and the current emphasis on outpatient treatment. According to licensure records, there are no uncorrected life safety issues at the hospital for the most recent survey.

With regard to accessibility, the applicant again emphasizes that the replacement hospital will be located on or near a major roadway and closer to the areas of population growth. Although there has been some concern expressed by area residents regarding the proposed location of the replacement facility, the applicant reasonably demonstrated that access to the new facility will be accessible to all county residents within a reasonable travel time.

The applicant does not expect any significant impact on utilization of existing providers in Hernando County due to the close proximity of the current site and the proposed site (three miles) and the fact that the project does not involve additional beds or services. The applicant states that any minor changes in patient flow resulting from the relocation of the facility will be easily offset by the increasing number of inpatient and outpatient admissions that the expanding population will generate.

- b. Does the applicant have a history of and demonstrated the ability to provide quality care? ss. 408.035(3), 408.035(12), Florida Statutes.**

Hernando HMA, Inc., which includes Brooksville Regional and Spring Hill Regional, reasonably demonstrates that it has a history of providing quality of care. The hospital is currently JCAHO accredited and meets all licensure requirements of the State of Florida. The applicant states that the hospital has established and maintains a comprehensive performance improvement program and a copy of this program was provided in the CON application. According to licensure records, there are no uncorrected life safety issues at the hospital for the most recent survey.

In addition to these quality indicators, the applicant contends that the proposed replacement hospital will enhance the provision of quality of care through an improved and deficiency free facility.

- c. Is the applicant proposing special health care services for its service area that are not reasonably and economically accessible in adjacent service areas? ss. 408.035(4), Florida Statutes.**

The proposed project does not involve special health care services that are not reasonably or economically accessible in adjacent districts.

- d. Is the project to be located in a research or teaching hospital? Will the program affect the clinical needs of health professional training programs in the service area? ss. 408.035(5), Florida Statutes.**

Hernando HMA, Inc. facilities are not statutorily defined teaching hospitals. However, the applicant states that both Brooksville Regional and Spring Hill Regional are committed to ongoing education to improve the clinical competencies of the physicians and staff. Among the educational institutions with which Brooksville Regional participates in student clinical internship programs include: School Board of Hernando County, Pasco-Hernando Community College and Ultrasound Diagnostic School

The applicant also provided a discussion of the hospital's in-service training program for staff, as well as educational services for both patients and their families.

- e. **What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.037(6), Florida Statutes.**

The audited financial statements of Hernando HMA, Inc. for the periods ending September 30, 2000 and 1999 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

**Financial Accounts and Ratios**

	<u>09/30/2000</u>	<u>09/30/1999</u>
Current Assets	\$ 15,468,992	\$ 15,585,653
Cash and Current Investment	\$ 43,761	\$ 108,694
Assets Restricted for Capital Projects	\$ 0	\$ 3,017
Total Assets	\$ 86,522,910	\$ 85,097,580
Current Liabilities	\$ 4,970,052	\$ 5,674,690
Total Liabilities	\$ 77,737,220	\$ 79,616,915
Total Equity	\$ 8,785,690	\$ 5,480,665
Net Operating Revenues	\$ 68,570,197	\$ 65,124,494
Interest Expense	\$ 180,126	\$ 180,126
Net Profit – Operations	\$ 5,440,372	\$ 5,046,849
Net Income	\$ 3,305,026	\$ 3,024,710
Cash Flow from Operations	\$ 6,044,936	\$ 12,979,183
Working Capital	\$ 10,498,940	\$ 9,910,963
Current Ratio (CA/CL)	3.1	2.7
Cash Flow to Current Liabilities (CFO/CL)	1.2	2.3
Long-Term Debt to Equity (TL-CL/TE)	8.3	13.5
Times Interest Earned (NPO+Int/Int)	31.2	29.0
Equity to Total Assets (TE/TA)	10.2%	6.4%
Operating Margin (NPO/NOR)	7.9%	7.7%
Total Margin (NI/NOR)	4.8%	4.6%
Return on Assets (NI/TA)	6.3%	3.6%
Operating Cash Flow to Assets (CFO/TA)	7.0%	15.3%

**Short-term position:**

The applicant's current ratio of 3.1 indicates current assets are over three times that of short-term liabilities, a strong position. The working capital (current assets less current liabilities) of \$10.5 million is adequate in relation to the entity's size. The ratio of cash flow to current liabilities of 1.2 is above the average Florida hospital. The applicant has a strong short-term position.

**Long-term position:**

The long-term debt to equity ratio of 8.3 is weak. The cash flow to assets of 7.0 percent is satisfactory. The most recent year had an operating profit of \$5.4 million, which resulted in a margin of 7.9 percent. The previous year had a net profit of \$7.7 million. The total equity of \$8.8 million with the equity to assets of 10.2 percent is weak. Because of the significant earnings and cash flows the applicant has a satisfactory long-term position.

**Capital requirements:**

Schedule 2 indicates total capital projects of \$86.4 million. All long-term debt is due either to the parent company or the county, with no specific maturities. The schedule indicates funding for these projects will come from cash in hand of \$5.5 million and \$80.9 million from the parent, Health Management Associates, Inc.

**Available capital:**

The audited balance sheet shows no significant cash on hand, but the over \$6 million annual cash flows will cover the amount indicated as coming from cash on hand. A letter from the parent, Health Management Associates, Inc. states it will fund the entire project cost for the replacement hospital as well as guaranteeing funding for all capital projects. The audited financial statement from the parent is included in the application. These statements disclose \$16 million cash on hand, \$1.8 billion in assets, \$1.0 billion in equity, \$276 million operating profits and \$177 million cash flows. The parent is a large and financially strong entity, capable of providing the funding needed.

**Conclusion:**

Based on the cash flows of the applicant and the financial commitment from the parent, funding for this and all other capital projects will be available as needed.

**f. What is the immediate and long-term financial feasibility of the proposal? ss. 408.037(8), Florida Statutes.**

A comparison of the applicant's 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 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.

Comparative data were derived from hospitals in peer groups that reported data in 1999; the applicant will be compared to the hospitals in group 2. Per diem rates are projected to increase by an average of 3.6 percent per year. Inflation adjustments were based on the most current Florida Hospital Input Price Index.

Net revenue per adjusted patient day (NRAPD) of \$1,018 in year one and \$1,074 in year two is between the control group lowest and median values of \$786 and \$1,272 in year one and \$807 and \$1,306 in year two. The lowest value is generally viewed as the practical lower limit on economies of operation. With net revenues per adjusted patient day falling between the lowest and median the facility is expected to consume health care resources in proportion to the services provided. The 1999 actual NRAPD for this hospital was \$ 968 which was a little below the group median in that year.

Projected cost per adjusted patient day of \$970 in year one and \$992 in year two is slightly below the group lowest values of \$978 in year one and \$1,005 in year two. Compared to the control group these costs describe efficiencies not realized by any of the peer facilities. One notable estimate explains that no interest expense on the replacement facility has been recognized. This would tend to explain in part why operating costs are somewhat low. The 1999 actual data reported Brooksville Regional's costs per adjusted patient day of \$874, which was above the group's lowest value of \$811. The projected costs are low when compared to the group.

The year two operating profit for the hospital of \$2.9 million computes to an operating margin per adjusted patient day of \$82 which falls above the peer group median of \$30 but below the highest of \$462. The operating margin ratio computes to 7.6 percent. The hospital had a profit of \$1.9 million with an operating margin ratio of 5.4 percent in 1999. The project is expected to account for \$1.4 million addition to the operating surplus over the old hospital in year two.

Compared to the existing operation and the group data it appears these projections show costs that are low, resulting in overly optimistic profits. However, the reasons given for moving the aging physical plant to the new location involve improved access for area residents and the design and construction of a more efficient layout. Because of these changes, the hospital may be able to operate at the projected profit level. With a relatively moderate increase in costs the projections could still result in a financially feasible project.

**g. Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(9), Florida Statutes.**

The applicant projects managed care to represent 4.3 percent of its patient days. This is below the control group lowest level of 8.0 percent and is significantly below the hospital's own 1999 managed care level of 22.2 percent of patient days. The projections appear to present an unrealistic level of expected managed care activity. It is felt that these projections cannot be relied upon to indicate the competitive impact in this area.

**COMPARATIVE TABLE**

<b>Brooksville Regional</b> <b>1999 DATA Peer Group 2</b>	2006	YEAR 2	<u>INFLATION ADJ.</u>		
		ACTIVITY	<u>VALUES</u>		
	ACTIVITY	PER DAY	Highest	Median	Lowest
ROUTINE SERVICES	133,198,804	3,772	757	466	306
INPATIENT AMBULATORY	0	0	116	40	21
INPATIENT ANCILLARY SERVICES	0	0	2,728	1,806	984
OUTPATIENT SERVICES	43,572,244	1,234	2,468	1,287	708
OTHER OPERATING REVENUE	460,000	13	44	7	1
TOTAL REVENUE	177,231,048	5,019	5,597	3,586	2,115
DEDUCTIONS FROM REVENUE	139,309,610	3,945	*	*	*
NET REVENUES	37,921,438	1,074	1,998	1,306	807
EXPENSES					
ROUTINE	10,865,091	308	311	190	146
ANCILLARY	8,035,168	228	559	420	243
AMBULATORY	0				
OVERHEAD	16,124,127	457	794	579	412
OTHER	0	0			
TOTAL EXPENSES	35,024,386	992	1,561	1,221	1,005
OPERATING INCOME	2,897,052	82	462	30	-211
		7.6%			
PATIENT DAYS	23,878		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	35,312				
TOTAL BED DAYS AVAILABLE	33,215				
ADJ. FACTOR	0.6762				
TOTAL NUMBER OF BEDS	91				
PERCENT OCCUPANCY	71.9%		80.6%	59.4%	27.2%
<u>PAYER TYPE</u>	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
MEDICARE	17,270	72.3%	77.0%	59.5%	39.2%
COMMERCIAL	2,979	12.5%			
MEDICAID	1,712	7.2%	18.8%	8.3%	2.0%
PRIVATE	902	3.8%			
HMO/PPO	1,015	4.3%	45.0%	20.0%	8.0%
OTHER	0	0.0%			
TOTAL	23,878	100.0%			

**h. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035(10), Florida Statutes; Ch. 59A-3 or 59A-4, Florida Administrative Code.**

The proposal is to replace and relocate the Brooksville Regional Hospital (BRH). No new beds are proposed in this application. The proposed facility will be on a 25-acre site, slightly more than three miles from its present location and will have 181,844 square feet in three stories. The application included a site plan, plans of each floor, as well as large-scale plans of typical patient rooms.

There is extensive documentation in the application regarding the condition at the existing facility and it is stated that there is “an undisputed need to replace and relocate BRH”. For the architectural review, the conditions at the existing facility are not particularly pertinent but can serve to describe the advantages the new facility will have over the existing one.

The proposed new facility will have more land for expansion, be built to current code standards and have better floor layouts and spatial organization for staff and patients. It will have functional units with sufficient and organized space and state-of-the-art technology and thereby better equipped to serve the public.

There are significant areas involving life safety where the existing facility does not meet current code requirements. Any new construction would necessarily have to comply with the latest adopted version of the NFPA life safety code as well as the new Florida building code, when it is adopted. This new code also incorporates requirements that were formerly in Chapter 59A-3 of the Florida Administrative Code dealing with healthcare and the provisions of the Florida Accessibility Code for building construction.

The emergency department (ED) and ambulance entrances are near each other on the east side of the building. It might be preferable if the shower adjacent to the emergency department, (presumably for decontamination), had a door leading directly into the ED rather than just the door that opens to the exterior. Direct access to the ED is not required, but this is becoming the acceptable design in most facilities. The north side has the visitor drop-off and the patient drop-off on the same traffic loop. There appears to be some type of canopy over these two entries. Depending on the direction of traffic (which is not indicated), it is possible that there might be some congestion with these two functions so close to each other, particularly since cars will be stopping at both points to let passengers out. Although both are labeled "drop-off", it can be assumed that they are pick-up points also. This would increase the possibility of congestion. The designers may have some explanation as to how this adjacency is workable, but it appears that the area would benefit from further study.

On the first floor, the relationship between the emergency drop-off, the in/out patient drop-off and the admitting area is particularly well thought out. The administration area with its in-house office areas and its more patient-orientated spaces, such as the business office, are located in two short wings which meet at a common point where the main toilet rooms are. This too is well designed and should work quite well to prevent patients and visitors from unduly wandering into these areas unless they have a particular need to be there.

The dining/serving area is quite distant from the main waiting rooms for patients and visitors and even more so from the emergency department. The route from these spaces with relatively high people-count is not very intuitive. However, there is a space for vending machines adjacent to the emergency room waiting area.

The 195 net square foot typical patient rooms are located on the second and third floors and all but one are private rooms. Each room has its own accessible bathroom with a toilet, lavatory and a 30" x 60" roll-in shower. The large scale patient room plans show the side of the lavatory located at the edge of the shower. The AHCA Office of Plans and Construction feels that this is in compliance with the Florida Accessibility Code for Building Construction (to be incorporated in the Florida Building Code), but there is a possibility that local officials might have a slightly different interpretation of this layout. The required clear space for the lavatory overlaps the actual floor space of the shower. This could be a major issue since it affects all patient bathrooms and the dimensions of the bedrooms and should be researched at the local level during design development.

In addition to the patient rooms and their ancillary support spaces, the new hospital will have:

A 12-bed ICU/CCU

One Ortho OR

Two full sized Ors

One Cysto and one Endoscopy room

A 14-position Emergency Department

One Cath Lab, one MRI Suite, two Fluoroscopy Rooms

And other diagnostic/treatment units.

Overall the project is straightforward and the layout is good. The ancillary spaces are all generously sized and conveniently laid-out for the functions that they support.

There is a partial list of applicable codes on the drawings, but this will have to be modified when the new Florida building code is adopted.

Schematic plans submitted were done by an architectural firm that has extensive healthcare experience and it is evident that the applicant has worked out a detailed program of spaces and needs with the designer.

Schedule 10 indicates that the architect/engineer contracts are expected to be signed by December, 2001 and the projected completion date is September, 2004. The schedule may be adequate for design and construction, depending on the design/construction team and their familiarity and experience with healthcare facilities.

The cost of the project per bed appears to be slightly lower than some other projects of this type where new hospitals are being built.

**i. 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(11), Florida Statutes.**

The applicant asserts a history of providing Medicaid and charity care and a commitment to continue doing so in the future. Hernando HMA, Inc. which operates Brooksville Regional and Spring Hill Regional under a single license, is designated as a Medicaid Disproportionate Share Hospital for State Fiscal Year 2001-2002. For FY 2000, the applicant provided 71 percent of the total charity care offered by hospitals in Hernando County. According to the most recent Financial Data Report (1999) prepared by the agency, the following summarizes the levels of charity care provided by both Brooksville Regional and Spring Hill Regional and a comparison with the District 3 average:

**Medicaid and Charity Care Provision**

<b>Provider</b>	<b>Medicaid Provision</b>	<b>Charity Care Provision</b>
Brooksville Regional	5.8%	1.1%
Spring Hill Regional	2.0%	0.7%
Subdistrict 6 (including Oak Hill)	3.8%	0.8%
District 3	8.3%	2.3%

**Source: 1999 Hospital Financial Guide**

The applicant provides Medicaid and charity care at a lesser level than the District 3 average, however, the applicant hospitals do provide the majority of care for these payor groups based in the subdistrict. Oak Hill Hospital, the other hospital in Subdistrict 6, Hernando County provided 3.6 percent of total patient days for Medicaid patients and 0.6 percent for charity care patients. It is important to note that the district averages can be considered skewed by the inclusion of Shands due to its higher than average Medicaid and charity care provisions. Although the exclusion of the Shands percentages for these payor groups, reduces the overall District 3 average to 6.3 percent for Medicaid and 1.2 percent for charity care, these district averages are still higher than the applicant's averages. However, the applicant hospitals do provide the majority of care for these payor groups based in the subdistrict.

According to Financial Schedule 7A, the applicant projects that Medicaid patient days will represent 7.2 percent of its total patient days in the second year of operation of the proposed replacement facility. Charity care in year two is projected at \$4,294,635 without this project and \$4,719,208 in the proposed replacement facility.

The applicant has a reasonable history of providing health services to Medicaid and medically indigent patients.

**F. SUMMARY**

**Hernando HMA, Inc. (CON #9478)** proposes to construct a replacement facility for the currently licensed 91-bed Brooksville Regional Hospital. The selected site is approximately three miles west of the hospital's current location.

The proposed replacement hospital will be comprised of 181,844 gross square feet with construction costs of \$32,400,000 and will meet all current codes and regulations. A total project cost of \$52,066,835 is expected. The replacement facility is projected to be operational by October 1, 2004.

The applicant is only willing to accept a condition regarding the specific site for the facility.

*After weighing and balancing all relevant criteria, the following issues are presented:*

**Fixed Need Pool:**

- The proposed project is not submitted in response to the fixed need pool, as the applicant is not seeking to add beds to the hospital or the subdistrict. The project is subject to review in accordance with Chapter 59C-1.004(1)(b), that requires review of the new construction or establishment of additional health care facilities, including a replacement health care facility when the proposed project site is not located on the same site as the existing health care facility.
- The applicant's justification for the project is largely based on a commissioned architectural review and a separate feasibility study that concluded a need to replace the current facility. The project is also supported by a commissioned travel study that resulted in a conclusion that the new location will provide reasonable access for county residents.
- The applicant reasonably demonstrated a need to replace the current hospital off site based on the inadequacies inherent in an building originally constructed 37 years ago, aging systems, and a restricted site.

- The proposed location of the replacement hospital is approximately three miles from its current location and is not expected to adversely impact existing subdistrict hospitals.

**Quality of Care:**

- The applicant reasonably demonstrates that it has a history of providing quality of care, an indication being the hospital's JCAHO accreditation and compliance with all licensure requirements of the State of Florida. The applicant also reasonably describes its current performance improvement program. The replacement of a substandard structure will likely improve the quality of care in the subdistrict.

**Cost/Financial Analysis:**

- The applicant has a reasonably strong financial position. Based on the cash flows of the applicant and the financial commitment from the parent, funding for this project and all other capital projects is assured.
- The applicant apparently overstated profit projections and understated costs. However, based on an improved and more efficient hospital operation and with a moderate increase in costs, the financial analyst concluded that the project may be financially feasible.
- The applicant's projected managed care provision is less than the control group lowest level and significantly below the hospital's most recent experience. The financial analyst concluded that the applicant's projections regarding managed care cannot be relied upon to indicate the competitive impact in this area.

**Medicaid/Indigent Charity Care Commitment:**

- Hernando HMA, Inc. has a history of providing Medicaid and charity care. The applicant is a designated Medicaid Disproportionate Share Hospital for State Fiscal Year 2001-2002. The applicant is the largest provider of care to the medically indigent in the subdistrict.

- According to Financial Schedule 7A, the applicant projects that Medicaid patient days will represent 7.2 percent of total patient days in the second year of operation of the proposed replacement facility. Charity care in year two is projected at \$4,294,635 without this project and \$4,719,208 in the proposed replacement facility.

**Architectural Analysis:**

- The proposed new facility will have more land for expansion, be built to current code standards and have better floor layouts and spatial organization for staff and patients. It will have functional units with sufficient and organized space and state-of-the-art technology and thereby be better able to serve the public.
- Overall the project is straightforward and the layout is good. The ancillary spaces are all generously sized and conveniently laid-out for the functions that they support.

**G. RECOMMENDATION**

Approve CON #9478 to construct a replacement facility for the 91-bed Brooksville Regional Hospital to be located at State Road 50 and Lykes Dublin Road in Hernando County. The project consists of 181,844 gross square feet with construction costs of \$32,400,000. Total project costs are \$52,066,835.

**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: \_\_\_\_\_

\_\_\_\_\_  
Karen Rivera  
**Health Services and Facilities Consultant Supervisor**  
**Certificate of Need**

\_\_\_\_\_  
Jeffrey N. Gregg  
**Chief, Bureau of Health Facility Regulation**